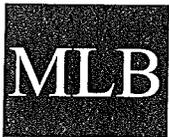


**TOWN OF ROCKLAND, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED JUNE 30, 2011

**TOWN OF ROCKLAND, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen  
Town of Rockland, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rockland, Massachusetts, as of and for the year ended June 30, 2011, 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, 2011, 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 October 25, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix, the schedule of funding progress - OPEB and budgetary comparison information on pages 29 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Malloy, Lynch, Bienvenue LLP*

October 25, 2011

**MANAGEMENT'S DISCUSSION & ANALYSIS**

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

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, 2011.

#### **Financial Highlights:**

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$40.4 million (net assets). The Town reported an increase in net assets of approximately \$5.2 million.
- The total cost of all Town services for fiscal year 2011 was approximately \$64.5 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$468,000.

#### **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, 2011

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2011

	<b>FY2011</b>	<b>FY2010</b>	
	<b>Governmental</b>	<b>Governmental</b>	<b>Percent</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Change</u></b>
Current assets	\$ 26,530,431	\$ 22,391,193	18.49%
Capital assets	<u>61,194,676</u>	<u>45,518,689</u>	34.44%
Total assets	87,725,107	67,909,882	29.18%
Current Liabilities	23,895,168	14,156,777	68.79%
Long term liabilities	<u>23,411,502</u>	<u>18,555,771</u>	26.17%
Total liabilities	47,306,670	32,712,548	44.61%
Net assets:			
Invested in capital assets, net of related debt	35,574,809	29,021,394	22.58%
Restricted	7,230,076	7,166,111	0.89%
Unrestricted	<u>(2,386,448)</u>	<u>(990,171)</u>	-141.01%
Total net assets	<u>\$ 40,418,437</u>	<u>\$ 35,197,334</u>	14.83%

Included within the governmental activity current assets are approximately \$10.9 million in cash, \$7.0 million of investments, and \$8.6 million of receivables. Included in the receivable amount is \$4.5 million of intergovernmental receivables which consists primarily of \$2.7 million due from the MSBA on school building projects, \$730,000 of state highway construction grants and \$404,000 in MWPAT funds to be drawn down and interest subsidies and \$639,000 due from other governments.

Current year additions to capital assets totaled approximately \$17.6 million. Of this amount approximately \$13.8 million consisted of construction in progress related to the new John Rodgers Middle School and High School construction projects. An additional \$2.6 million represented the Town's share of the water and joint water works additions, mainly comprised of construction in progress expenditures related to the various ongoing capital projects. During the year approximately \$.8 million of assets, which were previously classified as construction in progress, were placed in service.

Governmental activity long-term liabilities include \$8.1 million in general obligation bonds, of which approximately \$696,000 has been classified as current because it is due within fiscal year 2012. Long-term liabilities also include \$10.4 million for net other post-employment benefits (OPEB) obligations, \$.8 million for estimated future landfill monitoring and related costs and \$4.4 million for compensated absences.

The largest portion of the Town's net assets \$35.6 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, \$7.1 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 \$1.5 million and \$3.3 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 approximately \$2.2 million.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2011

Governmental activities increased the Town's net assets by approximately \$5.2 million or approximately 14.83% during fiscal year 2011. A summary of revenues and major functional expenditures is presented below. Certain prior year balances have been reclassified to correspond with the current year presentation.

Key elements of the current year activity are as follows:

#### Revenues:

- Property taxes represent nearly 36.03% 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 26.72% of the Town's revenue. The largest proportion of this revenue, nearly \$10.3 million represents Chapter 70 and charter school aid from the Commonwealth and Medicare assistance from the federal government. An additional \$5.0 represents contributions made to the Massachusetts Teacher's Retirement System on behalf of the Town. An additional \$2.8 million represent various educational grants received from the state and federal governments.
- Charges for services represent nearly 17.10% of the Town's revenue. This includes water and sewer charges at nearly \$6.7 million, trash fees at \$1.3 million, and ambulance receipts of \$.8 million.
- Capital grants and contributions for the fiscal year amounted to \$7.7 million and represented 11.01% of the Town's revenue. This represents a significant increase over the previous fiscal year due primarily to reimbursements on the ongoing school building projects.
- Departmental and other revenue for the fiscal year consisted primarily of \$900,000 of payments received in accordance with the amended agreement signed in December 2010, between the Town and land developer, LNR South Shore, LLC, relating to the re-development of the former naval airbase.
- The Town also received approximately \$7 million reimbursement from the MSBA on School building projects.

#### Expenses

- Total expenses increased approximately 5.7% during fiscal year 2011. The Town had increases of approximately 10% in employee benefit costs in health insurance and pension costs and realized certain savings in other functional categories. Additionally the Town had increases in educational expenditures as a result of increased operating grants and contributions from the state and federal governments.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2011

	<b>FY2011</b>	<b>FY2010</b>	
	<b>Governmental</b>	<b>Governmental</b>	
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>Percent</u></b>
			<b><u>Change</u></b>
Revenues:			
Charges for services	\$ 11,923,174	\$ 10,841,505	9.98%
Operating grants and contributions	18,641,135	18,167,981	2.60%
Capital grants and contributions	7,678,122	316,968	2322.37%
General revenues:			
Property taxes	25,127,067	24,622,625	2.05%
Excise taxes	1,496,203	1,737,623	-13.89%
Penalties and interest	237,073	214,903	10.32%
Grants and contributions not restrict	3,664,943	4,162,375	-11.95%
Investment income	36,994	32,493	13.85%
Premium on issuance of debt	31,167		100.00%
Departmental and other	<u>909,282</u>	<u>143</u>	635761.54%
Total revenues	69,745,160	60,096,616	16.06%
Expenses:			
General government	14,732,050	13,136,354	12.15%
Public safety	6,402,700	6,389,383	0.21%
Education	30,679,704	28,677,416	6.98%
Public works	7,540,402	7,593,768	-0.70%
Health and human services	1,637,720	1,595,658	2.64%
Culture and recreation	895,439	1,027,332	-12.84%
Interest and other charges	424,627	249,818	69.97%
State and county charges	<u>2,211,416</u>	<u>2,375,281</u>	-6.90%
Total expenses	<u>64,524,058</u>	<u>61,045,010</u>	5.70%
Change in net assets	<u>\$ 5,221,102</u>	<u>\$ (948,394)</u>	

Certain reclassifications have been made to prior year balances to conform to current year presentation.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Management's Discussion and Analysis  
June 30, 2011

**Financial Analysis of the Government's Funds**

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of a deficit of \$456,538, a decrease of approximately \$5.3 million from the prior year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$2.3 million, committed fund balance was \$2.8 million; assigned fund balance was \$.2 million and unassigned fund balance reported a deficit of approximately \$5.8 million primarily due to the school building projects and other capital projects.

The general fund is the chief operating fund. At the end of the current fiscal year, the Town reported aggregate fund balance of \$1.4 million, an increase of \$.7 million from the previous year. Of this amount \$19,843 or 1.40% represents restricted fund balance. Committed fund balance of \$763,674 and assigned fund balance of \$168,034 represent 53.81% and 11.84% of total general fund balance respectively. Unassigned fund balance of \$467,598 represents 32.95% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Total unassigned fund balance represents approximately .98% of total general fund expenditures and revenues, while total General fund balance represents 2.95% and 2.99%, respectively, of the same amounts.

**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 \$42,732,418 and the amended final budget of \$42,671,534 is due to primarily to encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

The Town incurred snow and ice deficits in the amount of approximately \$597,000, 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 2012 tax rate recapitulation sheet.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2011

**Water Fund Budgetary Highlights**

The difference between the original budget of \$3,094,673 and the final budget of \$2,457,781 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 \$3,179,875 and the final budget of \$2,435,354 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, 2011 amounts to \$61,194,676, which is net of accumulated depreciation of \$51,189,471. This represents approximately a \$15.7 million net increase from the previous year. The investment in capital assets includes land; buildings; improvements; machinery and equipment. It also includes infrastructure (including water and sewer) placed in service since July 1, 2003.

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

	<u>Governmental Activities</u>	
<b>Capital assets</b>	<u>2011</u>	<u>2010</u>
Land, improvements and restrictions	\$ 5.5	\$ 5.5
Land – conservation restriction	.5	.5
Library, textbooks, and other	.1	.1
Buildings and related improvements	7.5	7.3
Joint Water Works	5.3	4.3
Equipment, machinery, vehicles	2.3	2.3
Infrastructure (including water & sewer)	22.5	20.8
Construction in Progress	<u>17.5</u>	<u>4.7</u>
	<u>\$61.2</u>	<u>\$45.5</u>

The Town's major additions to governmental activities capital assets during 2011 included the following:

- Expenditures related to the new John Rodgers Middle School and High School renovation projects.
- Paving and traffic improvements to various roads.
- Installation and improvements to sewer, water, and joint water works infrastructure and building additions.
- Several capital leases for public safety and public works vehicles.

## **TOWN OF ROCKLAND, MASSACHUSETTS**

### Management's Discussion and Analysis

June 30, 2011

**Debt obligations** - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$8.1 million. This is compared to \$7.4 million last year. All debt is a general obligation of the Town. During the year the Town permanently financed \$1.2 million for the water building and water main projects.

At the end of the current fiscal year, the Town had temporary bond anticipation notes outstanding of \$16.5 million. This is compared to \$9.2 million last year. The outstanding notes of \$16.5 million relate to the Town's school building projects.

Additionally, the Town reported notes payable to the MWPAT in the aggregate of \$573,225 as of June 30, 2011. These notes were funded through the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, these projects are subject to special ARRA conditions and requirements for the duration of the project. Upon completion and issuance of approved project completion certificates, the MWPAT may forgive the remaining balance on the interim notes.

The Town maintains an AA+ bond rating with Standard & Poor's Investors Service.

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

- The Town's fiscal year 2012 operating budget approved at May 2, 2011 Annual Town Meeting increased approximately 3.0% over the fiscal year 2011 general operating budget.

### **Requests for Information**

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

**BASIC FINANCIAL STATEMENTS**

**TOWN OF ROCKLAND, MASSACHUSETTS**

Statement of Net Assets

June 30, 2011

	<u>Primary Government</u> <u>Governmental</u> <u>Activities/Totals</u>
<b><u>ASSETS</u></b>	
Cash and investments	\$ 17,914,060
Receivables	8,616,371
Capital Assets, net accumulated depreciation	61,194,676
Total Assets	<u>\$ 87,725,107</u>
<b><u>LIABILITIES</u></b>	
Accounts payable, accrued wages and other current liabilities	\$ 5,171,027
Provision for refund of paid taxes	479,614
Notes payable	16,500,000
Notes payable - ARRA (Note 10)	573,225
Deferred revenue	236,773
Accrued interest payable	108,381
Long-term liabilities	
Due within one year	826,148
Due in more than one year	23,411,502
Total liabilities	<u>47,306,670</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	35,574,809
Restricted	7,230,076
Unrestricted	(2,386,448)
Total net assets	<u>40,418,437</u>
Total liabilities and net assets	<u>\$ 87,725,107</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Revenue and</u>
<u>Primary government</u>		<u>Services</u>	<u>and</u>	<u>and</u>	<u>Changes in Net Assets</u>
Governmental activities			<u>Contributions</u>	<u>Contributions</u>	<u>Primary Government</u>
General government					<u>Governmental</u>
General government	\$ 14,732,050	\$ 280,064	\$ 5,046,642	\$	\$ (9,405,344)
Public safety	6,402,700	926,390	292,966	\$	(5,183,344)
Education	30,679,704	2,099,796	13,119,718	7,202,692	(8,257,498)
Public works	7,540,402	6,979,368	6,177	475,430	(79,427)
Human services	1,637,720	1,486,357	118,683		(32,680)
Culture and recreation	895,439	151,199	56,949		(687,291)
Interest and other charges	424,627				(424,627)
State and county charges	2,211,416				(2,211,416)
Total governmental activities	<u>\$ 64,524,058</u>	<u>\$ 11,923,174</u>	<u>\$ 18,641,135</u>	<u>\$ 7,678,122</u>	<u>(26,281,627)</u>
General revenues:					
Property taxes, net of allowances for uncollectibles					25,127,067
Excise taxes					1,496,203
Penalties and interest					237,073
Grants and contributions not restricted to specific programs					3,664,943
Investment income					36,994
Premium on issuance of debt					31,167
Departmental and other					909,282
Total general revenues					<u>31,502,729</u>
Change in net assets					5,221,102
Net assets - beginning					35,197,334
Net assets - ending					<u>\$ 40,418,437</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**

Balance Sheet  
Governmental Funds  
June 30, 2011

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>						
Cash and investments	\$ 2,566,209	\$ 1,239,204	\$ 2,686,660	\$ 8,544,951	\$ 2,877,036	\$ 17,914,060
Receivables	3,278,095	812,247	430,027	2,744,393	1,097,609	8,362,371
Due from other funds	437,249					437,249
Total assets	<u>\$ 6,281,553</u>	<u>\$ 2,051,451</u>	<u>\$ 3,116,687</u>	<u>\$11,289,344</u>	<u>\$ 3,974,645</u>	<u>\$ 26,713,680</u>
<b><u>LIABILITIES</u></b>						
Accounts payable, accrued wages and other current liabilities	\$ 1,296,638	\$ 165,957	\$ 141,721	\$ 3,165,498	\$ 401,213	\$ 5,171,027
Provision for refund of paid taxes	479,614					479,614
Notes payable				16,500,000		16,500,000
Notes payable - ARRA					573,225	573,225
Deferred revenue	3,086,152	254,560	431,618		236,773	4,009,103
Due to other funds					437,249	437,249
Total liabilities	<u>4,862,404</u>	<u>420,517</u>	<u>573,339</u>	<u>19,665,498</u>	<u>1,648,460</u>	<u>27,170,218</u>
<b><u>FUND BALANCES</u></b>						
Restricted	19,843	5,635			2,277,626	2,303,104
Committed	763,674	631,858	1,114,275		322,026	2,831,833
Assigned	168,034	5,034	2,323			175,391
Unassigned	467,598	988,407	1,426,750	(8,376,154)	(273,467)	(5,766,866)
Total fund balances	<u>1,419,149</u>	<u>1,630,934</u>	<u>2,543,348</u>	<u>(8,376,154)</u>	<u>2,326,185</u>	<u>(456,538)</u>
Total liabilities and fund balances	<u>\$ 6,281,553</u>	<u>\$ 2,051,451</u>	<u>\$ 3,116,687</u>	<u>\$11,289,344</u>	<u>\$ 3,974,645</u>	<u>\$ 26,713,680</u>

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

Total fund balances of governmental funds	\$ (456,538)
Capital assets used in governmental activities are not financial resources and are not reported in funds. The cost of the assets is \$112,384,147, net of accumulated depreciation of \$51,189,471.	61,194,676
Accounts receivable are not available to pay current-period expenditures and are deferred in funds, plus other accruals, net of uncollectibles.	4,026,330
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.	(24,237,650)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.	(108,381)
Net assets of governmental activities	<u>\$ 40,418,437</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, 2011

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Property Taxes	\$ 25,122,474	\$	\$	\$	\$	\$ 25,122,474
Excise taxes	1,609,659					1,609,659
Penalties and interest	237,073	17,921	11,196			266,190
Investment earnings	32,673		-		4,321	36,994
Departmental fees, fines, and other	2,445,220	4,346,400	2,241,453		3,668,381	12,701,454
Intergovernmental	18,034,122		3,702	6,979,275	4,970,804	29,987,903
Total revenues	<u>47,481,221</u>	<u>4,364,321</u>	<u>2,256,351</u>	<u>6,979,275</u>	<u>8,643,506</u>	<u>69,724,674</u>
<b>Expenditures</b>						
Current:						
General government	10,619,328				118,073	10,737,401
Public safety	5,798,605				379,670	6,178,275
Education	25,635,752			13,760,505	5,097,080	44,493,337
Public works	1,347,427	3,097,549	2,044,597		2,784,329	9,273,902
Human services	1,474,378				143,758	1,618,136
Culture and recreation	577,832				253,115	830,947
State and county charges	2,211,416					2,211,416
Debt service						
Principal	200,000	164,488	89,415			453,903
Interest and other issuance costs	223,635	166,104	31,463			421,202
Total Expenditures	<u>48,088,373</u>	<u>3,428,141</u>	<u>2,165,475</u>	<u>13,760,505</u>	<u>8,776,025</u>	<u>76,218,519</u>
Revenues over (under) expenditures	(607,152)	936,180	90,876	(6,781,230)	(132,519)	(6,493,845)
<b>Other financing sources (uses)</b>						
Proceeds from long-term debt					1,210,000	1,210,000
Premium on issuance of debt	31,167					31,167
Transfers in	1,284,047				11,937	1,295,984
Transfers out	(6,937)	(635,574)	(76,731)		(576,742)	(1,295,984)
Total other financing sources (uses)	<u>1,308,277</u>	<u>(635,574)</u>	<u>(76,731)</u>		<u>645,195</u>	<u>1,241,167</u>
Revenues and other financing sources over (under) expenditures and other financing uses	701,125	300,606	14,145	(6,781,230)	512,676	(5,252,678)
Fund balances - beginning	718,024	1,330,328	2,529,203	(1,594,924)	1,813,509	4,796,140
Fund balances - ending	<u>\$ 1,419,149</u>	<u>\$ 1,630,934</u>	<u>\$ 2,543,348</u>	<u>\$ (8,376,154)</u>	<u>\$ 2,326,185</u>	<u>\$ (456,538)</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds to Statement of Activities  
 For the Year Ended June 30, 2011

Revenues and other financing sources (under)		
expenditures and other financing uses - governmental funds	\$	(5,252,678)

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		17,608,668
Depreciation recorded for the fiscal year		(1,932,681)

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		(24,181)
Net change in unbilled receivables		68,000
Net change in allowance for doubtful accounts		(54,500)

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		453,903
Issuance of long term debt		(1,210,000)

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.

Change in accrued interest expense		(3,425)
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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 change in these liabilities is reflected as an expense in the Statement of Activities.

Current year OPEB cost		(6,508,298)
Current year OPEB contributions		2,515,961
Change in the landfill monitoring cost liability		235,000
Capital leases recorded during the year		(570,784)
Principal payments on capital leases during the year		67,117
Net change in compensated absences liability		(171,000)

Change in net assets of governmental activities	\$	<u>5,221,102</u>
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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, 2011

	<b>Private Purpose Trust Funds</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>		
Cash and investments	\$ 818,324	\$ 60,570
Total assets	\$ 818,324	\$ 60,570
<b><u>LIABILITIES</u></b>		
Due to students and others	\$	\$ 60,571
Total liabilities		60,571
<b><u>NET ASSETS</u></b>		
Held in trust	818,324	
Total liabilities and net assets	\$ 818,324	\$ 60,571

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, 2011

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions	\$ 21,049
Interest and dividends	27,944
Total additions	48,993
 <b>Deductions</b>	
Scholarships and awards	55,298
Total deductions	55,298
Change in net assets	(6,305)
Net assets - beginning	824,629
Net assets - ending	\$ 818,324

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, 2011

**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 2011. 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 2011 Assessment &amp; Payment for services</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$1,389,187
North River Collaborative	To provide special education services	\$ 879,838
South Shore Regional School District	To provide vocational educational services	\$1,512,886
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 are based upon land conveyances of land by LNR. These payments are to be used for capital expenditures, and/or recreational facilities. During fiscal year 2011, the Town received payments aggregating approximately \$900,000. At June 30, 2011 approximately \$467,000 has been committed to specific functional capital acquisitions by Town Meeting. The remaining balance of \$433,000 has been classified as restricted for capital outlay in accordance with the provisions of the agreement.

*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, 2011

## **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. The Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds. The Town current has no business-type activities and enterprise funds. 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, 2011

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 should be used to account for all financial resources not accounted for and reported in another fund.
- Water fund is a special revenue fund used to account for the activities related to the operations of the Town's water system. Revenues consist primarily of user charges and other departmental fees.
- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Town's sewer system. Revenues consist primarily of user charges and other departmental fees.
- School building project is a capital project fund used to account for financial resources to be used to fund the renovation of the Town's high school and the construction of a new middle school. Revenues consist primarily of grant reimbursement for eligible costs. Other resources consist of debt proceeds when issued. See also Note 11.

Non-major 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. It excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.
- Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

### 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:

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

- 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.

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. Additional cash and investment disclosures are presented in these Notes.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**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.

**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 sewer charges are secured by tax liens, and therefore considered to be fully collectible. Outstanding water charges are subject to discontinued service, and therefore are deemed fully collectible by the Town.

**F. Capital Assets**

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

*Government-wide Statements*

In the government-wide financial statements, fixed assets, including intangible assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002. The Town utilizes a \$5,000 per unit capitalization threshold.

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

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net 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.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

### **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, capital leases, accrued compensated absences, net "other post-employment obligations" (OPEB) and post-closure monitoring and related costs for municipal landfills.

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

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

### **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 based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance – consist of amounts that are constrained by the Town’s intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

### **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.

### **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.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**B. Fund equities**

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2011, the classification of the Town's fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted:</b>						
General Government	\$	\$	\$	\$	\$ 75,074	\$ 75,074
Public Safety					56,059	56,059
Education					1,380,796	1,380,796
Public Works					128,442	128,442
Human Services					111,992	111,992
Culture & Recreation					92,541	92,541
Capital outlay					432,722	432,722
Debt service	19,843	5,635				25,478
subtotal	19,843	5,635			2,277,626	2,303,104
<b>Committed:</b>						
General Government	87,762				133,911	221,673
Public Safety	172,901				66,033	238,934
Education	307,500					307,500
Public Works	95,891	631,858	1,114,275		67,715	1,909,739
Human Services					3,080	3,080
Culture & Recreation	99,620				51,287	150,907
subtotal	763,674	631,858	1,114,275		322,026	2,831,833
<b>Assigned:</b>						
General Government	84,814					84,814
Public Safety	20,825					20,825
Education	38,395					38,395
Public Works	3,086	5,034	2,323			10,443
Human Services	401					401
Culture & Recreation	20,513					20,513
subtotal	168,034	5,034	2,323			175,391
<b>Unassigned</b>	<u>467,598</u>	<u>988,407</u>	<u>1,426,750</u>	<u>(8,376,154)</u>	<u>(273,467)</u>	<u>(5,766,866)</u>
<b>Total</b>	<u>\$ 1,419,149</u>	<u>\$ 1,630,934</u>	<u>\$ 2,543,348</u>	<u>\$ (8,376,154)</u>	<u>\$ 2,326,185</u>	<u>\$ (456,538)</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

Deficit restricted fund balances represent capital project funds for which long term financing is to be performed.

**C. 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, conservation fund, and stabilization 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	\$1,501,145
Sewer	3,302,565
Revolving funds	1,286,740
Grants	216,816
Special revenue fund - restricted for capital outlay	432,722
Other special revenue funds	392,745
Capital Projects	2,353
Permanent Funds	<u>94,990</u>
Total restricted net assets	<u>\$7,230,076</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, 2011, the Town's carrying amount of cash deposits and investments was \$11,043,492 and \$7,749,462 respectively.

The Town maintains deposits in authorized financial institutions. In the case of cash deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. At June 30, 2011 cash deposits totaled \$11,548,830 and had a carrying amount of \$11,043,492. Of the deposit amounts, \$8,949,756 was exposed to custodial credit risk at June 30, 2011 because it was uninsured and/or uncollateralized, including approximately \$3.2 million in an overnight sweep/repurchase account pursuant to an agreement with Eastern Bank, which is collateralized by United States government securities not in the Town's name. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

As of June 30, 2011, 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>
<b>Primary Government</b>					
Certificates of deposit	\$3,195,782	FDIC insured	\$3,195,782	N/A	N/A
Money market funds	<u>3,800,879</u>	N/A	N/A	N/A	N/A
Total primary government investments (non-fiduciary)	6,996,661				
<b>Fiduciary Funds</b>					
Money market funds	14,017	N/A	N/A	N/A	N/A
Mutual funds	25,335	N/A	N/A	N/A	N/A
US government obligations	86,005	N/A	\$ 21,192	\$ 53,327	\$11,486
Domestic equities	63,428	N/A	N/A	N/A	N/A
International equities	3,285	N/A	N/A	N/A	N/A
Certificates of deposit	462,483	FDIC insured	\$ 325,974	\$136,509	N/A
Other	<u>98,248</u>	FDIC insured	N/A	\$ 98,248	N/A
Total fiduciary funds investments	<u>752,801</u>				
<b>Grand total investments</b>	<b><u>\$7,749,462</u></b>				

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy provides general guidelines for addressing custodial credit risks, including no more than 10% of the overall portfolio to be invested with a single institution unless fully insured or collateralized.

During the year, the Town invested in money funds which were not included in the legal list of investments of the Commonwealth of Massachusetts and exceeded 10% of the Town's portfolio. At June 30, 2011, the Town maintained approximately \$3.8 million of deposits in these funds. However, as of September 2011, the Town subsequently transferred \$3.1 million of these funds into its primary depository account, which is fully collateralized through a repurchase agreement.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town's policy provides general guidelines for addressing interest rate risks. The approximate maturities of the Town's 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 that have the explicit guarantee of the US government 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's investment policy addresses credit risk.

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

*Concentration of credit risk* is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy sets guidelines for this risk. At June 30, 2011 the Town maintained approximately \$3.4 million in the Morgan Stanley AA Money Trust Fund, and \$431,000 in the Morgan Stanley US government money market trust fund. These amounts represent approximately 43% and 6% of total investments, respectively.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**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	\$ 821,576	\$ 52,000	\$ 769,576	\$ 708,341
Tax liens, deferrals and foreclosures	701,481		701,481	701,481
Motor vehicle excise	448,770	123,000	325,770	448,293
Trash fees and related	258,757		258,757	258,757
Ambulance charges	969,279	388,000	581,279	969,279
Water charges and related	254,570		254,570	254,560
Sewer charges, betterments, related	393,496		393,496	395,088
Intergovernmental	<u>4,514,442</u>	<u>-</u>	<u>4,514,442</u>	<u>273,304</u>
Total - Governmental Funds	8,362,371		7,799,371	<u>\$ 4,009,103</u>
Accrual of unbilled water and sewer charges	<u>817,000</u>	<u>-</u>	<u>817,000</u>	
Total - Governmental Activities	<u>\$ 9,179,371</u>	<u>\$ 563,000</u>	<u>\$ 8,616,371</u>	

Intergovernmental receivables reported by the Town include approximately \$2.7 million of reimbursements of school construction project expenditures which were incurred and submitted at year end. Also included is approximately \$712,000 of Chapter 90 highway improvement funds for which the Town submits for reimbursements upon completion of approved project expenditures. As of June 30, 2011, incurred project expenditures of approximately \$475,000 have been submitted for reimbursement and accrued as of year end. The remaining balance of uncompleted projects has been reported as unearned or deferred in the governmental activities. Additionally, approximately \$367,000 represents amounts to be drawn down related to agreements entered into with the Massachusetts Water Pollution Abatement Trust (MWPAT) for water facilities and infrastructure projects.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2011, was as follows. Certain prior year balances have been restated to correspond with current year presentation:

<b><u>Governmental activities</u></b>	<b><u>Beginning</u></b>		<b><u>Increases</u></b>		<b><u>(Decreases)</u></b>		<b><u>Ending</u></b>
	<b><u>Balances</u></b>						<b><u>Balances</u></b>
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>4,596,464</u>		<u>13,770,324</u>		<u>(888,678)</u>		<u>17,478,110</u>
Sub-total	10,637,517		13,770,324		(888,678)		23,519,163
Capital assets being depreciated:							
Buildings and improvements	21,492,204		350,139				21,842,343
Infrastructure	43,748,300		2,392,227				46,140,527
Equipment, machinery & vehicles	10,475,596		840,584				11,316,180
Library, textbooks, other	2,140,849						2,140,849
50% Joint water works	<u>6,281,013</u>		<u>1,144,072</u>				<u>7,425,085</u>
Sub-total	84,137,962		4,727,022				88,864,984
Less accumulated depreciation:							
Buildings and improvements	13,964,760		352,974				14,317,734
Library, textbooks, other	2,028,835		15,462				2,044,297
Equipment, machinery & vehicles	8,157,900		859,148				9,017,048
Infrastructure	23,075,151		591,114				23,666,265
50% Joint water works	<u>2,030,144</u>		<u>113,983</u>				<u>2,144,127</u>
Sub-total	<u>49,256,790</u>		<u>1,932,681</u>				<u>51,189,471</u>
Governmental capital assets, net	<u>\$ 45,518,689</u>	\$	<u>16,564,665</u>	\$	<u>(888,678)</u>	\$	<u>61,194,676</u>

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

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

Governmental activities:	
General government	\$ 92,479
Public safety	394,386
Education	84,881
Public works, including water and sewer	1,236,111
Health and human services	26,809
Culture and recreation	<u>98,015</u>
Total depreciation expense – governmental activities	<u>\$1,932,681</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**Note 7. Interfund balances and activity**

As of June 30, 2011, \$437,249 was due the general fund from non-major governmental funds for deficit cash balances.

Interfund transfers, for the year ended June 30, 2011, consisted of the following:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Non-major Governmental</u>
Appropriated and other amounts transferred between General Fund and governmental funds- net	\$ 1,277,110	\$( 630,574)	\$( 76,731)	\$ (569,805)
Other transfers between funds		<u>( 5,000)</u>		<u>5,000</u>
	<u>\$ 1,277,110</u>	<u>\$( 635,574)</u>	<u>\$( 76,731)</u>	<u>\$ (564,805)</u>

**Note 8. Long-term obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

<u>Purpose</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Multi-purpose bonds, 3.25-5.00%, dtd 7/1/02, due 7/1/2022	\$ 2,685,000		\$ (245,000)	\$ 2,440,000	\$ 245,000
Multi-purpose bonds, 4.00-5.25%, dtd 7/1/06, due 7/15/2016	1,175,000		(175,000)	1,000,000	175,000
MWPAT - subsidized bonds, water treatment facility, dtd 11/16/05, due 7/15/2025	318,215		(17,058)	301,157	17,402
MWPAT - subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/2025	190,218		(9,415)	180,803	9,682
MWPAT - subsidized bonds, water treatment facility, dtd 3/18/09, due 7/15/2029	170,033		(7,430)	162,603	7,580
MWPAT-Drinking water bonds, dtd 7/8/10, due 7/15/2010	561,647			561,647	23,069
ARRA-MWPAT - DWS-06-14A dtd 7/8/2010, due 1/15/2030	1,008,302			1,008,302	41,415
ARRA-MWPAT - DWS-08-27 dtd 7/8/2010, due 1/15/2030	1,258,592			1,258,592	51,695
G.O.B. - Water building, 2.0%-4.0% dtd 12/01/2010, due 8/01/2020		950,000		950,000	95,000
G.O.B. - Water building, 2.0%-4.0% dtd 12/01/2010, due 8/01/2020		260,000		260,000	30,000
Total bonds payable	<u>7,367,007</u>	<u>1,210,000</u>	<u>(453,903)</u>	<u>8,123,104</u>	<u>695,843</u>
Landfill closure monitoring liability	1,046,000		(235,000)	811,000	33,000
Capital leases	15,119	570,784	(67,117)	518,786	97,305
Compensated absences	4,197,000		171,000	4,368,000	
Net OPEB obligation	6,424,423	6,508,298	(2,515,961)	10,416,760	
Total governmental activities	<u>\$ 19,049,549</u>	<u>\$ 8,289,082</u>	<u>\$ (3,100,981)</u>	<u>\$ 24,237,650</u>	<u>\$ 826,148</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2011, including interest, are as follows:

<u>Governmental Activities</u>			
<u>Year Ending</u>			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 695,843	\$ 263,407	\$ 959,250
2013	688,974	235,523	924,497
2014	677,288	210,011	887,299
2015	680,690	182,675	863,365
2016	647,921	157,364	805,285
2017-2021	2,597,208	479,764	3,076,972
2022-2026	1,287,392	149,626	1,437,018
2027-2031	847,788	42,639	890,427
Total	<u>\$ 8,123,104</u>	<u>\$ 1,721,009</u>	<u>\$ 9,844,113</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, 2011:

<u>Purpose</u>	<u>Year Authorized</u>	<u>Balance July 1, 2010</u>	<u>Authorized</u>	<u>(Issued)</u>	<u>(Rescinded)</u>	<u>Balance June 30, 2011</u>
School	2009 & 2010	\$ 86,564,859	\$	\$	\$	\$ 86,564,859
Sewer	2000, 2003 & 2008	185,253				185,253
Water	2004-2010	7,348,333	-	(1,210,000)	-	6,138,333
Totals		<u>\$ 94,098,445</u>	<u>\$</u>	<u>\$ (1,210,000)</u>	<u>\$</u>	<u>\$ 92,888,445</u>

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating and capital leases are immaterial as of June 30, 2011.

*B. Capital leases*

The Town has entered into capital leases for police cruisers and fire pumper truck during fiscal year 2011. The annual requirement to pay down this capital lease obligation as of June 30, 2011 is as follows:

<u>For year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 97,305	\$ 24,398	\$ 121,703
2013	93,918	17,904	111,822
2014	34,934	14,708	49,642
2015	36,502	13,139	49,641
2016	38,141	11,500	49,641
2017-2021	<u>217,986</u>	<u>30,222</u>	<u>248,208</u>
	<u>\$ 518,786</u>	<u>\$ 111,871</u>	<u>\$ 630,657</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**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 appropriate fund.

The Town had the following table indicates certain of the Town's temporary debt activity during fiscal year 2011.

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2011</u>
Bond anticipation note, water building, 1.85%, dtd 2/11/10, due 2/10/11	\$ 950,000	\$	\$ (950,000)	\$
Bond anticipation note, water mains, 1.35%, dtd 5/13/10, due 2/11/11	265,000		(265,000)	
Bond anticipation note, school project 1.75%, dtd 3/10/10, due 3/10/11	995,000		(995,000)	
Bond anticipation note, school project 1.60%, dtd 6/11/10, due 3/10/11	7,000,000		(7,000,000)	
Bond anticipation note, school project 1.50%, dtd 3/10/11, due 12/12/12		16,500,000		16,500,000
Total governmental activities	<u>\$ 9,210,000</u>	<u>\$ 16,500,000</u>	<u>\$ (9,210,000)</u>	<u>\$ 16,500,000</u>

**Note 10. Notes Payable - ARRA**

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

The following table illustrates the Town's activity for fiscal year 2011 as it relates to these agreements.

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2011</u>
MWPAT, loan DWS-06-14A - water storage tanks (ARRA)	\$ 254,967	\$	\$	\$ 254,967
MWPAT, loan DWS-08-27 - water handling facility (ARRA)	318,258			318,258
Total governmental activities	<u>\$ 573,225</u>	<u>\$</u>	<u>\$</u>	<u>\$ 573,225</u>

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

### **Note 11. School Construction Projects**

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

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

### **Note 12. 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 \$2,620,591, representing approximately 5.349% of the system wide employer assessments. The System offered a 2% discount to member Towns if the entire fiscal year assessment was paid by July 1<sup>st</sup>. The Town's discount was \$52,412 for a net payment of \$2,568,179. 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, 2010 and 2009 were \$2,292,516 and \$2,218,036, 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 \$5,001,152 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, 2011

### **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 286 retired participants and spouses during the fiscal year ended June 30, 2011 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. 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 2011 totaled approximately \$1.1 million and is charged directly against the Town's local aid.

#### Annual OPEB Cost and Net OPEB Obligation

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

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

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

	<b>Governmental Activities</b>
Annual required contribution	\$ 5,698,712
Interest on net OPEB obligation	256,977
Adjustment	(555,597)
Amortization of actuarial (gain)/losses	<u>1,108,206</u>
Annual OPEB cost (expense)	6,508,298
Contributions made	<u>( 2,515,961)</u>
Change in net OPEB obligation	3,992,337
Net OPEB obligation – beginning of year	<u>6,424,423</u>
Net OPEB obligation – end of year	<u>\$ 10,416,760</u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2011 and the two previous fiscal years are as follows:

	<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Cost Contributed</b>	<b>OPEB Obligation</b>
<b>Governmental activities:</b>				
	6/30/2011	\$ 6,508,298	38.66%	\$10,416,760
	6/30/2010	\$ 5,339,000	42.69%	\$ 6,424,423
	6/30/2009	\$ 5,368,302	40.51%	\$ 3,277,158

Funding Status and Funding Progress

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

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

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.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2011

### 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, 2010. The unfunded actuarial accrued liability was determined using the level dollar thirty year amortization basis. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

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

Discount rate: 4.0% per annum

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

General Inflation Assumption: 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: 28 years at July 1, 2010

### Note 13. 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, 2011, \$811,000 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. The liability 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 14. 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 Mayflower Municipal Health Group (Group), formerly operating as the Plymouth County Health 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 to a lifetime maximum payable of \$2,000,000.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

**Note 15. Commitments and Contingencies**

Various legal actions and claims are pending against the Town as of June 30, 2011. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.

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

**Note 16. Restatement of beginning fund balance**

The Town was required to implement the provisions of GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, certain opening fund balances were restated to include the Town's Stabilization fund. Under the new reporting model, the Town's stabilization fund is reported with the General fund since the fund is designed to maintain funds set aside by Town Meeting votes, and is not funded by a specific revenue source. The restatement is as follows:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Fund balance, 6/30/2010	\$ 717,774	\$ 1,813,759
Reclassification of stabilization fund	<u>250</u>	<u>(250)</u>
Fund balance, restated, 7/1/2010	<u>\$ 718,024</u>	<u>\$ 1,813,509</u>

**Note 17. Future GASB Pronouncements**

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which are applicable to the Towns financial statements:

**Current pronouncements**

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented in fiscal 2011. The Town has implemented the provisions of this pronouncement, reporting fund balances under the new fund balance classifications.

The GASB issued Statement #59, *Financial Instruments Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement had no significant effect upon the Town's financial statements.

**Future pronouncements**

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The Town doesn't believe this pronouncement will impact the Town's financial statements.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2011

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

The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013. This pronouncement will standardize the financial reporting relating to the elements of a government's consumption of net assets, and an acquisition of net assets that is applicable to a future reporting period. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53.*, which is required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. The Town doesn't believe this pronouncement will impact the Town's financial statements.

**SUPPLEMENTARY INFORMATION**

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress - OPEB  
 June 30, 2011

**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.

The Town was required to implement the provisions of GASB Statement 45, *Accounting and Financial reporting by Employers for Postemployment Benefits Other than Pensions*, for the year ended June 30, 2009. Accordingly, valuations were required only for preceding period dated July 1, 2008.

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

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

**Actuarial Methods and Assumptions**

Projections of the benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The valuation reflected a closed group, and does not reflect any new entrants after the valuation date of July 1, 2010. The valuation assumed retiree contributions increased with the same trend rate as health care claims.

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

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

Discount Rate: 4.0% per annum

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Required Supplementary Information  
Schedule of Funding Progress - OPEB  
June 30, 2011

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: 28 years at July 1, 2010

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Budgetary Comparison Schedule - General Fund  
 For the year ended June 30, 2011

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property Taxes	\$ 25,180,022	\$ 25,180,022	\$ 25,276,713	\$ 96,691
Excise	1,607,584	1,607,584	1,609,659	2,075
Penalties and interest	214,903	214,903	237,073	22,170
Investment interest	28,944	28,944	32,673	3,729
Departmental, fees and other	2,430,896	2,430,896	2,445,220	14,324
Intergovernmental	12,945,509	12,945,509	13,032,970	87,461
Total revenues	42,407,858	42,407,858	42,634,308	226,450
<b>Expenditures</b>				
General government	10,707,121	10,720,520	10,619,328	101,192
Public Safety	5,894,924	5,863,421	5,798,605	64,816
Education	20,670,121	20,630,079	20,634,600	(4,521)
Public works	790,060	765,188	1,347,427	(582,239)
Human services	1,456,969	1,478,321	1,474,378	3,943
Culture and recreation	580,490	580,338	577,832	2,506
State and county assessments	2,248,483	2,248,483	2,211,416	37,067
Debt service and issuance costs	384,250	385,184	423,635	(38,451)
Total Expenditures	42,732,418	42,671,534	43,087,221	(415,687)
Revenues over (under) expenditures	(324,560)	(263,676)	(452,913)	(189,237)
<b>Other financing sources (uses)</b>				
Premium received on debt issuance			31,167	31,167
Transfers out to other funds		(6,937)	(6,937)	
Transfers in from other funds	314,547	622,047	1,284,047	662,000
Total other financing sources (uses)	314,547	615,110	1,308,277	693,167
Revenues and other financing sources over (under) expenditures and other financing uses	(10,013)	351,434	855,364	\$ 503,930
Fund balances, beginning of year			997,591	
Fund balances, end of year			\$ 1,852,955	
<b>Other budget items</b>				
Carryover encumbrances and articles	251,853	(254,787)		
Use of overlay		145,193		
Funding of prior year deficits	(241,840)	(241,840)		
Total other budget items	10,013	(351,434)		
Net budget	\$	\$		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Budgetary Comparison Schedule - Water

For the year ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Charges for services and other	\$ 2,856,553	\$ 2,856,553	\$ 2,975,134	\$ 118,581
Total revenues	<u>2,856,553</u>	<u>2,856,553</u>	<u>2,975,134</u>	<u>118,581</u>
<b>Expenditures</b>				
Public works	2,614,645	1,977,753	1,708,362	269,391
Debt service	480,028	480,028	330,592	149,436
Total Expenditures	<u>3,094,673</u>	<u>2,457,781</u>	<u>2,038,954</u>	<u>418,827</u>
Revenues over (under) expenditures	(238,120)	398,772	936,180	537,408
<b>Other financing sources (uses)</b>				
Transfers out to other funds	(596,099)	(596,099)	(635,574)	39,475
Total other financing sources (uses)	<u>(596,099)</u>	<u>(596,099)</u>	<u>(635,574)</u>	<u>39,475</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(834,219)	(197,327)	300,606	<u>\$ 576,883</u>
Fund balances, beginning of year			<u>1,330,328</u>	
Fund balances, end of year			<u><u>\$ 1,630,934</u></u>	
<b>Other budget items</b>				
Appropriation of fund balance	405,000	405,000		
Carryover encumbrances and articles	<u>429,219</u>	<u>(207,673)</u>		
Total other budget items	<u>834,219</u>	<u>197,327</u>		
Net budget	<u><u>\$</u></u>	<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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Charges for services and other	\$ 2,154,177	\$ 2,154,177	\$ 2,248,947	\$ 94,770
Total revenues	<u>2,154,177</u>	<u>2,154,177</u>	<u>2,248,947</u>	<u>94,770</u>
<b>Expenditures</b>				
Public works	3,054,875	2,310,354	2,044,597	265,757
Debt service	125,000	125,000	113,474	11,526
Total Expenditures	<u>3,179,875</u>	<u>2,435,354</u>	<u>2,158,071</u>	<u>277,283</u>
Revenues over (under) expenditures	<u>(1,025,698)</u>	<u>(281,177)</u>	<u>90,876</u>	<u>372,053</u>
<b>Other financing sources (uses)</b>				
Transfers out to other funds	<u>(76,821)</u>	<u>(76,821)</u>	<u>(76,731)</u>	<u>90</u>
Total other financing sources (uses)	<u>(76,821)</u>	<u>(76,821)</u>	<u>(76,731)</u>	<u>90</u>
Revenues and other financing sources over (under) expenditures and other other financing uses	<u>(1,102,519)</u>	<u>(357,998)</u>	<u>14,145</u>	<u>\$ 372,143</u>
Fund balances, beginning of year			<u>2,529,203</u>	
Fund balances, end of year			<u>\$ 2,543,348</u>	
<b>Other budget items</b>				
Appropriation of fund balance	360,000	360,000		
Carryover encumbrances and articles	<u>742,519</u>	<u>(2,002)</u>		
Total other budget items	<u>1,102,519</u>	<u>357,998</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See accompanying notes to budgetary comparison schedule.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Supplementary Information

June 30, 2011

**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, 2011, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<b>Other financing Sources</b> <u>(Uses), Net</u>
As reported on a budgetary basis	\$42,634,308	\$43,087,221	\$1,308,277
Adjustment of property tax revenues to modified accrual basis and adjustment to provision for refunds	(154,239)		
State funded teacher's pension	<u>5,001,152</u>	<u>5,001,152</u>	<u>-</u>
As reported on a GAAP basis	<u>\$47,481,221</u>	<u>\$48,088,373</u>	<u>\$ 1,308,277</u>

During fiscal year 2011, the Town incurred snow and ice deficits in the amount of approximately \$596,000, 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 2012 tax rate recapitulation sheet.

The difference of \$1,389,187 in revenues and expenditures between the budgetary – basis and GAAP basis for the water fund represent amounts committed during fiscal 2011 to the Town of Abington for the Joint Water Works. The difference of \$3,702 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.