

**TOWN OF ROCKLAND, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2013**

**TOWN OF ROCKLAND, MASSACHUSETTS  
 BASIC FINANCIAL STATEMENTS AND  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2013**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditor's Report	i
Management's Discussion and Analysis	iii
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund balance – Governmental Funds	4
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	5
Statement of Net Position – Fiduciary Funds	6
Statement of Changes in Fiduciary Net Position – Fiduciary funds	7
Notes to Financial Statements	8
Required Supplementary information	
Schedule of Funding Progress – OPEB	32
Budgetary Comparison Schedule – General Fund	34
Budgetary Comparison Schedule – Water Fund	35
Budgetary Comparison Schedule – Sewer Fund	36
Notes to required supplementary information	37



Lynch, Malloy, Marini, LLP

Certified Public Accountants & Advisors

www.lmmepas.com

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Rockland, Massachusetts

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***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 Town of Rockland, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii - x, and the budgetary comparison information, schedule of funding progress for the Town's retiree benefit plan - other post employment benefits, on pages 32 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rockland, Massachusetts' internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts

December 16, 2013



Lynch, Malloy, Marini, LLP

*Certified Public Accountants & Advisors*

[www.lmmcpas.com](http://www.lmmcpas.com)

**MANAGEMENT'S DISCUSSION & ANALYSIS**

# TOWN OF ROCKLAND, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2013

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, 2013.

### Financial Highlights:

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$71.7 million (net position). The Town reported an increase in net position of approximately \$9.9 million.
- The total cost of all Town services for fiscal year 2013 was approximately \$69.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$2.1 million.

### 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) notes to financial statements and 4) required supplementary information.

**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 position* presents information on all of the Town's assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources resulting in the aggregate net position of the Town. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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, water and sewer operations, 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, 2013

**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 Town implemented certain new GASB pronouncements during the year which changed certain reporting classifications from previous years. These notes provide additional information related to these changes which are essential in understanding the current financial statements and comparisons with previous year. The notes to the financial statements follow the basic financial statements described above.

**Required supplementary information:** The supplementary information presented as required by governmental accounting standards, includes certain budgetary comparison information as well as information related to the Town's retiree benefits plan for health care (OPEB).

### **Government-Wide Financial Analysis**

As noted earlier, net position 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 and deferred inflows of resources by \$71.7 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, 2013**

	FY2013 Governmental <u>Activities</u>	FY2012 Governmental <u>Activities</u>
Current assets	\$ 24,741,553	\$ 23,915,597
Capital assets	<u>128,552,992</u>	<u>105,363,499</u>
Total assets	153,294,545	129,279,096
Current Liabilities	21,673,287	11,490,703
Deferred inflows of resources	906,115	
Long term liabilities	<u>59,037,251</u>	<u>56,148,347</u>
Total liabilities and deferred inflows	81,616,653	67,639,050
Net position:		
Net investment in capital assets	81,320,142	68,352,380
Restricted	7,714,936	7,052,473
Unrestricted	<u>(17,357,186)</u>	<u>(13,764,807)</u>
Total net position	<u>\$ 71,677,892</u>	<u>\$ 61,640,046</u>

Included within the governmental activity current assets are approximately \$14.6 million in cash, \$2.1 million of investments, and \$8.1 million of receivables. Included in the receivable amount is \$3.2 million of intergovernmental receivables, which consists primarily of \$2.0 million due from the MSBA on school building projects, \$750,000 of state highway and other construction grants and \$173,000 in MWPAT funds.

Current year additions to capital assets totaled approximately \$25.4 million. Of this amount approximately \$20.8 million and \$600,000 consisted of construction in progress related to the new John Rodgers Middle School and High School construction and senior center projects, respectively. Additionally, capital asset additions included \$1.9 million for road related construction and improvement projects and \$1.2 million of equipment, and vehicle acquisitions, primarily equipment for the fire department.

Governmental activity long-term liabilities include \$34.9 million in general obligation bonds, \$1.5 million of general obligation bonds have been classified as current because it is due within fiscal year 2014. Long-term liabilities also include \$18.7 million for net other post-employment benefits (OPEB) obligations, \$4.6 million for estimated compensated absences, \$.5 million for estimated future landfill monitoring and related costs, and \$.4 million for capital lease obligations.

Deferred inflows of resources of \$906,000 is comprised of \$318,000 of unamortized bond premiums and \$587,000 of deferred revenue associated with amounts due from the Commonwealth of Massachusetts' highway awards for which expenditures and related reimbursement have not been incurred at year end.

The largest portion of the Town's net position \$81.3 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt or deferred outflows associated with acquiring those assets. 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.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2013

An additional portion of the Town's net position, \$7.7 million 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 \$2.2 million and \$3.2 million respectively.

The Town's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit of approximately \$17.4 million.

Governmental activities increased the Town's net position by approximately \$9.9 million or approximately 16.07% during fiscal year 2013. A summary of revenues and major functional expenditures is presented below. Certain prior year balances have been reclassified to correspond with the current year presentation.

Key elements of the current year activity are as follows:

Revenues:

- Property taxes represent nearly 36.5% 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.
- Capital grants and contributions amounted to \$13.2 million and represented approximately 16.8% of the Town's total revenues. The primary amounts were related to the Town's school building of \$12.2 million, senior center projects \$288,000, public works (highway improvements) of \$306,000 and public safety FEMA awards for fire equipment acquisitions of \$630,000.
- Operating grants and contributions of \$19.9 million represented approximately 25.0% of the Town's revenue. The largest proportion of this revenue, nearly \$10.0 million represents Chapter 70 and charter school aid from the Commonwealth and Medicare assistance from the federal government. An additional \$5.5 represents contributions made to the Massachusetts Teacher's Retirement System on behalf of the Town. An additional \$2.9 million represent various educational grants received from the state and federal governments.
- Charges for services represent nearly 16.1% of the Town's revenue. This includes water and sewer charges at nearly \$6.5 million, trash fees at \$1.3 million, and ambulance receipts of \$.9 million.
- The Town realized an increase in departmental revenues in fiscal year 2013 of approximately \$66,000 from the previous fiscal year, associated with land conveyances per the agreement with the developer of the former naval air station, LNR.

Expenses

- Total expenses increased approximately 4.3% during fiscal year 2013. The Town had increases in the public works expenditures related to snow and ice removal of approximately \$498,000 due in part to the severe winter, including a blizzard during fiscal year 2013. The Town had increases in pension costs and well as interest costs associated with the first complete year of debt service payments associated with the \$30 million bond issued during fiscal year 2012. The Town realized certain savings in health insurance by changing certain health plans in which it offered to participants of approximately 10%, pursuant to an agreement with the public employees in accordance with MGL. Water and sewer activities overall had slight increases.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**Management's Discussion and Analysis**  
**June 30, 2013**

	FY2013 Governmental <u>Activities</u>	FY2012 Governmental <u>Activities</u>
Revenues:		
Charges for services	\$ 12,780,205	\$ 11,596,192
Operating grants and contributions	19,881,379	20,027,466
Capital grants and contributions	13,391,249	25,051,209
General revenues:		
Property taxes	29,016,678	26,872,315
Excise taxes	1,623,085	1,596,863
Penalties and interest	298,135	253,071
Grants and contributions not restricted	2,261,319	2,406,819
Investment income	75,511	73,482
Premiums on issuance temporary debt	104,806	
Departmental and other	<u>157,510</u>	<u>53,569</u>
Total revenues	79,589,877	87,930,986
Expenses:		
General government	14,438,061	14,367,128
Public safety	7,375,160	6,911,614
Education	33,940,676	32,795,047
Public works	9,430,436	8,615,032
Health and human services	1,671,612	1,578,543
Culture and recreation	1,051,494	1,029,617
Interest and other charges	1,326,025	1,126,174
State and county charges	<u>256,335</u>	<u>214,380</u>
Total expenses	69,489,799	66,637,535
Loss on retirement of capital assets		(71,842)
Transfers to fiduciary funds	<u>(178,735)</u>	<u>-</u>
Change in net position	<u>\$ 9,921,343</u>	<u>\$ 21,221,609</u>

**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.

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. Fund balance for governmental funds is reported in a classification hierarchy which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

In particular, *unassigned fund balance* represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance amount. Any negative unassigned fund balance represents expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2013

As of the end of the current fiscal year, combined governmental funds reported an aggregate deficit of \$26,487 a decrease of approximately \$10.5 million from the previous year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$2.8 million, committed fund balance was \$4.9 million; assigned fund balance was \$70,000 and unassigned deficit of \$7.8 million. The unassigned deficit was primarily due to issuance of bond anticipation notes (temporary debt) which for financial reporting purposes are not considered funding sources. The Town reported deficits in its major capital projects of approximately \$9.1 million and other capital projects of approximately \$1.0 million. Permanent financing is anticipated in future periods and will eliminate the deficits.

The general fund is the chief operating fund. At the end of the current fiscal year, the Town reported aggregate fund balance of \$3.2 million, an increase of approximately \$500,000 from the previous year. Of this amount \$397,947 or 12.4% represents restricted fund balance. Committed fund balance of \$672,835 and assigned fund balance of \$70,178 represent 20.9% and 2.2% of total general fund balance respectively. Unassigned fund balance of \$2,077,559 represents 64.6% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 4.0% of both total general fund revenues and expenditures. Total general fund balance represents approximately 6.1% of both general fund revenues and expenditures.

#### **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 \$46,897,581 million and the amended final budget of \$46,919,228 is due to primarily to 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.

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

The difference between the original budget of \$3,604,341 and the final budget of \$3,083,704 is due 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.

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

The difference between the original budget of \$3,125,376 and the final budget of \$2,452,200 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, 2013 amounts to \$128,552,992, which is net of accumulated depreciation of \$54,280,883. This represents approximately a \$23.2 million net increase from the previous year. 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, 2013**

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>2013</u>	<u>2012</u>
Land, improvements and restrictions	\$ 5.7	\$ 5.5
Land – conservation restriction	.5	.5
Buildings and related improvements	7.0	7.1
Joint Water Works	5.6	5.8
Equipment, machinery, vehicles	3.3	2.5
Infrastructure (including water & sewer)	22.7	21.8
Construction in Progress	<u>83.7</u>	<u>62.2</u>
	<u>\$128.5</u>	<u>\$ 105.4</u>

The Town's major additions to governmental activities capital assets during 2013 included the following:

- Expenditures related to the new John Rodgers Middle School and High School renovation projects.
- Costs related to the construction of the new senior center project.
- Road paving, construction and related improvements (infrastructure).
- Acquisition of several vehicles and public safety equipment.

**Debt obligations** - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$36.4 million. This is compared to \$37.4 million last year. All debt is a general obligation of the Town.

At the end of the current fiscal year, the Town had temporary debt outstanding of approximately \$15.4 million. This is compared to \$510,000 last year. During the fiscal year, the Town issued \$14.9 million in bond anticipation notes related to the following capital projects: \$7.4 million School building project, \$3.0 million for senior center project, and \$4.5 million for road construction project.

Additionally, the Town reported notes payable to the MWPAT in the aggregate of \$573,225 as of June 30, 2013. These notes were funded through the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, these projects are subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates, the MWPAT may forgive the remaining balance on the interim notes.

The Town maintains an A1 bond rating with Moody's Investors Service.

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

- The Town's fiscal year 2014 operating budget (inclusive of water and sewer) approved at May 6, 2013 Annual Town Meeting increased approximately 8.8% over the fiscal year 2013 general operating budget.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2013

**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 Position  
June 30, 2013

	<u>Primary Government</u> <u>Governmental</u> <u>Activities/Totals</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 16,654,860
Receivables	8,086,693
Capital assets, net accumulated depreciation	128,552,992
Total assets	\$ 153,294,545
 <b><u>LIABILITIES</u></b>	
Accounts payable	\$ 2,258,288
Salaries and withholdings payable	611,464
Provision for refund of paid taxes	187,000
Contractor retainage payable	1,265,057
Notes payable	14,900,000
Notes payable - ARRA (Note 10)	573,225
Accrued interest payable	215,760
Long-term liabilities	
Due within one year	1,662,493
Due in more than one year	59,037,251
Total liabilities	80,710,538
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unamortized bond premiums	318,747
Deferred revenue	587,368
Total deferred inflow of resources	906,115
 <b><u>NET POSITION</u></b>	
Net investment in capital assets	81,320,142
Restricted	7,714,936
Unrestricted	(17,357,186)
Total net position	71,677,892
Total liabilities, deferred inflows of resources and net position	\$ 153,294,545

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Activities  
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net Position</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Primary Government</u>
					<u>Governmental</u>
					<u>Activities/Totals</u>
<b>Primary government</b>					
Governmental activities					
General government	\$ 14,438,061	\$ 228,674	\$ 78,719	\$	\$ (14,130,668)
Public safety	7,375,160	1,641,519	90,552	630,000	(5,013,089)
Education	33,940,676	2,210,329	17,366,713	12,166,866	(2,196,768)
Public works	9,430,436	7,038,360	718,901	306,706	(1,366,469)
Human services	1,671,612	1,338,076	267,058	287,677	221,199
Culture and recreation	1,051,494	323,247	76,987		(651,260)
Interest and other charges	1,326,025		1,061,250		(264,775)
State and county charges	256,335		221,199		(35,136)
Total governmental activities	<u>\$ 69,489,799</u>	<u>\$ 12,780,205</u>	<u>\$ 19,881,379</u>	<u>\$ 13,391,249</u>	<u>(23,436,966)</u>

General revenues:

Property taxes, net of allowances for uncollectibles	29,016,678
Excise taxes	1,623,085
Penalties and interest	298,135
Grants and contributions not restricted to specific programs	2,261,319
Investment income	75,511
Premium on issuance of temporary debt	104,806
Departmental and other	157,510
Total general revenues	<u>33,537,044</u>
Transfers out to fiduciary funds	<u>(178,735)</u>
Change in net position	<u>9,921,343</u>
Net position - beginning, (restated Note 17)	<u>61,756,549</u>
Net position - ending	<u>\$ 71,677,892</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS  
Balance Sheet  
Governmental Funds  
June 30, 2013

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Senior Center Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Cash and investments	\$ 3,928,962	\$ 1,302,182	\$ 2,575,320	\$ 171,339	\$ 2,674,349	\$ 3,243,647	\$ 2,759,061	\$ 16,654,860
Receivables	3,258,173	571,950	420,340	1,996,821			1,153,409	7,400,693
Interfund receivables	471,660							471,660
Total assets	<u>\$ 7,658,795</u>	<u>\$ 1,874,132</u>	<u>\$ 2,995,660</u>	<u>\$ 2,168,160</u>	<u>\$ 2,674,349</u>	<u>\$ 3,243,647</u>	<u>\$ 3,912,470</u>	<u>\$ 24,527,213</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 786,505	\$ 62,080	\$ 146,847	\$ 583,745	\$ 136,493	\$ 253,823	\$ 288,795	\$ 2,258,288
Salaries and withholdings payable	611,464							611,464
Provision for refund of paid taxes	187,000							187,000
Notes payable				7,400,000	3,000,000	4,500,000		14,900,000
Notes payable - ARRA							573,225	573,225
Contractor retainage payable				1,236,581	28,476			1,265,057
Interfund payables							471,660	471,660
Total liabilities	<u>1,584,969</u>	<u>62,080</u>	<u>146,847</u>	<u>9,220,326</u>	<u>3,164,969</u>	<u>4,753,823</u>	<u>1,333,680</u>	<u>20,266,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred revenue	<u>2,855,306</u>	<u>246,007</u>	<u>420,340</u>				<u>765,353</u>	<u>4,287,006</u>
Total deferred inflows of resources	<u>2,855,306</u>	<u>246,007</u>	<u>420,340</u>				<u>765,353</u>	<u>4,287,006</u>
<b>FUND BALANCES</b>								
Restricted	397,947						2,401,380	2,799,327
Committed	672,836	1,566,045	2,428,473				217,579	4,884,933
Assigned	70,178							70,178
Unassigned	<u>2,077,559</u>			<u>(7,052,166)</u>	<u>(490,620)</u>	<u>(1,510,176)</u>	<u>(805,522)</u>	<u>(7,780,925)</u>
Total fund balances	<u>3,218,520</u>	<u>1,566,045</u>	<u>2,428,473</u>	<u>(7,052,166)</u>	<u>(490,620)</u>	<u>(1,510,176)</u>	<u>1,813,437</u>	<u>(26,487)</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,658,795</u>	<u>\$ 1,874,132</u>	<u>\$ 2,995,660</u>	<u>\$ 2,168,160</u>	<u>\$ 2,674,349</u>	<u>\$ 3,243,647</u>	<u>\$ 3,912,470</u>	<u>\$ 24,527,213</u>
Net position for governmental activities reported in the statement of net position is different because:								
Total fund balances of governmental funds								\$ (26,487)
Capital assets used in governmental activities are not financial resources and are not reported in funds.								128,552,992
The cost of the assets is \$182,833,875, net of accumulated depreciation of \$54,280,883.								4,066,890
Certain inflows of resources are not available to pay current-period expenditures and are deferred in funds, plus other accruals, net of allowances for uncollectibles.								(60,699,743)
Long-term liabilities, including debt, leases, compensated absences and net OPEB obligations are not due and payable in the current period and are not included in funds.								(215,760)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.								<u>\$ 71,677,892</u>
Net position of governmental activities								<u>\$ 71,677,892</u>

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, 2013

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Senior Center Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>								
Property Taxes	\$ 28,852,549	\$	\$	\$	\$	\$	\$	\$ 28,852,549
Excise taxes	1,678,074							1,678,074
Penalties and interest	298,135	16,609	16,035					330,779
Investment earnings	72,333						3,178	75,511
Departmental fees, fines, and other	2,715,561	4,451,563	2,236,976				3,358,633	12,762,733
Intergovernmental	18,931,175		4,077	12,166,866	287,677		4,019,029	35,408,824
Total revenues	<u>52,547,827</u>	<u>4,468,172</u>	<u>2,257,088</u>	<u>12,166,866</u>	<u>287,677</u>		<u>7,380,840</u>	<u>79,108,470</u>
<b>Expenditures</b>								
Current:								
General government	10,413,874						48,405	10,462,279
Public safety	6,564,379						1,087,801	7,652,180
Education	29,155,873			20,823,525			5,134,238	55,113,636
Public works	1,301,683	3,904,891	2,231,057			1,510,176	1,410,010	10,357,817
Human services	1,601,088				769,297		20,986	2,391,371
Culture and recreation	675,749						388,605	1,064,354
State and county assessments	256,335							256,335
Debt service								
Principal	980,000	406,444	79,959					1,466,403
Interest and other issuance costs	1,163,836	141,899	25,087					1,330,822
Total Expenditures	<u>52,112,817</u>	<u>4,453,234</u>	<u>2,336,103</u>	<u>20,823,525</u>	<u>769,297</u>	<u>1,510,176</u>	<u>8,090,045</u>	<u>90,095,197</u>
Revenues over (under) expenditures	435,010	14,938	(79,015)	(8,656,659)	(481,620)	(1,510,176)	(709,205)	(10,986,727)
<b>Other financing sources (uses)</b>								
Premium on issuance of temporary debt	104,806							104,806
MWPAT permanent financing of interim note							510,745	510,745
Transfers in	209,376						61,505	270,881
Transfers out	(235,240)	(61,538)	(38,088)		(5,000)		(109,750)	(449,616)
Total other financing sources (uses)	<u>78,942</u>	<u>(61,538)</u>	<u>(38,088)</u>		<u>(5,000)</u>		<u>462,500</u>	<u>436,816</u>
Revenues and other financing sources over (under) expenditures and other financing uses	513,952	(46,600)	(117,103)	(8,656,659)	(486,620)	(1,510,176)	(246,705)	(10,549,911)
Fund balances - beginning, (restated Note 17)	<u>2,704,568</u>	<u>1,612,645</u>	<u>2,545,576</u>	<u>1,604,493</u>	<u>(4,000)</u>	<u>-</u>	<u>2,060,142</u>	<u>10,523,424</u>
Fund balances - ending	<u>\$ 3,218,520</u>	<u>\$ 1,566,045</u>	<u>\$ 2,428,473</u>	<u>\$ (7,052,166)</u>	<u>\$ (490,620)</u>	<u>\$ (1,510,176)</u>	<u>\$ 1,813,437</u>	<u>\$ (26,487)</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, 2013

Revenues and other financing sources (under)		
expenditures and other financing uses - governmental funds	\$	(10,549,911)
<p>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.</p>		
Capital outlays during the fiscal year		25,369,303
Depreciation recorded for the fiscal year		(2,179,810)
<p>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.</p>		
Net change in deferred revenue		386,101
Net change in unbilled receivables		85,000
Net change in allowance for uncollectible/doubtful accounts		(94,500)
<p>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 position 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.</p>		
Principal payments on long term debt		1,466,403
Permanent financing of MWPAT interim note		(510,745)
Amortization of premiums		24,626
<p>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.</p>		
Change in accrued interest expense		(19,829)
<p>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 change in these liabilities is reflected as an expense in the Statement of Activities.</p>		
Current year OPEB cost		(6,483,114)
Current year OPEB contributions		2,287,720
Change in the landfill monitoring cost liability		162,000
Capital leases recorded during the year		(163,160)
Principal payments on capital leases during the year		204,259
Net change in compensated absences liability		(63,000)
Change in net position of governmental activities	\$	<u>9,921,343</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Net Position - Fiduciary Funds  
June 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Public Employee Health Care Mitigation Fund</u>	<u>Other Post-Employment Benefits Trust fund</u>	<u>Agency Accounts</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 702,480	\$ 153,525	\$ 10,000	\$ 143,237
Total assets	<u>\$ 702,480</u>	<u>\$ 153,525</u>	<u>\$ 10,000</u>	<u>\$ 143,237</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$	\$ 1,350	\$	\$ 5,636
Amounts due to students and others				137,601
Total liabilities		1,350		143,237
<b><u>NET POSITION</u></b>				
Held in trust	<u>702,480</u>	<u>152,175</u>	<u>10,000</u>	
Total liabilities and net position	<u>\$ 702,480</u>	<u>\$ 153,525</u>	<u>\$ 10,000</u>	<u>\$ 143,237</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2013

	<b>Private Purpose Trust Funds</b>	<b>Public Employee Health Care Mitigation Fund</b>	<b>Other Post-Employment Benefits Trust fund</b>
<b>Additions</b>			
Contributions	\$ 29,911	\$	\$
Interest and dividends	8,096		
Unrealized gain on investments	22,764		
Total additions	<u>60,771</u>		
<b>Deductions</b>			
Scholarships and awards	39,700		
Benefits		16,560	
Total deductions	<u>39,700</u>	<u>16,560</u>	
<b>Transfers</b>			
Transfers in		168,735	10,000
Change in net position	21,071	152,175	10,000
Net position - beginning, restated Note 17	<u>681,408</u>		
Net position - ending	<u>\$ 702,480</u>	<u>\$ 152,175</u>	<u>\$ 10,000</u>

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, 2013

**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. See also joint ventures.

**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 significant joint ventures, their purpose, and the annual assessments or fees paid for services rendered during fiscal year 2013. 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 as part of the water fund. The Town does not have a material equity interest in any of the other joint ventures.

<u>Joint venture</u>	<u>Purpose</u>	<u>FY 2013 amounts paid</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$ 2,040,496
South Shore Regional School District	To provide vocational educational services	1,551,433
North River Collaborative	To provide special education services	1,032,189
Massachusetts Bay Transit Authority	To provide regional transportation	84,591
Old Colony Library Network	To provide enhanced services to members	21,360
Brockton Area Transit Authority	To provide regional transportation services	29,096
South Shore Tri-Town Development Corp.	To develop land with towns of Abington & Weymouth	N/A

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 are based upon land conveyances of land by LNR. These payments are to be used for capital expenditures, and/or recreational facilities. During fiscal year 2013, the Town received approximately \$106,000.

The Abington/Rockland Joint Water Works, established pursuant to Chapter 139 of the Acts of 1886 and amendments thereafter, for the Towns of Abington and Rockland to jointly supply water to the member towns. The joint water board is comprised of members of the water commissioners of each town. Costs associated with joint water expenses are billed to the Town of Abington on a monthly basis. Major capital outlays acquired through debt issuance are equally shared between the towns. Additional information surrounding the Joint Water works can be obtained by contacting the Town.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

The South Shore Regional School District (District) was established by an agreement between the member towns of Abington, Cohasset, Hanover, Norwell, Rockland, Scituate and Whitman, pursuant to MGL Chapter 71 to provide vocational technical education for students grades 9-12. The District is governed by a Regional School Committee, elected from each town at respective town elections. Annually the District School committee apportions operating and capital costs to the member towns pursuant to MGL and the agreement. The annual assessment must be accepted by the each Town's electorate.

The North River Collaborative (the Collaborative) is a public entity formed as an education collaborative trust fund by agreement eight member governmental entities pursuant to the provisions of Massachusetts General Law Chapter 40, Section 4E. The Town pays the Collaborative for educational programs and services on an as needed basis for students.

### Related Organizations

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

## **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). 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 major and other 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 Position, 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, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Town's net position is reported in three parts—net investment in capital assets, restricted, and unrestricted. 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. 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, except for those costs associated with the water and sewer activities which have been directly charged to the public works function.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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 available to the Town:

#### Major Funds

- General fund is the general operating fund of the Town. It should be used to account for all financial resources not accounted for and reported in another fund.
- Water fund is a special revenue fund used to account for the activities related to the operations of the Town's water system. Revenues consist primarily of user charges and other departmental fees. This fund also accounts for joint water works activity.
- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Town's sewer system. Revenues consist primarily of user charges and other departmental fees.
- School building project is a capital project fund used to account for financial resources to be used to fund the renovation of the Town's high school and the construction of a new middle school. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued. See also Note 12.
- Senior Center building project is a capital project fund used to account for financial resources to be used to fund the construction of a new community senior center. Resources of the fund consist primarily of debt proceeds when issued and grant reimbursements from the Commonwealth.
- Road Improvement projects is a capital project fund used to account for financial resources to be used to fund constructions and repairs to the roads and related infrastructure of the Town. Other resources consist of debt proceeds when issued.

Non-major governmental funds consist of other special revenue, and capital projects funds that are aggregated and presented in the other 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The Town accounts for certain capital asset acquisitions (capital outlay) through the general fund's budgetary process, as well as through certain special revenue funds. Currently, the Town has determined that capital project funds are to account for and report capital assets to be financed through the issuance of long term debt. Resources committed to capital outlay or acquisitions have been identified by function in further detail at Note 3 *Equities*.

- Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The Town currently has not classified any funds as permanent funds.

### 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 (including scholarships and awards) 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.
- Public employee health care mitigation fund accounts 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. This fund was established pursuant to an agreement signed between the Town and the Public Employee Committee pursuant to provision of Massachusetts General Law (MGL) Chapter 32B to provide certain benefits as a result of transferring active health insurance subscribers to different insurance plans. The agreement is effective for the period July 1, 2012 through June 30, 2015. At January 1, 2016 the remaining balance of any funds shall be distributed to employees through a premium holiday or other equitable means as agreed upon.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town. These funds consist of amounts associated with the public school students' activities funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in the Town's fund financial statements is on the major funds in the governmental functional categories. Nonmajor funds by category are summarized into a single column. GASB pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose, other 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 un-matured 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 generally 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 Position, "cash and term deposits" include all demand, and savings accounts.

Investments are carried at fair value. Fair value is based on quoted market price. 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 Position.

### **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 and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates 30% of the reported ambulance charges to be uncollectible. Outstanding real estate taxes and sewer charges are secured by tax liens, and therefore considered to be fully collectible. Outstanding water charges are subject to discontinued service, and therefore are deemed fully collectible by the Town.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

### F. Capital Assets

The accounting treatment over property, plant, and equipment (capital 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 capital 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. The Town utilizes a \$5,000 per unit capitalization threshold.

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 Position. 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. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. The Town has not reported and deferred outflows of resources as of June 30, 2013. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

### H. Liabilities

Liabilities represent *present obligations* to sacrifice resources for which the government has *little or no discretion to avoid*. The primary focus is on the obligation for the government to perform. The accounting treatment for these obligations depends on whether they are reported in the government-wide or fund financial statements.

Current liabilities are reported in both the fund and government-wide financial statements. Current liabilities represent obligations incurred in the operating cycle for acquisition goods, services, accruals for salaries/wages, vacation accruals, and other obligations due or generally expected to be liquidated within one year from the balance sheet date. Government-wide financial statements also report other current liabilities such as accrued interest, which is reported on a full accrual basis.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

Generally, all noncurrent (long term) liabilities are not reported as liabilities in the fund financial statements, but are reported in the government-wide statements. Such obligations consist primarily of such obligations as bonds payable, capital leases, compensated absences, estimated landfill post-closure monitoring and other post-employment obligations.

### I. 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 Town records a liability estimated buy back for accumulated sick time as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### J. Equity Classifications

#### Government-wide Statements

Equity is classified as net position in the government-wide financial statements. The Town utilizes resources which have been restricted prior to utilizing unrestricted resources. Net position is displayed in the following three components:

- Net investment in capital assets— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by 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—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

#### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The Town does not maintain any minimum fund balance policies. Fund balance can be classified in the following components:

- Non-spendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting, the Town's highest level of decision making. Any modification or rescission must be through Town Meeting vote.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

- Assigned fund balance – consist of amounts that are constrained by the Town's intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations. Amounts may also be assigned by Town Meeting.
- Unassigned fund balance – represents the residual classification for remaining fund balance. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes.

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

### **K. 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.

### **L. Total columns**

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

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

## **Note 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. 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.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

The budgets for all departments and operations of the Town are prepared under the direction of the Board of Selectmen. The School department budget is prepared under the direction of the School Committee. Water and sewer departmental budgets are prepared under the direction of the respective board of commissioners. All original and supplemental appropriations must be 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 water and sewer. 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. Budgetary information has been presented as required supplementary information to these financial statements.

**C. Fund equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either non-spendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2013, the classification of the Town's fund balances can be detailed as follows:

	General <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	School Building <u>Project</u>	Senior Center <u>Project</u>	Road Improvement <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Totals</u>
<b>Restricted</b>								
General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,783	\$ 60,783
Public Safety							326,829	326,829
Education							1,355,402	1,355,402
Public Works							204,701	204,701
Human Services							235,817	235,817
Culture & Recreation							216,314	216,314
Capital outlay							1,534	1,534
Debt service	<u>397,947</u>	-	-	-	-	-	-	<u>397,947</u>
subtotal	397,947	-	-	-	-	-	2,401,380	2,799,327
<b>Committed</b>								
General Government	179,436						93,333	272,769
Public Safety	249,000						15,606	264,606
Education	163,817							163,817
Public Works	70,000	1,090,917	2,394,105				82,570	3,637,592
Human Services							5,864	5,864
Culture & Recreation	10,583						20,206	30,789
Capital outlay		471,260	34,368					505,628
Debt service	-	<u>3,868</u>	-	-	-	-	-	<u>3,868</u>
subtotal	672,836	1,566,045	2,428,473	-	-	-	217,579	4,884,933
<b>Assigned</b>								
General Government	37,678							37,678
Public Safety	2,825							2,825
Education	19,070							19,070
Public Works	278							278
Human Services	1,500							1,500
Culture & Recreation	<u>8,827</u>	-	-	-	-	-	-	<u>8,827</u>
subtotal	70,178	-	-	-	-	-	-	70,178
<b>Unassigned</b>								
	<u>2,077,559</u>	-	-	(7,052,166)	(490,620)	(1,510,176)	( 805,522)	<u>(7,780,925)</u>
<b>Total</b>	<u>\$ 3,218,520</u>	<u>\$ 1,566,045</u>	<u>\$ 2,428,473</u>	<u>\$(7,052,166)</u>	<u>\$(490,620)</u>	<u>\$(1,510,176)</u>	<u>\$ 1,813,437</u>	<u>\$( 26,487)</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2013

Unassigned deficit balances reported for the Town's major capital project funds of the school building project, senior center project and road construction projects are a result of final permanent financing not yet having been obtained from these projects. This also applies to the nonmajor capital project funds detailed below.

The Town reported deficit amounts in the general fund for snow and ice appropriations and unprovided abatement amounts of \$158,284 and \$38,967 respectively, for fiscal year 2013. These amounts have been included with the unassigned fund balance reported in the General Fund. The Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation or in accordance with MGL for the Board of Selectmen to perform inter-fund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund pursuant to provisions of GASB pronouncement 54. At the May 2013 Annual Town Meeting the Town voted to transfer approximately \$259,000 into the stabilization fund. At June 30, 2013 this amount is included as unassigned fund balance.

Other governmental funds' deficit unassigned fund balance is detailed as follows:

Special revenue funds:	
MA Chapter 90 highway funds	\$ (236,574)
Public safety funds	(44,803)
Education and other funds	(50,412)
Capital projects:	
Water handling facility	(107,836)
Water storage tanks	(320,406)
Water mains	<u>(45,491)</u>
Total	<u>\$ ( 805,522)</u>

**D. Restricted Net Position**

Certain amounts 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 position because they are available for appropriation to fund the general operations of the Town.

Restricted net position reported on the government-wide statement consists of the following:

Sewer	\$3,194,105
Water	2,171,131
Revolving funds	1,239,799
Grants	422,812
Gifts and donations	381,830
Library	114,592
Cemetery	97,632
Other special revenue funds	57,612
Capital Projects and capital outlay	<u>35,423</u>
Total restricted net position	<u>\$7,714,936</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

**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. Cash and investments have been combined for financial reporting purposes. At June 30, 2013, the Town's carrying amount of cash deposits and investments was \$14,890,703 and \$2,773,399 respectively.

The Town maintains deposits in authorized financial institutions. In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2013 cash deposits totaled \$15,406,836 and had a carrying amount of \$14,890,703. Of the deposit amounts, \$4,657,432 was exposed to custodial credit risk at June 30, 2013 because it was uninsured and/or uncollateralized in securities specifically in the Town's name. These funds are covered by a pooled collateralization agreement with the financial institution. The difference between deposit amounts and carrying amounts represents prepaid expenses, outstanding checks and deposits in transit.

As of June 30, 2013, the Town had the following investments:

<u>Type of Investment</u>	<u>Fair value/ Carrying Amount</u>	<u>Average credit quality/ratings</u>	<u>Maturity Less 1 year</u>	<u>Maturity 1-5 years</u>
<b>Primary Government</b>				
Certificates of deposit	\$ 1,927,890	N/A	\$ 1,927,890	\$
Domestic stocks	97,946	N/A		
MMDT	54,711	exempt	54,711	
Money funds	<u>4,751</u>		4,751	
Total primary government investments (non-fiduciary)	2,085,298			
<b>Fiduciary Funds</b>				
Money funds	20,100		20,100	
Mutual funds-fixed income	5,948			
US government obligations	59,425	AAA	10,178	49,247
Domestic stocks	250,503	N/A		
Certificates of deposit	<u>352,125</u>	N/A		352,125
Total fiduciary funds investments	<u>688,101</u>			
<b>Grand total investments</b>	<b><u>\$2,773,399</u></b>			

*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's policy provides general guidelines for addressing custodial credit risks.

*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's policy provides general guidelines for addressing interest rate risks. The approximate maturities of the Town's investments are disclosed in the above table.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

*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 that have the explicit guarantee of the US government are not considered to have credit risk and therefore have been listed as exempt from disclosure in the above table. Investments in external investment pools are also exempt from disclosure. Equity securities and equity mutual funds are not rated as to credit risk. The Town's investment policy addresses credit risk. The Town has not determined the rating for its money funds and other investments. Certificates of deposit are covered by FDIC and DIF insurance.

*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 policy does not address this 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's policy sets guidelines for this risk. The Town's governmental activities maintain a certificate of deposit in the amount of \$1.9 million at Weymouth Bank which exceeds 5% of governmental activities' investments; however, the amount is fully insured by the DIF above FDIC insurance limits.

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred revenues associated with future periods are reported as deferred inflows of resources on both the Balance Sheet and Statement of Net Position.

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>
Property taxes, penalties	\$ 1,216,925	\$ (33,000)	\$ 1,183,925	\$ 873,029
Tax liens, deferrals and foreclosures	1,022,168		1,022,168	1,022,168
Motor vehicle excise	385,557	(152,000)	233,557	385,557
Trash fees, liens and related	257,496		257,496	257,496
Ambulance charges	317,056	(95,000)	222,056	317,056
Water charges and related	571,950		571,950	246,007
Sewer charges, betterments, related	391,904		391,904	391,904
Intergovernmental:				
Massachusetts School Building Authority	1,996,821		1,996,821	
MA Chapter 90 highway funds	749,603		749,603	749,603
MWPAT - drawdown	144,440		144,440	
MWPAT - subsidy	28,436		28,436	28,436
Other state and federal	<u>318,337</u>		<u>318,337</u>	<u>15,750</u>
Total - Governmental funds	7,400,693		7,120,693	<u>\$ 4,287,006</u>
Accrual of unbilled water and sewer charges	<u>966,000</u>	-	<u>966,000</u>	
Total - Governmental activities	<u>\$ 8,366,693</u>	<u>\$ (280,000)</u>	<u>\$ 8,086,693</u>	

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

Intergovernmental receivables included approximately \$2.0 million of reimbursements of school construction project expenditures which were incurred prior to year end. Reimbursement was received from the Massachusetts School Building Authority (MSBA) in September. This amount was accrued since eligible expenditures had been incurred at year end. Massachusetts Water Pollution Abatement Trust (MWPAT) amounts of \$144,440 represent amounts to be drawn related to agreements entered into for water facilities and infrastructure projects. The following are Massachusetts Chapter 90 highway improvement funds of \$749,603, for which the Town submits for reimbursements upon completion of approved project expenditures. Of this amount approximately \$201,000 has been accrued on the government-wide financial statements for reimbursement received in August 2013 for costs incurred prior to year end.

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows. Certain prior year balances have been restated to correspond with current year presentation:

<u>Governmental activities</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land and improvements	\$ 5,542,053	\$ 139,998	\$	\$ 5,682,051
Land -conservation restriction	499,000			499,000
Construction in progress	<u>62,242,492</u>	<u>21,462,759</u>	<u>(12,323)</u>	<u>83,692,928</u>
Subtotal	68,283,545	21,602,757	(12,323)	89,873,979
Capital assets being depreciated:				
Buildings and improvements	21,984,715	392,382		22,377,097
Infrastructure	45,921,969	1,889,067	(27,993)	47,783,043
Equipment, machinery & vehicles	11,404,982	1,363,913		12,768,895
Library, textbooks, other	2,140,849			2,140,849
50% Joint water works	<u>7,756,505</u>	<u>133,507</u>	<u>-</u>	<u>7,890,012</u>
Subtotal	89,209,020	3,778,869	(27,993)	92,959,896
Less accumulated depreciation:				
Buildings and improvements	14,861,390	480,216		15,341,606
Library, textbooks, other	2,071,975	872,118	(27,993)	2,916,100
Equipment, machinery & vehicles	8,951,529	626,640		9,578,169
Infrastructure	24,166,345	20,781		24,187,126
50% Joint water works	<u>2,077,827</u>	<u>180,055</u>	<u>-</u>	<u>2,257,882</u>
Subtotal	<u>52,129,066</u>	<u>2,179,810</u>	<u>(27,993)</u>	<u>54,280,883</u>
Governmental capital assets, net	<u>\$ 105,363,499</u>	<u>\$ 23,201,816</u>	<u>\$ (12,323)</u>	<u>\$ 128,552,992</u>

The Town has determined the conservation restriction related to the Rockland Golf Course to be an intangible asset with an indefinite useful life.

Additions to construction in progress relate to the school building project and the senior center. The School building project is expected to be completed during fiscal year 2014 and will be placed into service upon completion.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

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

Governmental activities:	
General government	\$ 98,386
Public safety	456,640
Education	154,921
Public works, including water and sewer	1,427,410
Health and human services	29,094
Culture and recreation	<u>13,359</u>
Total depreciation expense – governmental activities	<u>\$2,179,810</u>

**Note 7. Interfund balances and activity**

As of June 30, 2013, \$471,660 was due to the general fund from non-major governmental funds for short term borrowings of cash.

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

	<u>General Fund -</u>	<u>Water Fund -</u>	<u>Sewer Fund -</u>	<u>Senior Center Project</u>	<u>Non-major Governmental</u>	<u>Public Employee Mitigation Fund</u>	<u>Other Post Employment Benefit Trust Fund</u>
Appropriated and other amounts							
Transferred between General Fund and governmental funds- net	\$ 209,376	\$ ( 61,538)	\$( 38,088)	\$ -	\$ (109,750)	\$ -	\$ -
Transfers to fiduciary trust funds	(178,735)			(5,000)	61,505	168,735	10,000
Other transfers between funds	<u>(56,505)</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>61,505</u>	<u>-</u>	<u>-</u>
	<u>\$ (25,864)</u>	<u>\$ ( 61,538)</u>	<u>\$ ( 38,088)</u>	<u>\$ (5,000)</u>	<u>\$ (48,245)</u>	<u>\$ 168,735</u>	<u>\$ 10,000</u>

**Note 8. Deferred inflows of resources**

As of June 30, 2013, the Town reported aggregate deferred inflows of resources of \$4,287,006 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5 above.

As of June 30, 2013, the governmental activities reported deferred inflows of resources in the amount of \$906,115. This is comprised of unamortized bond premiums of \$318,747, and deferred revenues of \$587,368 comprised of \$563,682 of highway awarded funds not yet earned and \$23,686 of fiscal year 2014 tax payments received prior to year end for which amounts have yet to be committed.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

**Note 9. Long-term obligations**

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

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Current</u> <u>Portion</u>
Multipurpose bonds, 3.25%-5.00%, dtd 7/1/02, due 7/1/2022	\$ 2,195,000	\$	\$ (245,000)	\$ 1,950,000	\$ 235,000
Multi-purpose bonds, 4.00% -5.25%, dtd 7/1/06, due 7/15/2016	825,000		(165,000)	660,000	165,000
MWPAT-subsidized bonds, water treatment facility, dtd 11/16/05, due 7/15/2025	283,755		(17,755)	266,000	18,113
MWPAT-subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/2025	171,121		(9,959)	161,162	10,364
MWPAT-subsidized bonds, water treatment facility, dtd 3/18/09, due 7/15/2029	155,023		(7,733)	147,290	7,890
MWPAT - drinking water bonds, dtd 7/8/10, due 7/15/2030	509,790		(22,295)	487,495	24,011
ARRA-MWPAT- DWS-06-14A dtd 7/8/2010, due 1/15/2030	966,887		(42,252)	924,635	43,105
ARRA-MWPAT- DWS-08-27 dtd 7/8/2010, due 1/15/2030	1,175,991		(51,409)	1,124,582	53,805
G.O.B. -water building, 2.0%-4.0% dtd 12/01/2010, due 8/1/2020	855,000		(95,000)	760,000	95,000
G.O.B. -water mains, 2.0%-4.0% dtd 12/01/2010, due 8/1/2020	230,000		(30,000)	200,000	25,000
G.O.B. state qualified bonds, school project, 2.0%-4.0%, dtd 11/15/11, due 12/1/2033	30,000,000		(780,000)	29,220,000	820,000
MWPAT-subsidized bonds, water treatment facility, 2.0% dtd 5/22/2013, due 1/15/2033	-	510,745	-	510,745	20,660
Total bonds payable	37,367,567	-	(1,466,403)	36,411,909	1,517,948
Landfill closure monitoring liability	687,000		(162,000)	525,000	35,000
Capital leases	544,807	163,160	(204,259)	503,708	109,545
Compensated absences, net	4,535,000	63,000		4,598,000	
Net OPEB obligation	14,465,733	6,483,114	(2,287,720)	18,661,127	-
Total governmental activities	<u>\$ 57,600,107</u>	<u>\$ 7,220,019</u>	<u>\$ (4,120,382)</u>	<u>\$ 60,699,744</u>	<u>\$ 1,666,493</u>

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2013, including interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,517,948	\$ 1,261,873	\$ 2,779,821
2015	1,561,799	1,220,927	2,782,726
2016	1,569,489	1,177,593	2,747,082
2017	1,618,047	1,129,582	2,747,629
2018	1,511,677	1,079,368	2,591,045
2019-2023	8,050,491	4,515,455	12,565,946
2024-2028	8,420,335	3,116,305	11,536,640
2029-2033	9,997,123	1,433,608	11,430,731
2034	2,165,000	43,300	2,208,300
Total	<u>\$ 36,411,909</u>	<u>\$ 14,978,011</u>	<u>\$ 51,389,920</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2013

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. The Town is responsible for any debt of joint ventures in which it participates through the appropriate annual assessment.

Unissued debt authorizations consist of the following at June 30, 2013:

<u>Purpose</u>	<u>Year Authorized</u>	<u>Balance June 30, 2013</u>
School	2009 & 2010	\$ 56,564,859
Sewer	2000,2003, 2008	185,253
Water	2004-2010; 2012	2,920,942
Roads	2012	6,300,000
Senior Center	2012	<u>3,000,000</u>
Totals		<u>\$ 68,971,054</u>

As noted in the table above, the Town approved May 2012 borrowings related to the school building project, new senior center and road repair and construction have all been approved by the general electorate of the Town via ballot questions, to be excluded from the limitations of Proposition 2 1/2.

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating 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, 2013.

*B. Capital leases*

The Town has entered into several capital leases for public safety and public works vehicles of approximately \$163,000, which are included as capital asset acquisitions. The annual requirement to pay down this capital lease obligation as of June 30, 2013 is as follows:

<u>For Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 109,545	\$ 21,599	\$ 131,144
2015	113,749	17,385	131,134
2016	62,429	13,007	75,436
2017	39,854	9,788	49,642
2018	41,643	7,998	49,641
2019-2021	<u>136,488</u>	<u>12,436</u>	<u>148,924</u>
	<u>\$ 503,708</u>	<u>\$ 82,213</u>	<u>\$ 585,921</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2013

**Note 10. 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 or revenue anticipation notes (TANs and RANs),
- 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 appropriate fund.

The Town had the following table indicates certain of the Town's temporary debt activity during fiscal year 2013.

<u>Purpose</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2013</u>
MWPAT, interim note, DW-08-27 .15%, dtd 3/1/2012	\$ 510,745	\$	\$ (510,745)	\$
Bond anticipation note, school project, 1.25%, dtd 9/7/2012, due 9/6/2013		6,400,000		6,400,000
Bond anticipation note, senior center, 1.25%, dtd 9/7/2012, due 9/6/2013		3,000,000		3,000,000
Bond anticipation note, road construction project, 1.25%, dtd 9/7/2012, due 9/6/2013		4,500,000		4,500,000
Bond anticipation note, school project, .70%, dtd 6/28/2013, due 9/6/2013	-	1,000,000	-	1,000,000
Total governmental activities	<u>\$ 510,745</u>	<u>\$ 14,900,000</u>	<u>\$ (510,745)</u>	<u>\$ 14,900,000</u>

On September 6, 2013, the Town rolled the \$14,900,000 in bond anticipation notes, with a maturity date March 6, 2014, at 1.00% interest. The Town received a premium of approximately \$33,000 on these notes.

**Note 11. Notes Payable - ARRA**

On July 8, 2010, the Town entered into permanent financing agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT), for projects related to its water storage tanks, water handling facility and water main capital projects. The permanent financing agreements retired portions of the outstanding notes associated with two of the projects. The notes associated with these projects were subject to grant funding received under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, these projects are subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates, the MWPAT may forgive the remaining balance on the interim notes. The aggregate balance remaining of \$573,225 related to the ARRA portion of these notes has been separately reported from other notes payable of the Town in these financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2013

The following table illustrates the Town's activity for fiscal year 2013 as it relates to these agreements.

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2013</u>
MWPAT, loan DWS-06-14A- water storage tanks (ARRA)	\$ 254,967	\$	\$	\$ 254,967
MWPAT, loan DWS-08-27- water handling facility (ARRA)	<u>318,258</u>	<u>-</u>	<u>-</u>	<u>318,258</u>
Total governmental activities	<u>\$ 573,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 573,225</u>

**Note 12. School Construction Projects**

On November 14, 2009, the Town electorate approved a Proposition 2<sup>1/2</sup> override for the amounts required to pay for bonds to be issued to fund the design, engineering, equipping and construction of a new John W. Rogers Middle School and renovations to the existing Rockland High School, including all incidental costs related thereto. The Town has entered an agreement with the Massachusetts School Building Authority (MSBA) to receive grant funding of approximately 64% of eligible project costs, with the maximum grant not to exceed approximately \$53 million. The estimated cost of the entire project is estimated to be approximately \$86 million. The costs of the project are submitted to the MSBA as the project progresses and are reimbursed upon audit by the MSBA. Through the date of these financial statements, the MSBA has reimbursed the Town approximately \$35 million.

On May 26, 2010, pursuant to MGL Chapter 44A, the Municipal Finance Oversight Board of the Commonwealth of Massachusetts determined the Town to be entitled to issue qualified bonds not to exceed \$86,201,449 for a term not to exceed thirty (30) years. Under this program, which is unique to the Commonwealth, the State Treasurer pays the related debt service of these bonds directly from the Town's local aid. The Town issued \$30,000,000 in these bonds in November 2011. The Town anticipates final permanent financing during fiscal year 2014.

**Note 13. 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 audited 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, 2013

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 \$2,867,706, representing approximately 5.43% 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 \$55,721 for a net payment of \$2,811,985. 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, 2012 and 2011 were \$2,435,980 and \$2,620,591 respectively, equal to the required contributions for each year, net of the discount available for the year.

As previously noted, the Town does not contribute to MTRS. Contributions to the MTRS 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 \$5,520,889 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and education 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. Vacation carryover at year end of approximately \$216,000 has been recorded as a liability. Accumulated unused sick leave of approximately \$4.6 million due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position.

**C. Other Post Employment Benefits**

Plan Description

The Town administers a single employer defined benefit plan which provides health, dental and life insurance to substantially all retired employees and their spouses (plan members). The Town's retired teachers, participate in plan offerings from the Group Insurance Commission, via the Town's participation in the Commonwealth's Retired Municipal Teacher (RMT) Program. Eligibility to retire under the Town's plan is based upon meeting one of the following conditions:

- i. Completion of 20 years of service.
- ii. For an employee hired prior to January 1, 1978 – attainment of age 55 as an active member.
- iii. For an employee hired on or after January 1, 1978 – attainment of age 55 as an active member and completion of 10 years of service.

Plan participants consisted of approximately 723 participants, comprised of 463 and 260 active and retired participants respectively. Benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

Funding Policy

The contribution rates of retirees are established by collective-bargaining agreements, Massachusetts General Law, and Town ordinances. The required contribution is based on pay as you go financing requirements. All benefits are provided through a third-party insurance carrier that administers, assumes, and pays all claims. The Town contributes at least 75% of the insurance premiums, with the remainder funded through pension benefit deductions. The Town's annual contribution to the RMT Program is deducted directly by the Commonwealth annually from the Town's state aid.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the provisions of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

	<b>Governmental Activities</b>
Annual required contribution	\$ 5,896,604
Interest on net OPEB obligation	578,630
Adjustment	(804,379)
Amortization of actuarial (gain)/losses	<u>812,259</u>
Annual OPEB cost (expense)	6,483,114
Contributions made	<u>(2,287,720)</u>
Change in net OPEB obligation	4,195,394
Net OPEB obligation – beginning of year	<u>14,465,733</u>
Net OPEB obligation – end of year	<u>\$ 18,661,127</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2013 and the two previous fiscal years are as follows:

	Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
<b>Governmental activities:</b>	6/30/2013	\$6,483,114	35.29%	\$ 18,661,127
	6/30/2012	\$6,774,934	40.24%	\$ 14,465,733
	6/30/2011	\$6,508,298	38.66%	\$ 10,416,760

Funding Status and Funding Progress

The following table illustrates the funded status of the plan as of the most recent valuation date.

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
<b>Governmental Activities:</b>	7/1/2012	\$ -	\$ 68,128,809	\$ 68,128,809	0%	\$ 26,637,240	255.8%
	7/1/2010	\$ -	\$ 68,774,492	\$ 68,774,492	0%	\$ 22,227,165	309.4%
	7/1/2008	\$ -	\$ 57,905,674	\$ 57,905,674	0%	\$ 18,887,393	306.6%

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2013

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

#### Actuarial Methods and Assumptions

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation reflected a closed group, and do not reflect any new entrants after the valuation date of July 1, 2012. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

Pre- and Post-Retirement Mortality: Represented by the RP-2000 Mortality Tables

Discount rate: 4.0% per annum

Healthcare Trend Rates: Medical and dental healthcare costs had an annual initial cost trend rate graded to 5% over a seven year period.

General Inflation Assumption: 2.5% per annum

Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years

Remaining Amortization Period: 26 years at July 1, 2012

As allowed under MGL Chapter 32B, Section 20, the Town has voted to establish a trust fund for the purpose of accumulating assets for these other post-employment benefits. As of June 30, 2013, the Town has transferred \$10,000 into this fund. This amount is immaterial overall to the reported liability and has not been taken into account within the current valuation.

#### Note 14. Landfill closure and post-closure care costs and related

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.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

As of June 30, 2013, \$525,000 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. The liability decreased in the current year, due to the Town purchasing a one acre parcel of land adjacent to the landfill purchased subsequent to year end in order for the Town to be in compliance with Department of Environmental Protection (DEP) orders of condition at a cost of approximately \$127,000. As of June 30, 2013, the Town has anticipates 15 years of post-closure monitoring remaining. Actual costs in future periods associated with post-closure monitoring may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

In December 2011, the Town entered into a site lease agreement with NextSun Energy LLC (the Lessee) for the construction of a solar power generation facility on the capped landfill site, for a twenty year period. Additional extension periods are available per the agreement. The Town has also entered into an agreement to purchase electricity from this facility once operational. The annual payment to the Town per the agreement is \$47,200. This is a general receipt to the Town. The future rental payments are as follows:

For the year		
<u>ended</u>	<u>Amount</u>	
2014	\$	47,200
2015		47,200
2016		47,200
2017		47,200
2018		47,200
2019-2023		236,000
2024-2028		236,000
2029-2032		<u>188,800</u>
Total	\$	<u>896,800</u>

**Note 15. 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 risks, except health insurance. As previously noted, the Town participates in the Commonwealth's Retired Municipal Teacher (RMT) Program. The Town's annual contribution to the program for premiums is deducted directly from the Town's state aid. The assessment for fiscal year 2013 was approximately \$1.1 million.

The Town belongs to the Mayflower Municipal Health Group (Group), a joint purchasing group established under MGL Chapter 32B, section 12 for employee and retirees' health and dental insurance. The Town budgets and pays annual premiums to the Group. The Town's share of health insurance benefits is approximately 79% and 75% for active and retired participants respectively. The Group reinsures itself for claims in excess of \$275,000 per person annually to a lifetime maximum payable of \$2,000,000. The Town pays monthly premiums to the Group. The Town's cost for health insurance premiums to the Group for the year ended June 30, 2013 was approximately \$6.2 million. Of this amount approximately \$1.0 million relates to premiums for retirees. The Group reported Net Position of \$33.2 million (unaudited) at June 30, 2013. Additional information related to the Group may be obtained by contacting the Group's treasurer directly at: Mayflower Municipal Health Group, P.O. Box 3390, Plymouth, MA 02361.

**Note 16. Commitments and Contingencies**

Various legal actions and claims are pending against the Town as of June 30, 2013. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2013

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.

At June 30, 2013, the Town had the school building and senior center building construction projects ongoing. As of this date, the total contracted amount with the general contractor for the school project, Agostini Construction Co., Inc. was \$70,791,712. The balance to complete the contract, including retainage payable of \$1,236,581, was \$3,037,693.

The total contract as of June 30, 2013 with the general contractor for the senior center project as of June 30, 2013, Linwood Construction, LLC, was \$2,800,450. The balance to complete the contract as of this date, including retainage payable of \$28,476, was \$2,259,423.

**Note 17. Restatement of certain beginning balances**

The following illustrates reclassifications of beginning year balances to correspond with current year presentations.

**Fund basis financial statements:**

	Senior Center Project	Other Governmental Funds	Private Purpose Trust fund
Fund balance/net assets, June 30, 2012	\$	\$ 1,939,639	\$ 797,911
Reclassification as major fund	(4,000)	4,000	
Reclassification of library funds	-	116,503	(116,503)
Fund balance/ net position, restated July 1, 2012	<u>\$ (4,000)</u>	<u>\$ 2,060,142</u>	<u>\$ 681,408</u>

**Government-wide financial statements:**

	Governmental Activities
Net assets, June 30, 2012	\$ 61,640,046
Reclassification of library funds	116,503
Net position, July 1, 2012, restated	<u>\$ 61,756,549</u>

**Note 18. Future GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Town's financial statements.

**Current pronouncements**

The GASB issued *Statement #60, Accounting and Financial Reporting for Service Concession Arrangements*, which was required to be implemented in fiscal year 2013. This pronouncement's objective was to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. This pronouncement had no effect on the Town in the current year.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2013

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which was required to be implemented in fiscal year 2013. This pronouncement modified requirements for the inclusion of component units in the financial reporting entity. This pronouncement had no effect on the Town in the current year.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was required to be implemented in fiscal year 2013. This pronouncement continued the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was required to be implemented in fiscal year 2013. This pronouncement standardized the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period.

The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2014. This pronouncement was implemented in the current year. The pronouncement reclassified certain assets and liabilities as deferred outflows and deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

### Future pronouncements

The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No.10 and No. 62*, which is required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. The Town doesn't believe this pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #68, *Accounting and Financial Reporting for Pension*, which is required to be implemented in fiscal year 2015. The pronouncement requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhances accountability and transparency through revised and additional note disclosures and required supplementary information. The pronouncement will have a material effect upon the Town's financial statements.

The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. The Town doesn't anticipate this pronouncement will have an effect upon the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. The Town doesn't anticipate the pronouncement will have an effect upon the Town's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ROCKLAND, MASSACHUSETTS**

Required Supplementary Information

Schedule of Funding Progress - OPEB

June 30, 2013

**Funding Status and Schedule of Funding Progress**

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

<b>Schedule of Funding Progress</b>							
	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b)-(a)</u>	Funded Ratio <u>(a)/(b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>[(b)-(a)]/(c)</u>
<b>Governmental Activities:</b>							
	7/1/2012	\$ -	\$ 68,128,809	\$68,128,809	0%	\$26,637,240	255.8%
	7/1/2010	\$ -	\$ 57,905,674	\$57,905,674	0%	\$18,887,393	306.6%
	7/1/2008	\$ -	\$ 68,774,492	\$68,774,492	0%	\$22,227,165	309.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2012. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

Pre- and Post-Retirement Mortality: Represented by the RP-2000 Mortality Tables

Discount Rate: 4.0% per annum

**TOWN OF ROCKLAND, MASSACHUSETTS**

Required Supplementary Information

Schedule of Funding Progress - OPEB

June 30, 2013

Healthcare Trend Rates: Medical and dental healthcare costs had an annual initial cost trend rate graded to 5% over a seven year period.

General Inflation Assumption: 2.5% per annum

Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

Amortization of UAAL: Amortized as level dollar amount over 30 years

Remaining Amortization Period: 26 years at July 1, 2012

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**Budgetary Comparison Schedule - General Fund**  
For the year ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Property Taxes	\$ 28,739,783	\$ 28,739,783	\$ 28,560,532	\$ (179,251)
Excise	1,456,470	1,456,470	1,678,074	221,604
Penalties and interest	225,042	225,042	298,135	73,093
Investment interest	31,040	31,040	72,333	41,293
Departmental, fees and other	2,206,285	2,206,285	2,715,560	509,275
Intergovernmental	13,347,935	13,347,935	13,410,286	62,351
Total revenues	<u>46,006,555</u>	<u>46,006,555</u>	<u>46,734,920</u>	<u>728,365</u>
<b>Expenditures</b>				
General government	11,149,902	10,812,421	10,360,801	451,620
Public Safety	6,430,555	6,394,037	6,363,840	30,197
Education	21,731,568	21,712,498	21,632,687	79,811
Public works	775,394	1,149,154	1,301,683	(152,529)
Human services	1,583,378	1,652,306	1,601,088	51,218
Culture and recreation	680,360	675,388	673,436	1,952
State and county assessments	2,303,949	2,303,949	2,258,632	45,317
Debt service and issuance costs	2,242,475	2,219,475	2,182,820	36,655
Total Expenditures	<u>46,897,581</u>	<u>46,919,228</u>	<u>46,374,987</u>	<u>544,241</u>
Revenues over (under) expenditures	(891,026)	(912,673)	359,933	1,272,606
<b>Other financing sources (uses)</b>				
Premium received on issuance of temporary debt			104,806	104,806
Transfers out to other funds	(219,818)	(219,818)	(235,240)	(15,422)
Transfers in from other funds	558,689	558,689	558,689	
Total other financing sources (uses)	<u>338,871</u>	<u>338,871</u>	<u>428,255</u>	<u>89,384</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(552,155)	(573,802)	788,188	<u>\$ 1,361,990</u>
Fund balances, beginning of year			<u>3,057,125</u>	
Fund balances, end of year			<u>\$ 3,845,313</u>	
<b>Other budget items</b>				
Carryover encumbrances and articles	350,599	75,828		
Use of overlay	47,144	82,144		
Appropriation of fund balance	254,392	515,810		
Funding of prior year deficits	(99,980)	(99,980)		
Total other budget items	<u>552,155</u>	<u>573,802</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Budgetary Comparison Schedule - Water  
 For the year ended June 30, 2013

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Charges for services and other	\$ 3,003,994	\$ 3,003,994	\$ 2,854,662	\$ (149,332)
<b>Total revenues</b>	<b>3,003,994</b>	<b>3,003,994</b>	<b>2,854,662</b>	<b>(149,332)</b>
<b>Expenditures</b>				
Public works	3,021,637	2,501,000	2,291,381	209,619
Debt service	582,704	582,704	548,343	34,361
<b>Total Expenditures</b>	<b>3,604,341</b>	<b>3,083,704</b>	<b>2,839,724</b>	<b>243,980</b>
Revenues over (under) expenditures	(600,347)	(79,710)	14,938	94,648
<b>Other financing sources (uses)</b>				
Transfers out to other funds	(61,538)	(61,538)	(61,538)	
<b>Total other financing sources (uses)</b>	<b>(61,538)</b>	<b>(61,538)</b>	<b>(61,538)</b>	
Revenues and other financing sources over (under) expenditures and other financing uses	(661,885)	(141,248)	(46,600)	<u>\$ 94,648</u>
Fund balances, beginning of year			1,612,645	
Fund balances, end of year			<u>\$ 1,566,045</u>	
<b>Other budget items</b>				
Appropriation of fund balance	86,538	86,538		
Carryover encumbrances and articles	575,347	54,710		
<b>Total other budget items</b>	<b>661,885</b>	<b>141,248</b>		
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, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Charges for services and other	\$ 2,182,420	\$ 2,182,420	\$ 2,253,011	\$ 70,591
Total revenues	2,182,420	2,182,420	2,253,011	70,591
<b>Expenditures</b>				
Public works	3,000,376	2,327,200	2,231,057	96,143
Debt service	125,000	125,000	100,969	24,031
Total Expenditures	3,125,376	2,452,200	2,332,026	120,174
Revenues over (under) expenditures	(942,956)	(269,780)	(79,015)	190,765
<b>Other financing sources (uses)</b>				
Transfers out to other funds	(38,088)	(38,088)	(38,088)	
Total other financing sources (uses)	(38,088)	(38,088)	(38,088)	
Revenues and other financing sources over (under) expenditures and other other financing uses	(981,044)	(307,868)	(117,103)	\$ 190,765
Fund balances, beginning of year, restated			2,545,576	
Fund balances, end of year			\$ 2,428,473	
<b>Other budget items</b>				
Appropriation of fund balance	238,088	238,088		
Carryover encumbrances and articles	742,956	69,780		
Total other budget items	981,044	307,868		
Net budget	\$	\$		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Required Supplementary Information  
June 30, 2013

**Note 1. 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 most departments and operations of the Town are prepared under the direction of the Board of Selectmen. The school department budget is prepared under the direction of the School Committee. The water and sewer department budgets are prepared under the direction of each department's board of commissioners. 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 aforementioned water and sewer funds. 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 Budgetary Comparison Schedule – General Fund, 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, 2013, is presented below:

<u>General Fund:</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 46,734,920	\$ 46,374,987	\$ 428,255
Adjustment of property tax revenues to modified accrual basis and adjustment to provision for refunds	292,018		
Adjustment for vacation liability		216,941	
Transfer in budgetary basis for FY2014 town meeting appropriations transferred to general fund at year end			109,000
Adjustment for FY2013 town meeting appropriations transferred to general fund prior year			( 458,313)
State funded teacher's pension	<u>5,520,889</u>	<u>5,520,889</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 52,547,827</u>	<u>\$ 52,112,817</u>	<u>\$ 78,942</u>

During fiscal year 2013, the Town incurred snow and ice deficits in the amount of \$158,284. This amount is included as a deficit in general fund unassigned fund balance to be raised on the fiscal 2014 tax rate recapitulation sheet.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Required Supplementary Information  
June 30, 2013

A reconciliation of the budgetary-basis to GAAP-basis results for the water and sewer funds for the year ended June 30, 2013, are presented below:

<u>Water fund:</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 2,854,662	\$ 2,839,724	\$ ( 61,538)
Joint water works gross-up	<u>1,613,510</u>	<u>1,613,510</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 4,468,172</u>	<u>\$ 4,453,234</u>	<u>\$ (61,538)</u>

<u>Sewer fund:</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 2,253,011	\$ 2,332,026	\$ ( 38,088)
MWPAT subsidy	<u>4,077</u>	<u>4,077</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 2,257,088</u>	<u>\$ 2,336,103</u>	<u>\$ ( 38,088)</u>