

TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2009

TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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Malloy, Lynch, Bienvenue, LLP

Certified Public Accountants & Advisors

99 Longwater Circle, Suite 200, Norwell, MA 02061
Telephone (781) 871-5850 Fax (781) 871-5840

9 Baystate Court, Brewster, MA 02631
Telephone (508) 255-2240 Fax (508) 255-2351
Internet: www.mlbcpa.net

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, 2009, 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, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2009, 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, budgetary comparison information, schedule of funding progress and schedule of employer contributions on the accompanying pages, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Malloy, Lynch, Bienvenue LLP

December 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

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, 2009.

Financial Highlights:

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$36.1 million (net assets). The Town reported a deficit of approximately \$4.2 million, due in large part to the current year reporting of approximately \$3.3 million of net "Other Post-Employment Benefits (OPEB) required by Governmental Accounting Standards Board – Statement 45.
- The total cost of all Town services for fiscal 2009 was approximately \$60.4 million.
- As of the end of the current fiscal year, unreserved fund balance for the general fund was in a deficit of approximately \$421,000.

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, 2009

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 \$36.1 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, 2009

	FY 2009	FY 2008	Percent
	Governmental	Governmental	Change
	Activities	Activities	
Current assets	\$ 13,438,047	\$ 13,428,592	.07 %
Capital assets	<u>40,118,271</u>	<u>40,209,555</u>	(.23)%
Total assets	53,556,318	53,638,147	(.15)%
Current liabilities	4,281,154	3,820,957	12.04%
Long-term liabilities	<u>13,129,436</u>	<u>9,379,240</u>	39.98%
Total liabilities	17,410,590	13,200,197	31.90%
Net assets:			
Capital Assets, net of related debt	34,399,767	34,757,234	(1.03)%
Restricted	7,647,311	7,451,941	(2.62)%
Unrestricted	<u>(5,901,350)</u>	<u>(1,771,225)</u>	(233.2) %
Total net assets	<u>\$ 36,145,728</u>	<u>\$ 40,437,950</u>	(10.61)%

Included within the governmental activity current assets are \$5,018,279 in cash, \$2,962,397 of investments, \$649,063 for unbilled water and sewer services and \$895,256 of intergovernmental receivables, inclusive of \$699,821 of state highway construction grants and MWPAT drawdowns and interest subsidies.

Current year additions to capital assets totaled approximately \$1.8 million. Of this amount \$1.2 million consisted of additions to infrastructure, inclusive of water mains, sewer improvements, road improvement projects and Joint water work additions. An additional \$.4 and \$.2 million represented additions to equipment and machinery and construction in progress related to the feasibility study of the school project, respectively.

Governmental activity long-term liabilities include \$5.0 million in general obligation bonds, of which approximately \$459,000 has been classified as current because it is due within fiscal year 2010. Long-term liabilities also include \$3.3 million for net other post-employment benefits (OPEB) obligations, \$1.0 for estimated future landfill monitoring and related costs and \$4.3 million for compensated absences.

The largest portion of the Town's net assets \$34.4 million, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets, \$7.6 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 \$1.8 million and \$3.6 million respectively.

The Town's unrestricted net assets which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit balance of \$5.9 million.

Governmental activities decreased the Town's net assets by \$4.2 million or approximately 10% during fiscal year 2009. A summary of revenues and major functional expenditures is presented below.

Key elements of this decrease are as follows:

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

Revenues:

- Property taxes represent nearly 37.2% 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 33.0% of the Town's revenue. The largest proportion of this revenue, nearly \$10.9 million represents Chapter 70 and charter school aid from the Commonwealth, American Recovery and Reinvestment (ARRA) funding and Medicare assistance from the federal government.
- Charges for services represent nearly 20.0% of the Town's revenue. This includes water and sewer charges at nearly \$6.0 million, trash fees at \$1.4 million, and ambulance receipts of \$.9 million.
- Capital grants and contributions decreased in the current year primarily due to grants of \$499,000 received to purchase a conservation land restriction relating to the Rockland Golf Course in the previous year.

Expenses

- Total expenses increased approximately 8.9% primarily due to increases in general government expenses from the reporting the net change in OPEB obligations, and rising employee benefit costs in health insurance and pension costs.
- Public works expenditures increased primarily due to increased estimate for the landfill post-closure monitoring and related costs and increased costs for snow and ice removal during fiscal year 2009.

	FY 2009	FY 2008	
	Governmental	Governmental	Percent
	Activities	Activities	Change
Revenues:			
Charges for services	\$ 11,204,197	\$ 10,215,032	9.68%
Operating grants and contributions	18,490,224	17,819,936	3.76%
Capital grants and contributions	365,398	613,806	(40.47)%
General revenues:			
Property taxes	20,856,266	20,185,535	3.32%
Excise taxes	1,599,566	1,691,681	(5.45)%
Penalties and interest	146,698	147,752	(.71)%
Grants and contributions not restricted	3,268,227	3,659,409	(10.69)%
Investment income	169,594	199,671	(15.06)%
Departmental and other	2,628	26,680	(90.15)%
Extraordinary item-proceeds from legal settlement	-	656,199	(100)%
Total revenues	56,102,798	55,215,701	1.61%
Expenses:			
General government	16,868,326	13,540,984	24.57%
Public safety	6,664,782	6,359,755	4.80%
Education	23,890,918	23,631,508	1.10%
Public works	8,035,684	7,053,183	13.93%
Health and human services	1,576,443	1,576,507	4.50%
Culture and recreation	936,608	1,004,757	(6.78)%
Interest and other charges	211,570	237,936	(11.08)%
State and county charges	2,210,689	2,057,972	7.42%
Total expenses	60,395,020	55,462,602	8.89%
Change in net assets	\$(4,292,222)	\$ (246,901)	(1638.4)%

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

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 \$5.3 million. Approximately 73.7% of this total amount (approximately \$3.9 million) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. The remainder of fund balance, \$1.4 million is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was in deficit of approximately \$421,000, while total fund balance was in deficit of \$260,000.

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 is in deficit of \$421,000 as of June 30, 2009.

During the current fiscal year, the Town's total General Fund balance decreased by approximately \$1.0 million. General Fund expenditures exceeded revenues by \$911,000. Transfers into the General Fund consisted of approximately \$177,000 appropriated at Town Meeting from the water, sewer, passport revolving, road machinery account and dog funds. Transfers out of the General Fund consisted of approximately \$295,000 appropriated at town meeting to fund the school building feasibility study.

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 \$40,470,784 and the amended final budget of \$40,061,132 is due to the following:

- ◆ reduction of appropriations of approximately \$277,000 due to reduction in state aid.
- ◆ 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.

The Town incurred snow and ice deficits in the amount of approximately \$317,000, contributing to the over expenditure in public works appropriations. The deficit is included as a deficit in general fund unreserved fund balance to be raised on the fiscal 2010 tax rate recapitulation sheet.

TOWN OF ROCKLAND, MASSACHUSETTS
 Management's Discussion and Analysis
 June 30, 2009

Subsequent to having an approved tax rate certified, the Town electorate voted and received permission from the legislature via Chapter 13 of the Acts of 2009, to raise an additional \$637,000 for the fiscal year 2009, via a supplemental tax assessment.

During fiscal year 2009, the Town received approximately \$1, 089,000 of pass-through funding via the federal government's American Recovery and Reinvestment Act of 2009 (ARRA) - State Fiscal Stabilization Fund (SFSF)-Education State Grants Recovery Act. Additional information has been detailed in the Notes to Required Supplementary Information.

Water Fund Budgetary Highlights

The difference between the original budget of \$2,891,055 and the final budget of \$2,326,566 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 \$3,016,582 and the final budget of \$2,341,483 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, 2009 amounts to \$40,118,271, which is net of accumulated depreciation of \$47,334,039. 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	2008	2008
Land, improvements and restrictions	\$ 5.5	\$ 5.5
Land – conservation restriction	.5	.5
Library, textbooks, and other	.2	.2
Buildings and related improvements	7.8	8.2
Joint Water Works	2.3	1.5
Equipment, machinery, vehicles	2.4	2.5
Infrastructure (including water & sewer)	20.9	21.4
Construction in Progress	<u>.5</u>	<u>.4</u>
	<u>\$40.1</u>	<u>\$40.2</u>

The Town's major additions to governmental activities capital assets during 2009 included the following:

- expenditures related to feasibility study for school project.
- paving and traffic improvements to various roads.
- installation and improvements to sewer, water, and joint water works infrastructure and building additions.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2009

Debt obligations - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$5.0 million. This is compared to \$5.3 million last year. All debt is a general obligation of the Town.

The Town repaid an interest-free loan with The Trust for Public Land (TPL) in the amount of \$329,340, which was outstanding as of June 30, 2008.

During the current fiscal year, the Town borrowed a bond anticipation note in the amount of \$950,000 for the acquisition of a new water building for the Joint Water Works. . This note represented the outstanding balance of the Town's temporary debt as of June 30, 2009

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

Economic Factors and Next Year's Budgets and Rates

- The Town's fiscal year 2010 general operating budget approved at May 4, 2009 Annual Town Meeting increased approximately 4% over the fiscal year 2009 general operating budget.
- The Town electorate approved a Proposition 2 ½ override May 30, 2009, to raise an additional \$2.7 in taxes to fund various departments for fiscal year 2010, including \$1.8 million for the school department.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Net Assets
June 30, 2009

	<u>Primary Government</u> <u>Governmental</u> <u>Activities/Totals</u>
<u>ASSETS</u>	
Cash and investments	\$ 7,980,676
Receivables	5,457,371
Capital Assets, net accumulated depreciation	40,118,271
Total Assets	\$ 53,556,318
<u>LIABILITIES</u>	
Accounts payable, accrued wages and other current liabilities	\$ 2,118,920
Provision for refund of paid taxes	621,018
Notes payable	950,000
Accrued interest payable	99,694
Long-term liabilities	
Due within one year	491,522
Due in more than one year	13,129,436
Total liabilities	17,410,590
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	34,399,767
Restricted	7,647,311
Unrestricted	(5,901,350)
Total net assets	36,145,728
Total liabilities and net assets	\$ 53,556,318

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs Primary government	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities/Totals
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
General government	\$ 16,868,326	\$ 321,998	\$ 5,140,971	\$ -	\$ (11,405,357)
Public safety	6,664,782	1,379,470	317,026	-	(4,968,286)
Education	23,890,918	1,836,777	12,880,540	33,864	(9,139,737)
Public works	8,035,684	6,087,003	76,611	331,534	(1,540,536)
Human services	1,576,443	1,327,581	41,146	-	(207,716)
Culture and recreation	936,608	251,368	33,930	-	(651,310)
Interest and other charges	211,570				(211,570)
State and county charges	2,210,689				(2,210,689)
Total governmental activities	\$ 60,395,020	\$ 11,204,197	\$ 18,490,224	\$ 365,398	\$ (30,335,201)

General revenues:

Property taxes, net of allowances for uncollectibles	20,856,266
Excise taxes	1,599,566
Penalties and interest	146,698
Grants and contributions not restricted to specific programs	3,268,227
Investment income	169,594
Departmental and other	2,628
Total general revenues	26,042,979
Change in net assets	(4,292,222)
Net assets - beginning	40,437,950
Net assets - ending	\$ 36,145,728

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

TOWN OF ROCKLAND, MASSACHUSETTS
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Capital Project Water Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and investments	\$ 994,201	\$ 1,301,776	\$ 3,138,118	\$ 510,392	\$ 2,036,189	\$ 7,980,676
Receivables	3,757,251	309,465	393,011		759,064	5,218,791
Total assets	<u>\$4,751,452</u>	<u>\$ 1,611,241</u>	<u>\$ 3,531,129</u>	<u>\$ 510,392</u>	<u>\$ 2,795,253</u>	<u>\$ 13,199,467</u>

LIABILITIES

Accounts payable, accrued wages and other current liabilities	\$1,445,338	\$ 130,761	\$ 222,231	\$ 659	\$ 319,931	\$ 2,118,920
Provision for refund of paid taxes	621,018					621,018
Notes payable	2,945,309	186,018	341,604	950,000	-	950,000
Deferred revenue	5,011,665	316,779	563,835	950,659	1,019,752	7,862,690

FUND BALANCES

Fund balances:						
Reserved for:						
Encumbrances and continued appropriations	161,089	564,489	675,098			1,400,676
Unreserved	(421,302)	729,973	2,292,196	(440,267)		2,160,600
Unreserved, reported in non-major:						
Special revenue funds					1,466,555	1,466,555
Capital projects funds					217,491	217,491
Permanent funds					91,455	91,455
Total fund balances	<u>(260,213)</u>	<u>1,294,462</u>	<u>2,967,294</u>	<u>(440,267)</u>	<u>1,775,501</u>	<u>5,336,777</u>
Total liabilities and fund balances	<u>\$4,751,452</u>	<u>\$ 1,611,241</u>	<u>\$ 3,531,129</u>	<u>\$ 510,392</u>	<u>\$ 2,795,253</u>	<u>\$ 13,199,467</u>

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

Total fund balances of governmental funds	\$ 5,336,777
Capital assets used in governmental activities are not financial resources and are not reported in funds.	
The cost of the assets is \$87,452,310, net of accumulated depreciation of \$47,334,039.	40,118,271
Accounts receivable are not available to pay current-period expenditures and are deferred in funds,	
other accruals, net of uncollectibles.	4,411,332
Long-term liabilities, including debt, compensated absences and net OPEB obligations are not due and payable in the current period and are not included in funds.	(13,620,958)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.	<u>(99,694)</u>
Net assets of governmental activities	<u>\$ 36,145,728</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, 2009

	General Fund	Water Fund	Sewer Fund	Capital Project Water Building	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$ 20,419,888	\$ -	\$ -	\$ -	\$ -	\$ 20,419,888
Excise taxes	1,574,785					1,574,785
Penalties and interest	146,698	11,825	9,712			168,235
Investment earnings	151,061				18,533	169,594
Departmental fines, fees, and other	2,548,361	3,970,996	2,087,916		2,466,238	11,073,511
Intergovernmental	18,098,684		101,195		4,309,079	22,508,958
Total revenues	42,939,477	3,982,821	2,198,823	-	6,793,850	55,914,971
Expenditures						
Current:						
General government	13,011,677				566,340	13,578,017
Public safety	5,961,187				297,209	6,258,396
Education	19,055,532				5,060,839	24,116,371
Public works	1,226,686	3,272,605	2,062,305	440,267	484,547	7,486,410
Human services	1,508,713				41,888	1,550,601
Culture and recreation	562,573				290,322	852,895
State and county charges	2,210,689					2,210,689
Debt service						-
Principal	205,000	155,042	88,805			448,847
Interest and other charges	108,500	75,193	38,405			222,098
Total Expenditures	43,850,557	3,502,840	2,189,515	440,267	6,741,145	56,724,324
Revenues over (under) expenditures	(911,080)	479,981	9,308	(440,267)	52,705	(809,353)
Other financing sources (uses)						
Proceeds from long-term debt					177,933	177,933
Transfers in	176,979				344,840	521,819
Transfers out	(294,840)	(95,406)	(30,406)		(101,167)	(521,819)
Total other financing sources (uses)	(117,861)	(95,406)	(30,406)		421,606	177,933
Revenues and other financing sources over (under) expenditures and other financing uses	(1,028,941)	384,575	(21,098)	(440,267)	474,311	(631,420)
Fund balances - beginning	768,728	909,887	2,988,392		1,301,190	5,968,197
Fund balances - ending	\$ (260,213)	\$ 1,294,462	\$ 2,967,294	\$ (440,267)	\$ 1,775,501	\$ 5,336,777

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, 2009

Revenues and other financing sources (under)		
expenditures and other financing uses - governmental funds	\$	(631,420)

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

Capital outlays during the fiscal year		1,827,840
Depreciation recorded for the fiscal year		(1,919,124)

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

Net change in deferred revenue		393,503
Net change in unbilled receivables		(34,711)
Net change in allowance for doubtful accounts		(170,965)

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

Principal payments on long term debt		448,847
Issuance of long term debt		(177,931)

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

Accrued interest expense		10,526
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Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements; however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:

Net OPEB obligation		(3,277,158)
Landfill monitoring cost liability		(578,857)
Compensated absences		(182,772)

Change in net assets of governmental activities	\$	(4,292,222)
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The accompanying notes are an integral part of these financial statements.

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Net Assets - Fiduciary Funds
June 30, 2009

	Private Purpose Trust Funds	Agency Accounts
<u>ASSETS</u>		
Cash and investments	\$ 826,408	\$ 61,698
Total assets	\$ 826,408	\$ 61,698
<u>LIABILITIES</u>		
Due to students and others	\$ -	\$ 61,698
Total liabilities	-	61,698
<u>NET ASSETS</u>		
Held in trust	826,408	
Total liabilities and net assets	\$ 826,408	\$ 61,698

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Changes in Net Assets - Fiduciary Funds
For the Year Ended June 30, 2009

	Private Purpose Trust Funds
Additions	
Contributions	\$ 20,656
Interest and dividends	22,155
Total additions	42,811
 Deductions	
Scholarships and awards	79,405
Total deductions	79,405
Change in net assets	(36,594)
Net assets - beginning	863,002
Net assets - ending	\$ 826,408

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, 2009

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 2009. 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 2009 Assessment & Payment for services</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$1,536,583
North River Collaborative	To provide special education services	\$ 889,881
South Shore Regional School District	To provide vocational educational services	\$ 1,141,509
South Shore Tri-Town Development Corp.	To develop land with towns of Abington & Weymouth	N/A

Payments to collaboratives are for services rendered.

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

Related Organizations

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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, 2009

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

Governmental Funds:

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

The following major governmental funds are reported.

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Water fund is a special revenue fund used to account for the activities related to the operations of the Town's water system.
- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Town's sewer system.
- Capital project – Water Building is a capital project fund used to account for financial resources to be used to fund the Town's share of acquisition and construction costs of a new water department office building for the joint water works.

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, 2009

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

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

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

C. Cash and Investments

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

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

D. Interfund Receivables and Payables

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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 40% of current ambulance charges to be uncollectible. Outstanding real estate taxes and water and sewer charges are secured by tax liens, and therefore considered to be fully collectable.

F. Capital Assets

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

G. Long-term Obligations

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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

H. Compensated Absences

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

I. Equity Classifications

Government-wide Statements

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

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

Fund Financial Statements

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

J. Use of estimates

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

K. Total columns

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

B. Fund equities

Operations of the various Town funds for fiscal 2009 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.

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

At June 30, 2009 general fund equities consisted of the following:

Reserved for encumbrances and continued appropriations	\$ 161,089
Unreserved:	
Designated for expenditure	28,116
Designated for petty cash	375
Undesignated	(132,868)
Snow & ice appropriation deficit	<u>(316,925)</u>
Total unreserved	<u>(421,302)</u>
Total General Fund Equities	<u>\$ (260,213)</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

D. Restricted Net Assets

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

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

Special Revenue Fund balances	
Water	\$1,838,806
Sewer	3,599,635
Revolving funds	901,496
Grants	826,068
Other special revenue funds	381,540
Capital Projects	8,311
Permanent Funds - expendable	<u>91,455</u>
 Total restricted net assets	 <u>\$7,647,311</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. Cash and investments have been combined for financial reporting purposes. At June 30, 2009, the Town's carrying amount of cash deposits and investments was \$5,176,229 and \$3,692,553 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. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2009 cash deposits totaled \$5,356,803 and had a carrying amount of \$5,176,229. Of the deposit amounts, \$3,874,916 was exposed to custodial credit risk at June 30, 2009 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit. The FDIC deposit insurance increase from \$100,000 to \$250,000 per depositor has been extended through December 31, 2013.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

As of June 30, 2009, 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>	<u>Maturity 6-10 years</u>
Primary Government					
Certificates of deposit	\$2,577,346	FDIC insured	\$2,577,346	N/A	N/A
Money market funds	<u>385,051</u>	N/A	N/A	N/A	N/A
Total primary government investments (non-fiduciary)	2,962,397				
Fiduciary Funds					
Money market funds	20,027	N/A	N/A	N/A	N/A
Mutual funds	39,978	N/A	N/A	N/A	N/A
US government obligations	90,642	Aaa	\$ 31,253	\$ 32,080	\$27,309
Domestic equities	63,123	N/A	N/A	N/A	N/A
Certificates of deposit	421,550	FDIC insured	\$ 116,970	\$304,580	N/A
Other	<u>94,836</u>	FDIC insured	N/A	\$ 94,836	N/A
Total fiduciary funds investments	<u>730,156</u>				
Grand total investments	<u>\$3,692,553</u>				

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

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

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have an investment policy which limits the amount that can be invested in any one issuer or security. The Town has \$405,077 invested in the Western Asset Money Market Fund Class A, which represents 11% of the total investments.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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	\$ 1,517,189	\$ 10,802	\$ 1,506,387	\$ 841,440
Tax liens, deferrals and foreclosures	591,029		591,029	591,029
Motor vehicle excise	483,630	74,586	409,044	483,629
Trash fees	216,473		216,473	216,473
Ambulance charges	812,738	325,095	487,643	812,738
Water charges	309,465		309,465	186,018
Sewer charges and betterments	393,011		393,011	341,604
Intergovernmental	<u>895,256</u>		895,256	<u>699,821</u>
Totals – Governmental Funds	5,218,791			<u>\$4,172,752</u>
Accrual of unbilled water and sewer charges	<u>649,063</u>	-	<u>649,063</u>	
Totals – Governmental Activities	<u>\$5,867,854</u>	<u>\$ 410,483</u>	<u>\$5,457,371</u>	

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows. :

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land and improvements	\$ 5,542,053	\$	\$	\$ 5,542,053
Land – conservation restriction	499,000			499,000
Construction in progress	<u>396,517</u>	<u>243,393</u>	<u>(143,318)</u>	<u>496,592</u>
Sub-total	6,437,570	243,393	(143,318)	6,537,645
Capital assets being depreciated:				
Buildings and improvements	21,151,353	101,143		21,252,496
Infrastructure	42,847,400	297,078		43,144,478
Equipment, machinery & vehicles	9,706,652	424,501		10,131,153
Library, textbooks, other	2,107,137	33,712		2,140,849
50% Joint water works	<u>3,374,358</u>	<u>871,331</u>	-	<u>4,245,689</u>
Sub-total	79,186,900	1,727,765		80,914,665
Less accumulated depreciation:				
Buildings and improvements	12,930,486	511,930		13,442,416
Library , textbooks, other	1,948,931	41,792		1,990,723
Equipment, machinery & vehicles	7,227,763	474,442		7,702,205
Infrastructure	21,450,990	813,414		22,264,404
50% Joint water works	<u>1,856,745</u>	<u>77,546</u>	-	<u>1,934,291</u>
Sub-total	<u>45,414,915</u>	<u>1,919,124</u>	-	<u>47,334,039</u>
Governmental capital assets, net	<u>\$40,209,555</u>	<u>\$ 52,034</u>	<u>\$ (143,318)</u>	<u>\$40,118,271</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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

Governmental activities:	
General government	\$ 89,263
Public safety	422,287
Education	73,311
Public works, including water and sewer	1,200,797
Health and human services	26,591
Culture and recreation	<u>106,875</u>
Total depreciation expense – governmental activities	<u>\$1,919,124</u>

Note 7. Interfund balances and activity

As of June 30, 2009, no amounts were due between funds.

Interfund transfers, for the year ended June 30, 2009, consisted of the following:

	General Fund -	Water Fund -	Sewer Fund -	Non-major Governmental
Appropriated and other amounts transferred between General Fund and governmental funds- net	\$ (117,861)	\$(45,406)	\$(30,406)	\$ 193,673
Other appropriated transfers between funds	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
	<u>\$ (117,861)</u>	<u>\$(95,406)</u>	<u>\$(30,406)</u>	<u>\$ 243,673</u>

Net appropriated transfers of the General Fund include \$294,840 transferred to the capital projects to fund the feasibility study for a new middle school and renovation to the existing high school. The Town has received a grant from the Massachusetts School Building Authority (MSBA) for reimbursement, of approximately 57%, of eligible costs in relation to this study, to a maximum of approximately \$375,000. Eligible costs are determined by the MSBA upon submission, and reimbursed accordingly. The Town has received approximately \$34,000 of reimbursement as of June 30, 2009.

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2009:

<u>Purpose</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Multi-purpose bonds, 3.25 – 5.00%, dtd 07/01/02, due 07/01/2022	\$ 3,185,000	\$	\$(250,000)	\$ 2,935,000	\$ 250,000
Multi-purpose bonds, 4.00-5.25%, dtd 07/01/2006, due 07/15/2016	1,525,000		(175,000)	1,350,000	175,000
MWPAT– subsidized bonds, water treatment facility, dtd 11/16/2005, due 07/15/2025	350,060		(15,042)	335,018	16,564
MWPAT– subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/25	208,081	-	(8,805)	199,276	9,058
MWPAT– subsidized bonds, water treatment facility, dtd 3/18/09, due 07/15/2029	<u>-</u>	<u>177,933</u>	<u>-</u>	<u>177,933</u>	<u>7,900</u>
Total bonds payable	5,268,141	177,933	(448,847)	4,997,227	458,522
Landfill closure and monitoring liability	500,000	612,020	(33,163)	1,078,857	33,000
Compensated absences	4,084,946	182,770		4,267,716	-
Net OPEB obligation	<u>-</u>	<u>5,368,302</u>	<u>(2,091,144)</u>	<u>3,277,158</u>	<u>-</u>
Total governmental activities noncurrent liabilities	<u>\$ 9,853,087</u>	<u>\$6,341,025</u>	<u>\$(2,573,154)</u>	<u>\$13,620,958</u>	<u>\$ 491,522</u>

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2009, including interest, are as follows:

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 458,522	\$ 206,685	\$ 665,207
2011	453,903	189,610	643,513
2012	454,664	171,935	626,599
2013	445,447	153,211	598,658
2014	436,367	132,544	568,911
2015 – 2019	1,713,908	378,328	2,092,236
2020 – 2024	922,635	91,612	1,014,247
2025 – 2029	111,781	3,517	115,298
Totals	<u>\$4,997,227</u>	<u>\$1,327,442</u>	<u>\$6,324,669</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, 2009:

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

Lease obligations

A. Operating and capital leases

The Town has entered into a number of operating and capital leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating and capital leases are immaterial as of June 30, 2009.

Note 9. Temporary borrowings

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

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

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures and issuance costs for temporary borrowings are accounted for in the general fund, water or sewer fund as appropriate.

At June 30, 2008, the Town had an interest free loan outstanding in the amount of \$329,340 with The Trust for Public Land which was incurred for the purpose of financing a conservation restriction on the Rockland Golf Course. The Town repaid this loan during fiscal year 2009.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

The Town had the following table indicates the Town's additional temporary debt activity during fiscal year 2009.

<u>Purpose</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2009</u>
Bond anticipation note, water building, 2.5%, dtd 2/12/09, due 2/11/10	\$ _____ -	\$ 950,000	\$ _____ -	\$ 950,000

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, which was equal to its required contribution (gross) is \$2,263,302, representing approximately 5.482% 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 1st. The Town's discount was \$45,266 for a net payment of \$2,218,036. 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, 2008 and 2007 were \$2,049,270 and \$1,871,431, 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 TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$4,691,444 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.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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

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.

Benefits were paid to approximately 272 retired participants and spouses during the fiscal year ended June 30, 2009 and are paid on a pay as you go basis. These benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

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. For fiscal year 2009, the Town contributed approximately \$ 2 million to health, dental and life insurance programs on behalf of retirees. 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 participates in the Commonwealth's Retired Municipal Teachers (RMT) Program. Costs for the retirees in the RMT for fiscal year 2009 totaled approximately \$1.3 million. These costs are included in the aggregate \$2 million costs for the year.

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:

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

	Governmental Activities
Annual required contribution	\$ 5,161,828
Interest on net OPEB obligation	206,474
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	5,368,302
Contributions made	<u>(2,091,144)</u>
Change in net OPEB obligation	3,277,158
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 3,277,158</u>

	Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
Governmental activities:				
	6/30/2009	\$ 5,368,302	40.51%	\$ 3,277,158
	6/30/2008	N/A	N/A	N/A
	6/30/2007	N/A	N/A	N/A

Funding Status and Schedule of Funding Progress

The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis.

	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)
Governmental Activities:							
	7/1/2008	\$ -	\$ 57,905,674	\$ 57,905,674	0%	\$ 18,887,393	306.6%
	7/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2006	N/A	N/A	N/A	N/A	N/A	N/A

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, 2008. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

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

Investment Rate of Return: 4.0% per annum

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2009	5.5%	4.1%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum

Compensation Increases: 4.5% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 30 years at July 1, 2008

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, 2009, \$1,078,857 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 increased in the current year, due to management's revised estimates of future costs, as a result of inflation and additional work required for the landfill site. 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 risks. The Town belongs to the Plymouth County Health Group (Group), a joint purchasing group established under MGL Chapter 32B, section 12 for health insurance. The Town pays annual premiums to the Group. The Group reinsures itself for claims in excess of \$250,000 per person annually.

Note 13. Commitments and Contingencies

Various legal actions and claims are pending against the Town as of June 30, 2009. 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.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2009

Note 14. 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 #45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, was required to be implemented in fiscal year 2009. This pronouncement required additional accrual of the Town's Net OPEB obligation and additional disclosures related thereto.

The GASB issued Statement #55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was required to be implemented in fiscal year 2009. This pronouncement incorporated the hierarchy of generally accepted accounting principles (GAAP) into the GASB authoritative literature.

The GASB issued Statement #56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, was required to be implemented in fiscal year 2009. This pronouncement incorporated existing accounting guidance for a governmental entity into GASB standards.

Future pronouncements

The GASB issued Statement #53, Accounting and Financial Reporting for Derivatives, which is required to be implemented in fiscal year 2010. The Town doesn't believe this pronouncement will have a material effect on the Town's financial statements.

The GASB issued Statement #54, Fund Balance Reporting and Governmental Fund Type Definitions, which is required to be implemented in fiscal 2011. This pronouncement will change fund balance classifications and definitions and will impact the Town's financial statements.

Note 15. Subsequent events

On November 14, 2009, the Town electorate approved a Proposition 2 ½ 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 renovate the existing Rockland High School, including all incidental costs related thereto. The Town has entered an agreement with the Massachusetts School Building Authority to receive grant funding of approximately 64% of eligible project costs, with the maximum grant not to exceed approximately \$53 million. The preliminary estimated cost of the entire project is estimated to be approximately \$86 million.

SUPPLEMENTARY INFORMATION

TOWN OF ROCKLAND, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress for the Town's Retiree Benefit Plan
 June 30, 2009

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.

	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)
Governmental Activities:							
	7/1/2008	\$ -	\$ 57,905,674	\$57,905,674	0%	\$18,887,393	306.6%
	7/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
	7/1/2006	N/A	N/A	N/A	N/A	N/A	N/A

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, 2008. 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

Investment Rate of Return: 4.0% per annum

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress for the Town's Retiree Benefit Plan
June 30, 2009

Healthcare Trend Rates:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2009	5.5%	4.1%
FY 2010	9.0%	7.5%
FY 2011	8.0%	7.0%
FY 2012	7.0%	6.5%
FY 2013	6.0%	6.0%
FY 2014	5.0%	5.5%
FY 2015	5.0%	5.0%

General Inflation Assumption: 3.5% per annum

Compensation Increases: 4.5% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 30 years at July 1, 2008

TOWN OF ROCKLAND, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the year ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property Taxes	\$ 20,129,889	\$ 20,763,067	\$ 20,827,181	\$ 64,114
Excise	1,676,392	1,676,392	1,574,785	(101,607)
Penalties and interest	147,750	147,750	146,698	(1,052)
Investment interest	188,298	188,298	151,061	(37,237)
Departmental, fees and other	3,763,997	2,568,723	2,582,021	13,298
Intergovernmental	14,712,065	14,420,065	13,324,076	(1,095,989)
Total revenues	40,618,391	39,764,295	38,605,822	(1,158,473)
Expenditures				
General government	9,632,961	9,282,718	8,320,233	962,485
Public Safety	6,011,282	5,958,573	5,911,683	46,890
Education	19,332,279	19,208,033	19,055,532	152,501
Public works	786,618	939,972	1,226,686	(286,714)
Human services	1,547,601	1,515,793	1,508,713	7,080
Culture and recreation	609,124	605,124	562,573	42,551
State and county assessments	2,237,359	2,237,359	2,210,689	26,670
Debt service	313,560	313,560	313,500	60
Total Expenditures	40,470,784	40,061,132	39,109,609	951,523
Revenues over (under) expenditures	147,607	(296,837)	(503,787)	(206,950)
Other financing sources (uses)				
Transfers out to other funds	(294,840)	(294,840)	(294,840)	-
Transfers in from other funds	162,947	177,947	176,979	(968)
Total other financing sources (uses)	(131,893)	(116,893)	(117,861)	(968)
Revenues and other financing sources over (under) expenditures and other financing uses	15,714	(413,730)	(621,648)	\$ (207,918)
Fund balances, beginning of year			1,202,874	
Fund balances, end of year			\$ 581,226	
Other budget items				
Free cash appropriations	200,620	699,256		
Overlay surplus	100,000	191,897		
Carryover encumbrances and articles	107,435	(53,654)		
Funding of prior year deficits	(423,769)	(423,769)		
Total other budget items	(15,714)	413,730		
Net budget	\$ -	\$ -		

See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS

Budgetary Comparison Schedule - Water

For the year ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Charges for services and other	\$ 2,247,515	\$ 2,262,515	\$ 2,567,286	\$ 304,771
Total revenues	<u>2,247,515</u>	<u>2,262,515</u>	<u>2,567,286</u>	<u>304,771</u>
Expenditures				
Public works	2,441,248	1,876,759	1,857,070	19,689
Debt service	<u>449,807</u>	<u>449,807</u>	<u>230,235</u>	<u>219,572</u>
Total Expenditures	<u>2,891,055</u>	<u>2,326,566</u>	<u>2,087,305</u>	<u>239,261</u>
Revenues over (under) expenditures	(643,540)	(64,051)	479,981	544,032
Other financing sources (uses)				
Transfers out to other funds	<u>(80,406)</u>	<u>(95,406)</u>	<u>(95,406)</u>	<u>-</u>
Total other financing sources (uses)	<u>(80,406)</u>	<u>(95,406)</u>	<u>(95,406)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(723,946)	(159,457)	384,575	<u>\$ 544,032</u>
Fund balances, beginning of year			<u>909,887</u>	
Fund balances, end of year			<u>\$ 1,294,462</u>	
Other budget items				
Appropriation of fund balance	280,406	280,406		
Carryover encumbrances and articles	<u>443,540</u>	<u>(120,949)</u>		
Total other budget items	<u>723,946</u>	<u>159,457</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS

Budgetary Comparison Schedule - Sewer

For the year ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Charges for services and other	\$ 1,979,840	\$ 1,979,840	\$ 2,194,614	\$ 214,774
Total revenues	<u>1,979,840</u>	<u>1,979,840</u>	<u>2,194,614</u>	<u>214,774</u>
Expenditures				
Public works	2,891,582	2,216,483	2,062,305	154,178
Debt service	<u>125,000</u>	<u>125,000</u>	<u>123,001</u>	<u>1,999</u>
Total Expenditures	<u>3,016,582</u>	<u>2,341,483</u>	<u>2,185,306</u>	<u>156,177</u>
Revenues over (under) expenditures	<u>(1,036,742)</u>	<u>(361,643)</u>	9,308	370,951
Other financing sources (uses)				
Transfers out to other funds	<u>(30,406)</u>	<u>(30,406)</u>	<u>(30,406)</u>	<u>-</u>
Total other financing sources (uses)	<u>(30,406)</u>	<u>(30,406)</u>	<u>(30,406)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other other financing uses	<u>(1,067,148)</u>	<u>(392,049)</u>	<u>(21,098)</u>	<u>\$ 370,951</u>
Fund balances, beginning of year			<u>2,988,392</u>	
Fund balances, end of year			<u>\$ 2,967,294</u>	
Other budget items				
Appropriation of fund balance	330,406	330,406		
Carryover encumbrances and articles	<u>736,742</u>	<u>61,643</u>		
Total other budget items	<u>1,067,148</u>	<u>392,049</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Supplementary Information

June 30, 2009

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 the each 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2009, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net -</u>
As reported on a budgetary basis	\$38,605,822	\$39,109,609	\$(117,861)
Adjustment of property tax revenues to modified accrual basis	(407,293)		
Public safety grants	49,504	49,504	
State funded teacher's pension	<u>4,691,444</u>	<u>4,691,444</u>	-
As reported on a GAAP basis	<u>\$42,939,477</u>	<u>\$43,850,557</u>	<u>\$19,906</u>

During fiscal year 2009, the Town received approximately \$1,089,000 of pass-through funding via the federal government's American Recovery and Reinvestment Act of 2009 (ARRA) - State Fiscal Stabilization Fund (SFSF)-Education State Grants Recovery Act. It should be noted that, the Commonwealth of Massachusetts reduced its final payment of Chapter 70 aid by the amount the Town was receiving through ARRA funding. Pursuant to issued guidelines, the Town reported the receipts of this revenue in a special revenue fund and transferred an equal amount of education related costs incurred in the final quarter to offset that revenue. The Town transferred costs related to school employee benefits and special education tuitions in the amounts of \$937,000 and \$152,000 respectively, from the general fund to the established special revenue fund, offsetting the revenue. Amounts transferred are reflected only on an actual basis, thus contributing to an increase in the deficiency on intergovernmental revenues and savings on general government and educational appropriations as reported.

In addition, the Town incurred snow and ice deficits in the amount of approximately \$317,000, contributing to the over expenditure in public works appropriations. This amount is included as a deficit in general fund unreserved fund balance to be raised on the fiscal 2010 tax rate recapitulation sheet.

The difference of \$1,415,535 in revenues and expenditures between the budgetary – basis and GAAP basis for the water fund represent amounts committed during fiscal 2009 to the Town of Abington for the Joint Water Works. The difference of \$4,209 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.