

TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2007

**TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Rockland, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rockland, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts as of June 30, 2007, and the respective changes in financial position and respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007, on our consideration of the Town of Rockland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Thevenin, Lynch, Bienvenue, LLP

December 18, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

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, 2007.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$40.7 million (net assets). Of this amount, approximately \$6.0 million represented restricted net assets. This amount also includes unrestricted net asset of approximately \$.19 million.
- The total cost of all Town services for fiscal 2007 was \$54.7 million.
- As of the end of the current fiscal year, unreserved fund balance for the general fund was \$465,023, or approximately 1.07% of general fund expenditures.

Overview of the Financial Statements:

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, and culture and recreation. The Town has no business-type activities.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Town does not have any proprietary funds.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

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

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

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

Fiduciary funds: *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs.

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Rockland, assets exceeded liabilities by \$40.7 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, 2007

	FY 2007	FY 2006	
	Governmental	Governmental	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Current assets	\$ 13,256,738	\$ 12,711,519	4.29 %
Capital assets	<u>40,255,257</u>	<u>40,993,414</u>	(1.80)%
Total assets	53,511,995	53,704,933	(.36)%
Current liabilities	2,384,338	4,321,686	(44.83)%
Long-term liabilities	<u>10,442,806</u>	<u>8,604,605</u>	21.36 %
Total liabilities	12,827,144	12,926,289	(.76)%
Net assets:			
Capital Assets, net of related debt	34,527,563	35,514,607	(2.78)%
Restricted	6,881,706	7,898,467	(12.87)%
Unrestricted	<u>(724,418)</u>	<u>(2,634,430)</u>	72.50 %
Total net assets	<u>\$ 40,684,851</u>	<u>\$ 40,778,644</u>	(.23)%

Included within the governmental activity current assets are \$4,553,024 in cash, \$4,017,811 of investments, \$725,141 for billed and unbilled water services and \$1,279,727 of intergovernmental receivables, inclusive of state highway construction grants and MWPAT drawdowns and interest subsidies.

Current year additions to capital assets totaled \$1,831,698. Of this amount \$1 million represented additions to infrastructure, inclusive of water mains, sewer improvements and road improvement projects. \$351,905 related to additions relating to the Joint Water Works. The remainder related to various building improvements, and acquisition of machinery, equipment and vehicles.

Governmental activity long-term liabilities include \$5.7 million in general obligation bonds, of which approximately \$460,000 has been classified as current because it is due within fiscal year 2008. Long-term liabilities also include \$525,000 for estimated future landfill monitoring costs and \$4,190,112 for compensated absences.

The largest portion of the Town's net assets \$34,527,563, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$5,969,841 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 \$838,468 and \$2,553,705 respectively.

The Town's unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors, are \$187,447.

Governmental activities decreased the Town's net assets by \$93,791 or approximately .02% during fiscal year 2007. A summary of revenues and major functional expenditures is presented below.

Key elements of this increase are as follows:

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

Revenues:

- ◆ Property taxes represent nearly 36% of the Town's revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing nearly 30% 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.
- ◆ Charges for services represents nearly 19% of the Town's revenue. This includes water and sewer charges at nearly \$5.4 million, trash fees at \$1.3 million, and ambulance receipts of \$1.2 million.
- ◆ The Town received \$1,260,000 during the year, pursuant to an agreement with the South Shore Tri-Town Development Corporation's master developer LNR South Shore, LLC. This represents approximately 83.9% of the Town's departmental and other revenue.

Expenses:

- ◆ Increases in general government expenses resulted from increases in health and other insurance costs.
- ◆ Employee benefit costs rose by more than 8.9% due to rising health insurance, pension costs.
- ◆ Property and liability insurance costs rose by approximately 5.1%.
- ◆ The cost of education services increased, due to negotiated wage settlements, employee health insurance cost increases, special education cost increases, and rising school enrollment.

	<u>FY 2007</u> <u>Governmental</u> <u>Activities</u>	<u>FY 2006</u> <u>Governmental</u> <u>Activities</u>	<u>Percent</u> <u>Change</u>
Revenues:			
Charges for services	\$ 10,488,827	\$10,467,582	.02%
Operating grants and contributions	16,548,744	15,912,531	3.90%
Capital grants and contributions	420,312	420,500	0.00%
General revenues:			
Property taxes	19,647,320	19,201,919	2.30%
Excise taxes	1,901,901	1,851,444	2.70%
Penalties and interest	174,874	174,528	0.01%
Grants and contributions not restricted	3,532,715	3,015,218	17.10%
Investment income	414,196	278,229	48.80%
Departmental and other	<u>1,500,954</u>	<u>101,020</u>	1385.70%
Total revenues	54,629,843	51,422,971	6.20%
Expenses:			
General government	12,943,908	11,842,154	9.30%
Public safety	7,035,228	6,289,388	11.80%
Education	22,250,321	22,592,144	1.50%
Public works	7,816,345	7,407,987	5.50%
Health and human services	1,508,649	1,671,761	(9.70)%
Culture and recreation	1,036,639	983,977	5.30%
Interest and other charges	287,539	228,551	25.80%
State and county charges	<u>1,845,005</u>	<u>1,415,646</u>	30.30%
Total expenses	<u>54,723,634</u>	<u>52,431,608</u>	4.30%
Change in net assets	<u>\$(93,791)</u>	<u>\$(1,008,637)</u>	90.70%

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$6.8 million. Approximately 79.4% of this total amount (approximately \$5.4 million) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1,399,035).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$465,398, while total fund balance was \$724,931. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. General fund unreserved fund balance represents 1.0% of total general fund expenditures, while total fund balance represents 1.6% of that same amount.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002, the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The Town's general fund unreserved fund balance of \$465,023 million is 1.0% of general fund revenue.

During the current fiscal year, the Town's total General Fund balance increased \$40,738. General Fund expenditures exceeded revenues by \$103,401. Transfers into the General Fund consisted of approximately \$6,000 appropriated at Town Meeting from the water, sewer and dog fund. Transfers out of the General Fund consisted of \$58,000 appropriated at Town meeting for emergency repairs to the ceiling at the Rogers Middle School and \$11,000 to cover deficit fund balances in certain special revenue accounts.

General Fund Budgetary Highlights

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

The difference between the original budget of \$39,406,300 and the amended final budget of \$39,154,348 is due to the following:

- ◆ appropriations (warrant articles) of \$65,582 approved at Special Town Meeting., increasing general government and human services expenditures by \$56,657 and \$8,925 respectively.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

- ◆ use of \$54,645 additional overlay surplus and \$10,936 free cash authorized at Special Town Meeting.
- ◆ encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.
- ◆ pursuant to a court judgment, the Town was ordered to fully fund "no lay-off and staffing provisions" of the collective bargaining agreement between the Town and The Rockland Firefighters Union Local 1602, which were previously rescinded by the December 2, 2006 Special Town Meeting. This court order resulted in the Town over expending public safety appropriations by approximately \$165,000.

Water Fund Budgetary Highlights

The difference between the original budget of \$2,815,253 and the final budget of \$2,282,291 is due encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

Sewer Fund Budgetary Highlights

The difference between the original budget of \$3,034,224 and the final budget of \$2,436,059 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, 2007 amounts to \$40,255,257, which is net of accumulated depreciation of \$43,463,678 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment. It also includes infrastructure (including water and sewer) placed in service since July 1, 2003.

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>	
Capital assets	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 5.5	\$ 5.5
Library, textbooks, and other	.2	.2
Buildings and related improvements	8.7	9.3
Joint Water Works	1.3	1.1
Equipment, machinery, vehicles	2.7	2.7
Infrastructure (including water & sewer)	21.5	20.6
Construction in Progress	<u>.4</u>	<u>1.5</u>
	<u>\$40.3</u>	<u>\$40.9</u>

The Town's major additions to governmental activities capital assets during 2006 included the following:

- paving and traffic improvements to various roads
- installation and improvements to sewer, water, and joint water works infrastructure.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5.7 million. This is compared to \$4.7 million last year. Current year bonding of \$1.7 million was offset by payments of \$712,000. All debt is a general obligation of the Town.

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

Economic Factors and Next Year's Budgets and Rates

- ◆ The Town has estimated an increase in its property tax levy by 2.6%, which includes new growth.
- ◆ The Town's fiscal year 2008 operating budget estimated increase is 3.2% over the fiscal year 2007 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF ROCKLAND, MASSACHUSETTS

Statement of Net Assets

June 30, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities/Totals</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 4,553,024
Investments	4,017,811
Receivables, net of allowance for uncollectibles	4,685,903
Capital assets, net of accumulated depreciation	<u>40,255,257</u>
Total assets	<u>\$ 53,511,995</u>
<u>LIABILITIES</u>	
Accounts payable, accrued wages and other current liabilities	\$ 1,882,157
Accrued interest payable	152,573
Provision for refund of paid taxes	349,608
Noncurrent liabilities	
Due within one year	484,553
Due in more than one year	<u>9,958,253</u>
Total liabilities	12,827,144
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	34,527,563
Restricted	6,881,706
Unrestricted	<u>(724,418)</u>
Total net assets	<u>40,684,851</u>
Total liabilities and net assets	<u>\$ 53,511,995</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS

Statement of Activities

For the Year Ended June 30, 2007

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities/Totals</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u>	
Functions/Programs				
Primary government				
Governmental activities				
General government	\$ 12,943,908	\$ 288,657	\$ 3,989,755	\$ (8,665,496)
Public safety	7,035,228	1,406,033	289,693	(5,339,502)
Education	22,250,321	1,830,386	11,973,349	(8,446,586)
Public works	7,816,345	5,530,217	53,861	(1,811,955)
Health and human services	1,508,649	1,203,075	118,893	(186,681)
Culture and recreation	1,036,639	230,459	123,193	(682,987)
Interest and other charges	287,539	-	-	(287,539)
State and county charges	1,845,005	-	-	(1,845,005)
Total governmental activities/ primary government	\$ 54,723,634	\$ 10,488,827	\$ 16,548,744	(27,265,751)
General revenues				
Property taxes, net of allowance for uncollectibles				19,647,320
Excise taxes				1,901,901
Penalties and interest on taxes				174,874
Grants and contributions not restricted to specific programs				3,532,715
Investment income				414,196
Departmental and other				1,500,954
Total general revenues				27,171,960
Change in net assets				(93,791)
Net assets - beginning of year				40,778,642
Net assets - end of year				\$ 40,684,851

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

TOWN OF ROCKLAND, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2007

	<u>General</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 436,408	\$ 677,079	\$ 2,736,163	\$ 703,374	\$ 4,553,024
Investments	2,049,616			1,968,195	4,017,811
Receivables	<u>2,793,727</u>	<u>427,593</u>	<u>361,714</u>	<u>802,176</u>	<u>4,385,210</u>
Total assets	<u>\$ 5,279,751</u>	<u>\$ 1,104,672</u>	<u>\$ 3,097,877</u>	<u>\$ 3,473,745</u>	<u>\$ 12,956,045</u>
<u>LIABILITIES</u>					
Accounts payable, accrued wages and other current liabilities	\$ 1,602,182	\$ 109,356	\$ 164,357	\$ 6,262	\$ 1,882,157
Provision for refund of paid taxes	349,608				349,608
Deferred revenue	<u>2,603,030</u>	<u>148,718</u>	<u>359,671</u>	<u>802,176</u>	<u>3,913,595</u>
Total liabilities	4,554,820	258,074	524,028	808,438	6,145,360
<u>FUND BALANCES</u>					
Reserved for:					
Encumbrances and continued appropriations	259,533	532,962	603,165		1,395,660
Unreserved:					
General Fund	465,398				465,398
Special revenue funds		313,636	1,970,684	2,387,109	4,671,429
Capital projects funds				190,926	190,926
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,272</u>	<u>87,272</u>
Total fund balances	<u>724,931</u>	<u>846,598</u>	<u>2,573,849</u>	<u>2,665,307</u>	<u>6,810,685</u>
Total liabilities and fund balances	<u>\$ 5,279,751</u>	<u>\$ 1,104,672</u>	<u>\$ 3,097,877</u>	<u>\$ 3,473,745</u>	<u>\$ 12,956,045</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 6,810,685
Capital assets used in governmental activities are not financial resources and not reported in funds. The cost of the assets is \$83,718,935, net accumulated depreciation of \$43,463,678.	40,255,257
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, plus other accruals, net of uncollectibles	4,214,288
Long-term liabilities are not due and payable in the current period and are not included in funds.	(10,442,806)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.	<u>(152,573)</u>
Net assets of governmental activities	<u>\$ 40,684,851</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 19,544,502	\$ -	\$ -	\$ -	\$ 19,544,502
Excise taxes	1,621,191				1,621,191
Penalties and interest	160,288	5,546			165,834
Investment income	361,877		9,040	17,088	388,005
Departmental, fines, fees and other	3,941,685	3,063,710	2,229,554	2,573,100	11,808,049
Intergovernmental	17,713,554	-	50,358	2,217,855	19,981,767
Total revenues	<u>43,343,097</u>	<u>3,069,256</u>	<u>2,288,952</u>	<u>4,808,043</u>	<u>53,509,348</u>
Expenditures					
Current					
General government	12,678,308			112,704	12,791,012
Public safety	6,029,550			360,740	6,390,290
Education	18,941,129			3,667,127	22,608,256
Public works	827,701	3,317,646	2,152,656	1,211,028	7,509,031
Human services	1,482,150			29,076	1,511,226
Culture and recreation	647,322			277,595	924,917
State and county assessments	1,845,005				1,845,005
Debt service					
Principal	645,000	45,000	8,321		698,321
Interest and other charges	143,531	76,225	38,155	-	257,911
Total expenditures	<u>43,239,696</u>	<u>3,438,871</u>	<u>2,199,132</u>	<u>5,658,270</u>	<u>54,535,969</u>
Revenues over (under) expenditures	103,401	(369,615)	89,820	(850,227)	(1,026,621)
Other financing sources (uses)					
Proceeds from the issuance of long-term debt				1,700,000	1,700,000
Premiums on issuance of long-term debt		19,688	15,543		35,231
Transfers in from other funds	5,876			568,539	574,415
Transfers out to other funds	(68,539)	(502,688)	(2,688)	(500)	(574,415)
Total other financing sources (uses)	<u>(62,663)</u>	<u>(483,000)</u>	<u>12,855</u>	<u>2,268,039</u>	<u>1,735,231</u>
Revenues and other financing sources over (under) expenditures and other financing uses	40,738	(852,615)	102,675	1,417,812	708,610
Fund balance, beginning of year	<u>684,193</u>	<u>1,699,213</u>	<u>2,471,174</u>	<u>1,247,495</u>	<u>6,102,075</u>
Fund balance, end of year	<u>\$ 724,931</u>	<u>\$ 846,598</u>	<u>\$ 2,573,849</u>	<u>\$ 2,665,307</u>	<u>\$ 6,810,685</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budgetary Basis
Sewer Fund - Budget and Actual
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services and other	\$ 1,798,390	\$ 1,798,390	\$ 2,284,733	\$ 486,343
Expenditures				
Public works	<u>3,034,224</u>	<u>2,431,059</u>	<u>2,194,913</u>	<u>236,146</u>
Total expenditures	<u>3,034,224</u>	<u>2,431,059</u>	<u>2,194,913</u>	<u>236,146</u>
Revenues over (under) expenditures	(1,235,834)	(632,669)	89,820	722,489
Other financing sources (uses)				
Premium on long term borrowings			15,543	(15,543)
Transfers out	<u>(2,688)</u>	<u>(2,688)</u>	<u>(2,688)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,688)</u>	<u>(2,688)</u>	<u>12,855</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,238,522)	(635,357)	102,675	<u>\$ 722,489</u>
Fund balance, beginning of year			<u>2,471,174</u>	
Fund balance, end of year			<u>\$ 2,573,849</u>	
Other budget items				
Appropriations of fund balance	797,688	797,688		
Carryover encumbrances and articles	<u>440,834</u>	<u>(162,331)</u>		
Total other budget items	<u>1,238,522</u>	<u>635,357</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Changes in Net Assets - Fiduciary Funds
June 30, 2007

	Private Purpose Trust Funds
Additions	
Private contributions	\$ 31,010
Interest and dividends	<u>80,430</u>
Total additions	111,440
Deductions	
Scholarships and awards	<u>93,618</u>
Total deductions	<u>93,618</u>
Change in net assets	17,822
Net assets at beginning of year	<u>861,832</u>
Net assets at end of year	<u><u>\$ 879,654</u></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, 2007

Note 1. Organization and Reporting Entity

A. Organization

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

B. Reporting Entity

General

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

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2007. Financial statements may be obtained from each the joint ventures by contacting each of them directly, except for the Abington/Rockland Joint Water works. The transactions of the joint water works are included in these financial statements. The Town does not have a material equity interest in any of the joint ventures.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2007 Assessment & Payment for services</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$1,427,108
North River Collaborative	To provide special education services	\$ 765,949
South Shore Regional School District	To provide vocational educational services	\$ 926,301
South Shore Tri-Town Development Corp.	To develop land with towns of Abington & Weymouth	N/A

Payments to collaboratives are for services rendered.

The Town has accepted a mitigation package with the South Shore Tri-Town Development Corporation's master developer LNR South Shore, LLC to ease the impact of development on the Town. The Town finalized the agreement in July 2006. As part of this agreement, the Town received an initial payment of \$1,260,000 during the year. This has been recorded in departmental revenue for the year. Subsequent payments pursuant to the agreement are contingent upon certain conditions being met. All subsequent payments are to be used for capital expenditures, and/or recreational facilities.

Related Organizations

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

Government-wide Statements

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

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

The net costs are normally covered by general revenue.

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

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

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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

Governmental Funds:

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

The following major governmental funds are reported.

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

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

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

Fiduciary Funds:

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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

F. Capital Assets

The accounting treatment over property, plant, and equipment (capital fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

G. Long-term Obligations

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

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

H. Compensated Absences

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

I. Equity Classifications

Government-wide Statements

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

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the government-wide statements.

J. Use of estimates

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

K. Total columns

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds, except for the sewer and water fund. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2007, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net -</u>
As reported on a budgetary basis	\$39,353,567	\$39,200,313	\$(62,663)
Adjustment of property tax revenues to modified accrual basis and other differences in recognizing revenues	20,868	87,070	
Timing differences in recognizing expenditures			
Adjustment of investments to fair market value state funded teacher's pension	16,349		
	<u>3,952,313</u>	<u>3,952,313</u>	-
As reported on a GAAP basis	<u>\$43,343,097</u>	<u>\$43,239,696</u>	<u>\$(62,663)</u>

Pursuant to a court judgment, the Town was ordered to fully fund "no lay-off and staffing provisions" of the collective bargaining agreement between the Town and The Rockland Firefighters Union Local 1602, which were previously rescinded by the December 2, 2006 Special Town Meeting. This court order resulted in the Town over expending public safety appropriations by approximately \$165,000.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

The difference of \$4,219 in revenues and expenditures between the budgetary – basis and GAAP basis for the sewer fund represent the subsidy received from the MWPAT on long-term debt. The difference of \$1,179,922 in revenues and expenditures between the budgetary – basis and GAAP basis for the water fund represent amounts committed during fiscal 2007 to the Town of Abington for the Joint Water Works.

C. Fund equities

Operations of the various Town funds for fiscal 2007 were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

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

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

Pursuant to Section 228-331 of Chapter 138 of the Acts of 1991, Massachusetts General Law, Chapter 71, Section 40, the Town authorized \$800,000 in teacher's salaries paid in fiscal 1992 and 1993 to be deferred for funding purposes. Taxes of \$53,333 are raised each year to payback this deferral over 15 years, which commenced in 1997. The remaining balance (\$213,329) of the teachers' salary deferral is classified as a deficit amount in the general fund unreserved, undesignated fund balance at June 30, 2007.

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

At June 30, 2007 general fund equities consisted of the following:

Reserved for encumbrances and continued appropriations	\$ 259,533
Unreserved:	
Designated for expenditure (FY2008)	125,084
Designated for petty cash	375
Undesignated	723,035
Teacher salary deferral and other appropriation deficits	<u>(383,096)</u>
Total unreserved	<u>465,398</u>
Total General Fund Equities	<u>\$ 724,931</u>

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

D. Restricted Net Assets

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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

Special Revenue Fund balances	
Sewer	\$3,243,771
Water	1,060,267
Revolving funds	1,622,864
Grants	348,832
Other special revenue funds	327,774
Capital Projects	190,926
Permanent Funds - expendable	<u>87,272</u>
Total restricted net assets	<u><u>\$6,881,706</u></u>

Note 4. Cash and investments

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2007 deposits totaled \$4,967,701 and had a carrying amount of \$4,683,775. Of the deposit amounts, \$4,425,197 was exposed to custodial credit risk at June 30, 2007 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

As of June 30, 2007, the Town had the following investments:

<u>Type of Investment</u>	<u>Fair value/ Carrying Amount</u>	<u>Cost</u>	<u>Average credit quality/ratings</u>	<u>Weighted average days to maturity</u>
Primary Government				
Certificates of deposit	\$3,184,936	\$3,189,611	FDIC insured	25-360 days
Money market funds	<u>832,875</u>	<u>832,875</u>	N/A	N/A
Total primary government investments (non-fiduciary)	4,017,811	4,022,486		
Fiduciary Funds				
Money market funds	38,880	38,880	N/A	N/A
Mutual funds	43,745	45,032	AAA-BBB	2.99 years
US government obligations	107,623	102,793	Aaa	9-168 months
Domestic equities	82,521	66,834	N/A	N/A
Certificates of deposit	458,112	407,885	FDIC insured	6-48 months
Other	<u>60,906</u>	<u>60,000</u>		
Total fiduciary funds investments	<u>791,787</u>	<u>721,424</u>		
Grand total investments	<u><u>\$4,809,598</u></u>	<u><u>\$4,743,910</u></u>		

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

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

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

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

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

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

Note 5. Receivables

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

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

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 468,075	\$ 11,779	\$ 456,296	\$ 396,449
Tax liens, deferrals and foreclosures	476,324		476,324	476,323
Motor vehicle excise	583,030	27,532	555,498	583,030
Trash fees	184,388		184,388	184,113
Ambulance charges	962,842	385,137	577,705	963,116
Water charges	121,326		121,326	121,326
Sewer charges and betterments	309,498		309,498	307,455
Intergovernmental	<u>1,279,727</u>		1,279,727	<u>881,783</u>
Totals – Governmental Funds	4,385,210			3,913,595
Accrual of unbilled water and sewer charges	<u>725,141</u>	-	<u>725,141</u>	-
Totals – Governmental Activities	<u>\$5,110,351</u>	<u>\$ 424,448</u>	<u>\$4,685,903</u>	<u>\$3,913,595</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

Governmental activities	Restated Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land and improvements	\$ 5,542,053	\$	\$	\$ 5,542,053
Construction in progress	<u>1,533,745</u>	<u>154,249</u>	<u>(1,299,452)</u>	<u>388,542</u>
Sub-total	7,075,798	154,249	(1,299,452)	5,930,595
Capital assets being depreciated:				
Buildings and improvements	20,905,240	4,059		20,909,299
Infrastructure	40,201,225	1,955,393		42,156,618
Equipment, machinery & vehicles	8,936,083	559,918		9,496,001
Library, textbooks, other	2,001,510	105,627		2,107,137
50% Joint water works	<u>2,767,383</u>	<u>351,904</u>	-	<u>3,119,287</u>
Sub-total	74,811,441	2,976,901		77,788,342
Less accumulated depreciation:				
Buildings and improvements	11,630,246	626,957		12,258,203
Library , textbooks, other	1,801,949	84,909		1,886,858
Equipment, machinery & vehicles	6,248,132	438,143		6,686,275
Infrastructure	19,482,378	1,361,655		20,844,033
50% Joint water works	<u>1,730,120</u>	<u>58,191</u>	-	<u>1,788,311</u>
Sub-total	<u>40,893,825</u>	<u>2,569,855</u>	-	<u>43,463,680</u>
Governmental capital assets, net	<u>\$40,993,414</u>	<u>\$ 561,295</u>	<u>\$(1,299,452)</u>	<u>\$40,255,257</u>

Certain beginning balances have been restated to current year presentation.

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

Governmental activities:	
General government	\$ 87,839
Public safety	413,766
Education	125,738
Public works, including water	1,803,159
Health and human services	27,862
Culture and recreation	<u>111,491</u>
Total depreciation expense – governmental activities	<u>\$2,569,855</u>

Note 7. Interfund balances and activity

There are no amounts due to or from governmental funds.

Interfund transfers, for the year ended June 30, 2007, consisted of the following:

	<u>General Fund -</u>	<u>Water Fund -</u>	<u>Sewer Fund -</u>	<u>Non-major Governmental</u>
Appropriated amounts transferred between				
General Fund and governmental funds – net	\$(52,124)	\$(2,688)	\$(2,688)	\$ 57,500
Other transfers between funds	(10,539)			10,539
Appropriated amount transferred from				
Water system development for laying				
water mains	-	(500,000)	-	500,000
	<u>\$(62,663)</u>	<u>\$(502,688)</u>	<u>\$(2,688)</u>	<u>\$568,039</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2007:

<u>Purpose</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2007</u>	<u>Current Portion</u>
03/15/97, due 03/15/2007	\$ 430,000	\$	\$(430,000)	\$	\$
Multi-purpose bonds, 3.25 – 5.00%, dtd 07/01/02, due 07/01/2022	3,705,000		(260,000)	3,445,000	260,000
Multi-purpose bonds, 4.00-5.25%, dtd 07/01/2006, due 07/15/2016		1,700,000		1,700,000	175,000
MWPAT– subsidized bond, Water treatment facility, dtd 11/16/2005, due 07/15/2025	380,167		(14,111)	366,056	15,996
MWPAT– subsidized bonds, Stormwater Management, dtd 11/23/04, due 8/1/25	<u>224,959</u>	<u>-</u>	<u>(8,321)</u>	<u>216,638</u>	<u>8,557</u>
Total bonds payable	4,740,126	1,700,000	(712,432)	5,727,694	459,553
Landfill closure and monitoring liability	620,000		(95,000)	525,000	25,000
Compensated absences	<u>3,976,911</u>	<u>213,201</u>	<u>-</u>	<u>4,190,112</u>	<u>-</u>
Total governmental activities noncurrent liabilities	<u>\$9,337,037</u>	<u>\$1,913,201</u>	<u>\$(807,432)</u>	<u>\$10,442,806</u>	<u>\$484,553</u>

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2006, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 459,553	\$ 278,988	\$ 738,541
2009	450,124	220,394	670,518
2010	450,707	231,613	682,320
2011	446,400	186,258	632,658
2012	447,010	168,734	615,744
2013 – 2017	2,083,159	607,920	2,691,079
2018 – 2022	1,106,717	175,829	1,282,546
2023 – 2026	284,024	9,197	293,221
Totals	<u>\$5,727,694</u>	<u>\$1,878,933</u>	<u>\$7,606,627</u>

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

Unissued debt authorizations consist of the following at June 30, 2007:

<u>Purpose</u>	<u>Year Authorized</u>	<u>Balance June 30, 2006</u>	<u>Authorized</u>	<u>(Issued)</u>	<u>(Rescinded)</u>	<u>Balance June 30, 2007</u>
Sewer	2000, 2003, & 2008	\$1,095,253	\$	\$(750,000)	\$(160,000)	\$ 185,253
Water	2004-2007	4,173,333	75,000	(950,000)	(450,000)	2,848,333
Totals		<u>\$5,268,586</u>	<u>\$ 75,000</u>	<u>\$(1,700,000)</u>	<u>\$(610,000)</u>	<u>\$3,033,586</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

Lease obligations

A. Operating and capital leases

The Town has entered into a number of operating and capital leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating and capital leases are immaterial as of June 30, 2007.

Note 9. Temporary borrowings

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

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

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings have been accounted for in the Sewer Fund and Water Fund.

Changes in the Town's short-term debt for the year ended June 30, 2007 are as follows:

<u>Type/Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2006</u>	<u>Issued Additions</u>	<u>Redeemed</u>	<u>Balance June 30, 2007</u>
Bond Anticipation Notes							
BAN, 07/12/2005	Sewer	3.50%	7/12/2006	\$750,900	\$	\$(750,900)	\$
BAN, 06/28/2006	Water	4.00%	7/12/2006	<u>50,000</u>	-	<u>(50,000)</u>	-
Totals				<u>\$800,900</u>	<u>\$ -</u>	<u>\$(800,900)</u>	<u>\$ -</u>

Note 10. Employee Benefits

A. Retirement Benefits

Plan Description

The Town of Rockland, Massachusetts contributes for eligible employees, other than teachers, to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five-member board. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement System, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

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 is \$1,871,431, representing approximately 5.377% of the system wide employer assessments. 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, 2006 and 2005 were \$1,685,226 and \$1,358,631, respectively, equal to the required contributions for each year.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

As previously noted, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$3,952,313 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general expenditures of the general fund.

B. Compensated Absences

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

C. Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays at least 75% of the health, dental and life insurance premiums for approximately 171 retirees and their dependents. The cost of retiree's healthcare benefits is recognized as an expenditure as premiums are paid. Those costs for 2007 totaled \$798,000. Those costs totaled \$727,000 and \$629,000 for 2006 and 2005, respectively.

In addition, the Town participates in the Commonwealth's Retired Municipal Teachers (RMT) Program. Costs for retired teachers health insurance for 2007 totaled \$1,189,414. Costs totaled \$902,364 and \$696,651 for 2006 and 2005, respectively.

Note 11. Landfill Closure and Postclosure Care Costs

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

As of June 30, 2007, \$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. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

Note 12. Risk Management

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

Note 13. Commitments and Contingencies

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

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