

TOWN OF ROCKLAND, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2014

**TOWN OF ROCKLAND, MASSACHUSETTS
 BASIC FINANCIAL STATEMENTS AND
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	i
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	iii
Management’s Discussion and Analysis	v
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund balance – Governmental Funds	4
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	5
Statement of Net Position – Fiduciary Funds	6
Statement of Changes in Fiduciary Net Position – Fiduciary funds	7
<u>Notes to Financial Statements</u>	8
Required Supplementary information	
Schedule of Funding Progress – Other Post-Employment Benefits (OPEB)	33
Budgetary Comparison Schedule – General Fund	35
Budgetary Comparison Schedule – Water Fund	36
Budgetary Comparison Schedule – Sewer Fund	37
Notes to required supplementary information	38



Lynch, Malloy, Marini, LLP

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen
Town of Rockland, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Rockland, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Rockland, Massachusetts, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages v - xii, and the budgetary comparison information, schedule of funding progress for the Town's retiree benefit plan - other post employment benefits, on pages 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2015, on our consideration of the Town of Rockland, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Rockland, Massachusetts' internal control over financial reporting and compliance.



Norwell, Massachusetts
May 15, 2015



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Selectmen
Town of Rockland, Massachusetts

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Town of Rockland, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Rockland, Massachusetts' basic financial statements, and have issued our report thereon dated May 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Rockland, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Rockland, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Rockland, Massachusetts' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Rockland, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Norwell, Massachusetts
May 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

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, 2014.

Financial Highlights:

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$69.5 million (net position). The Town reported a decrease in net position of approximately \$2.3 million.
- The total cost of all Town services for fiscal year 2014 was approximately \$72.7 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$3.3 million.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. Required supplementary information as mandated by the Government Accounting Standards Board (GASB) is presented following the financial statements and related notes to provide additional analysis.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, water and sewer operations, human services, employee benefits 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, 2014

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.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Rockland, assets exceeded liabilities and deferred inflows of resources by \$69.5 million at the close of the most recent fiscal year as demonstrated in the following table. Certain prior year amounts have been restated to conform with current year presentations:

See Independent Auditor's Report.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

	FY2014	FY2013
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Current assets	\$ 22,511,642	\$ 24,741,553
Capital assets, net of accumulated depreciation	<u>133,110,171</u>	<u>128,552,992</u>
Total assets	155,621,813	153,294,545
Current Liabilities	\$ 11,444,661	\$ 22,163,372
Long term liabilities	<u>72,976,354</u>	<u>58,547,166</u>
Total liabilities	84,421,015	80,710,538
Deferred inflows of resources	1,696,973	906,115
Net position:		
Net investment in capital assets	78,903,288	81,320,142
Restricted	7,824,888	7,714,936
Unrestricted	<u>(17,224,351)</u>	<u>(17,357,186)</u>
Total net position	<u>69,503,825</u>	<u>71,677,892</u>
Total liabilities, deferred inflows and net position	<u>\$ 155,621,813</u>	<u>\$ 153,294,545</u>

Included within the governmental activity current assets are approximately \$15.2 million in cash and cash equivalents, \$604,000 of investments, and \$6.5 million of receivables. Current assets decreased from the previous year primarily due to decrease in receivable amount for reimbursements due from the Massachusetts School Building Authority for reimbursable school construction costs.

Current liabilities of \$11.4 million consisted primarily of \$2.8 million of accounts payable, \$1.2 million of salaries and withholdings payable, \$377,000 in provision for refund of paid taxes, \$177,000 in accrued interest and \$4.3 million in notes payable (temporary debt). Current liabilities decreased primarily due to a decrease of approximately \$11.2 million in notes payable associated with various capital projects. The Town issued long term debt during fiscal year 2014 associated with the projects in the amount of \$12.2 million.

Governmental activity long-term liabilities include \$47.1 million in general obligation bonds, \$2.3 million of general obligation bonds have been classified as current because it is due within fiscal year 2015. Long-term liabilities also include \$23.0 million for net other post-employment benefits (OPEB) obligations, \$4.3 million for estimated compensated absences, \$.5 million for estimated future landfill monitoring and related costs, and \$.5 million for capital lease obligations.

Deferred inflows of resources of \$1.7 million is comprised of \$1.1 million of unamortized bond premiums and \$641,000 of deferred revenue associated with amounts due from the Commonwealth of Massachusetts' highway awards and other grants for which expenditures and related reimbursement have not been incurred at year end. Deferred inflows increased in the current year due to additional premiums received on long term bonds issued during fiscal year 2014.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

The largest portion of the Town's net position \$78.9 million, reflects its investment in capital assets (i.e., land, buildings, machinery, and equipment); less any related debt or deferred outflows associated with acquiring those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$7.8 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 \$1.9 million and \$2.9 million respectively.

The Town's unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, was in a deficit of approximately \$17.2 million.

Governmental activities decreased the Town's net position by approximately \$2.3 million, or 3.2% during fiscal year 2014. 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.

Additional key elements of the current year activity are as follows:

Revenues:

- Property taxes represent nearly 42.5% of the Town's revenue. Property tax growth represents a combination of an annual increase, allowed in the levy under Proposition 2 ½, new growth and debt exclusions.
- Operating grants and contributions of \$20.9 million represented approximately 29.7% of the Town's revenue. The largest proportion of this revenue, nearly \$11.2 million represents Chapter 70 and charter school aid from the Commonwealth and Medicare assistance from the federal government. An additional \$2.9 million represent various educational grants received from the state and federal governments.
- Charges for services represent nearly 18.7% of the Town's revenue. This includes water and sewer charges at nearly \$7.0 million, trash fees at \$1.3 million, and ambulance receipts of \$1.0 million.
- Capital grants and contributions amounted to \$2.0 million and represented approximately 2.8% of the Town's total revenues. The decrease from the previous year related primarily to previous year receipt of grant awards of \$288,000 for the senior center projects, public safety FEMA awards for fire equipment acquisitions of \$630,000. Additionally, in the prior year the Town received \$12.1 of reimbursement of school construction expenditures. This is compared to \$1.5 million in the current year, in that the project is substantially complete and the Town is awaiting final closeout of the project and reimbursement in fiscal year 2015.

Expenses

- Total expenses increased approximately 4.6% during fiscal year 2014. The Town had increases in the education expenses primarily related to increase in depreciation expense for the school construction project and increase in operating and other education related costs over the previous year. Employee benefits also reported an increase, primarily associated with pension costs and health care costs for retirees (other-post employment benefits (OPEB) and retired municipal teachers (RMT)). The Town realized various other increases and decrease from the previous year.

See Independent Auditor's Report.

TOWN OF ROCKLAND, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2014

	FY2014	(restated) FY2013
	Governmental	Governmental
	<u>Activities</u>	<u>Activities</u>
Revenues:		
Charges for services	\$ 13,163,205	\$ 12,780,205
Operating grants and contributions	20,924,832	20,900,211
Capital grants and contributions	1,970,769	13,391,249
General revenues:		
Property taxes	30,021,240	29,016,678
Excise taxes	2,663,541	1,903,067
Penalties and interest	353,731	298,135
Grants and contributions not restricted	1,013,123	962,505
Investment income	132,259	75,511
Premiums on issuance of debt	111,010	104,806
Departmental and other	<u>203,452</u>	<u>157,510</u>
Total revenues	70,557,162	79,589,877
Expenses:		
General government	1,610,645	1,438,337
Public safety	7,170,015	7,375,160
Education	29,727,018	27,341,984
Public works	9,128,139	9,430,436
Health and human services	1,749,835	1,671,612
Culture and recreation	1,149,462	1,051,494
Employee benefits and other insurance	20,374,064	19,598,416
Interest and other charges	1,525,988	1,326,025
State and county charges	<u>263,291</u>	<u>256,335</u>
Total expenses	72,698,457	69,489,799
Loss on retirement of capital assets	(184,947)	
Transfers to fiduciary funds	<u>-</u>	<u>(71,842)</u>
Change in net position	<u>\$ (2,326,242)</u>	<u>\$ 10,028,236</u>

Financial Analysis of the Government's Funds

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

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, combined governmental funds reported an aggregate balance of \$8.6 million, an increase of approximately \$8.4 million from the previous year. This was primarily due to the issuance of long term bonds in the amount of \$12.2 million and the receipt of premiums associated with debt issuance of \$873,000, net of capital project expenditures. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$3.0 million, committed fund balance was \$5.7 million; assigned fund balance was \$104,000 and unassigned deficit of \$222,000. The Town reported deficits in its major capital projects of approximately \$2.2 million and other capital projects of approximately \$501,000. Permanent financing is anticipated in future periods and will eliminate the deficits.

The general fund is the chief operating fund. At the end of the current fiscal year, the Town reported aggregate fund balance of \$5.8 million, an increase of approximately \$2.4 million from the previous year. Of this amount \$1.1 million or 18.3% represents restricted fund balance. Committed fund balance of \$1.3 million and assigned fund balance of \$103,000 represent 23.3% and 1.8% of total general fund balance respectively. Unassigned fund balance of \$3.2 million represents 56.6% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 6.0% of both total general fund revenues and expenditures. Total general fund balance represents approximately 10.4% of both general fund revenues and expenditures.

General Fund Budgetary Highlights

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

The difference between the original budget of \$48.5 million and the amended final budget of \$48.6 is due to primarily to encumbrances from the prior fiscal year included in the original budget and the encumbrances at the end of the year are not included in the final budget.

Water Fund Budgetary Highlights

The difference between the original budget of \$3.4 million and the final budget of \$2.9 million 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 \$3.2 million and the final budget of \$2.7 million 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.

See Independent Auditor's Report.

TOWN OF ROCKLAND, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2014

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for governmental activities as of June 30, 2014 amounts to \$133,110,171, which is net of accumulated depreciation of \$56,344,593. This represents approximately a \$4.6 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>	
Capital assets	<u>2014</u>	<u>2013</u>
Land, improvements and restrictions	\$ 5.7	\$ 5.7
Land – conservation restriction	.5	.5
Buildings and related improvements	89.2	7.0
Joint Water Works	5.6	5.6
Equipment, machinery, other	1.4	3.3
Infrastructure (including water & sewer)	27.5	22.7
Construction in Progress	<u>3.2</u>	<u>83.7</u>
	<u>\$133.1</u>	<u>\$ 128.5</u>

The Town's major additions to governmental activities capital assets during 2014 included the following:

- Costs related to the construction of the new senior center project.
- Road paving, construction and related improvements (infrastructure).
- Acquisition of several vehicles and public safety equipment.
- School building project was substantially completed and considered placed into service.

Debt obligations - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$47.1 million. This is compared to \$36.4 million last year. All debt is a general obligation of the Town.

During the fiscal year, the Town issued \$12.2 million in bond anticipation notes related to the following capital projects: \$4.7 million School building project, \$3.0 million for senior center project, and \$4.5 million for road construction project.

The Town maintains an A1 bond rating with Moody's Investors Service, as of February 2014.

TOWN OF ROCKLAND, MASSACHUSETTS
Management's Discussion and Analysis
June 30, 2014

Economic Factors and Next Year's Budgets and Rates

- The Town's fiscal year 2015 operating budget (inclusive of water and sewer) approved at May 5, 2014 Annual Town Meeting increased approximately 5.3% over the fiscal year 2014 operating budget.
- The total personal property tax levy approved to be raised for fiscal year 2015 was \$32.1 million.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Net Position
June 30, 2014

	<u>Primary Government Governmental Activities</u>
<u>ASSETS</u>	
Cash, cash equivalents and investments	\$ 15,848,825
Receivables, net of allowances	6,458,781
Prepaid expense	204,036
Capital assets, net accumulated depreciation	133,110,171
Total assets	\$ 155,621,813
 <u>LIABILITIES</u>	
Accounts payable	\$ 2,797,350
Salaries and withholdings payable	1,191,765
Provision for refund of paid taxes	377,000
Contractor retainage payable	60,977
Notes payable	3,754,000
Notes payable - ARRA (Note 10)	573,225
Accrued interest payable	177,000
Long-term liabilities	
Due within one year	2,513,344
Due in more than one year	72,976,354
Total liabilities	84,421,015
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Unamortized bond premiums	1,055,659
Deferred revenue	641,314
Total deferred inflow of resources	1,696,973
 <u>NET POSITION</u>	
Net investment in capital assets	78,903,288
Restricted	7,824,888
Unrestricted	(17,224,351)
Total net position	69,503,825
Total liabilities, deferred inflows of resources and net position	\$ 155,621,813

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

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
<u>Primary government</u>		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net Position</u>
			<u>Contributions</u>	<u>Primary Government</u>
			<u>and</u>	<u>Governmental Activities</u>
			<u>Contributions</u>	
Governmental activities				
General government	\$ 1,610,645	\$ 201,574	\$	\$ (1,409,071)
Public safety	7,170,015	1,975,702	164,149	(5,030,164)
Education	29,727,018	2,097,723	12,150,730	1,538,792
Public works	9,128,139	7,249,251	41,987	431,977
Human services	1,749,835	1,344,614	265,125	(140,096)
Culture and recreation	1,149,462	294,341	120,712	(734,409)
Employee benefits and other insurance	20,374,064		6,910,794	(13,463,270)
Interest and other charges	1,525,988		1,045,250	(480,738)
State and county charges	263,291		226,085	(37,206)
Total governmental activities	<u>\$ 72,698,457</u>	<u>\$ 13,163,205</u>	<u>\$ 20,924,832</u>	<u>\$ 1,970,769</u>
				(36,639,651)
General revenues:				
				30,021,240
				2,663,541
				353,731
				1,013,123
				132,259
				111,010
				203,452
				<u>34,498,356</u>
				(184,947)
				<u>(2,326,242)</u>
				71,830,067
				<u>\$ 69,503,825</u>

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

TOWN OF ROCKLAND, MASSACHUSETTS

Balance Sheet
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Senior Center Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>								
Cash, cash equivalents and investments	\$ 7,313,874	\$ 1,326,615	\$ 2,428,376	\$	\$ 303,294	\$ 2,070,162	\$ 2,406,504	\$ 15,848,825
Receivables	3,612,189	809,800	406,689	125,882			921,221	5,875,781
Prepaid expense	204,036							204,036
Interfund receivables	477,822							477,822
Total assets	<u>\$ 11,607,921</u>	<u>\$ 2,136,415</u>	<u>\$ 2,835,065</u>	<u>\$ 125,882</u>	<u>\$ 303,294</u>	<u>\$ 2,070,162</u>	<u>\$ 3,327,725</u>	<u>\$ 22,406,464</u>
<u>LIABILITIES</u>								
Accounts payable and other current liabilities	\$ 1,178,968	\$ 61,377	\$ 157,414	\$ 19,585	\$ 205,247	\$ 770,729	\$ 404,030	\$ 2,797,350
Salaries, withholdings and benefits payable	1,191,765							1,191,765
Provision for refund of paid taxes	377,000							377,000
Notes payable				1,954,000		1,800,000		3,754,000
Notes payable - ARRA							573,225	573,225
Contractor retainage payable				11,344	49,632			60,976
Interfund payables				166,606			311,216	477,822
Total liabilities	<u>2,747,733</u>	<u>61,377</u>	<u>157,414</u>	<u>2,151,535</u>	<u>254,879</u>	<u>2,570,729</u>	<u>1,288,471</u>	<u>9,232,138</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>								
Deferred revenue	3,107,360	269,012	406,689	125,882			693,636	4,602,579
Total deferred inflows of resources	<u>3,107,360</u>	<u>269,012</u>	<u>406,689</u>	<u>125,882</u>			<u>693,636</u>	<u>4,602,579</u>
<u>FUND BALANCES</u>								
Restricted	1,055,263	3,107			48,415		1,899,478	3,006,263
Committed	1,338,431	1,802,919	2,270,962				271,902	5,684,214
Assigned	103,764							103,764
Unassigned	3,255,370			(2,151,535)		(500,567)	(825,762)	(222,494)
Total fund balances	<u>5,752,828</u>	<u>1,806,026</u>	<u>2,270,962</u>	<u>(2,151,535)</u>	<u>48,415</u>	<u>(500,567)</u>	<u>1,345,618</u>	<u>8,571,747</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,607,921</u>	<u>\$ 2,136,415</u>	<u>\$ 2,835,065</u>	<u>\$ 125,882</u>	<u>\$ 303,294</u>	<u>\$ 2,070,162</u>	<u>\$ 3,327,725</u>	<u>\$ 22,406,464</u>
Net position for governmental activities reported in the statement of net position is different because:								
Total fund balances of governmental funds								\$ 8,571,747
Capital assets used in governmental activities are not financial resources and are not reported in funds.								
The cost of the assets is \$189,454,763, net of accumulated depreciation of \$56,344,592.								133,110,171
Certain inflows of resources are not available to pay current-period expenditures and are deferred in funds, plus other accruals, net of allowances for uncollectibles, and including unamortized bond premiums.								3,488,605
Long-term liabilities, including debt, leases, compensated absences and net OPEB obligations are not due and payable in the current period and are not included in funds.								(75,489,698)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.								(177,000)
Net position of governmental activities								<u>\$ 69,503,825</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, 2014

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Senior Center Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues								
Property Taxes	\$ 30,092,005	\$	\$	\$	\$	\$	\$	\$ 30,092,005
Excise taxes	2,593,247							2,593,247
Penalties and interest	353,731	8,771	14,084					376,586
Investment earnings	121,645						10,614	132,259
Departmental fees, fines, and other	2,748,665	4,800,352	2,287,018				3,251,435	13,087,470
Intergovernmental	19,309,678		3,372	1,538,792			3,154,120	24,005,962
Total revenues	<u>55,218,971</u>	<u>4,809,123</u>	<u>2,304,474</u>	<u>1,538,792</u>			<u>6,416,169</u>	<u>70,287,529</u>
Expenditures								
Current:								
General government	1,471,222						51,782	1,523,004
Public safety	6,528,033						593,694	7,121,727
Education	23,359,259			1,338,161			4,775,817	29,473,237
Public works	1,521,068	3,949,788	2,322,913			3,490,391	655,041	11,939,201
Human services	1,707,072				2,460,965		112,417	4,280,454
Culture and recreation	712,189						478,720	1,190,909
Employee benefits and other insurance	16,014,871							16,014,871
State and county assessments	263,291							263,291
Debt service								
Principal	1,010,000	427,586	80,364					1,517,950
Interest and other issuance costs	1,438,784	130,230	20,620					1,589,634
Total Expenditures	<u>54,025,789</u>	<u>4,507,604</u>	<u>2,423,897</u>	<u>1,338,161</u>	<u>2,460,965</u>	<u>3,490,391</u>	<u>6,667,471</u>	<u>74,914,278</u>
Revenues over (under) expenditures	1,193,182	301,519	(119,423)	200,631	(2,460,965)	(3,490,391)	(251,302)	(4,626,749)
Other financing sources (uses)								
Proceeds from the issuance of long term debt				4,700,000	3,000,000	4,500,000		12,200,000
Premium on issuance of debt	872,808							872,808
Transfers in	316,975						832	317,807
Transfers out	(832)	(61,538)	(38,088)		-		(217,349)	(317,807)
Total other financing sources (uses)	<u>1,188,951</u>	<u>(61,538)</u>	<u>(38,088)</u>	<u>4,700,000</u>	<u>3,000,000</u>	<u>4,500,000</u>	<u>(216,517)</u>	<u>13,072,808</u>
Revenues and other financing sources over (under) expenditures and other financing uses	2,382,133	239,981	(157,511)	4,900,631	539,035	1,009,609	(467,819)	8,446,059
Fund balances - beginning (restated Note 17)	<u>3,370,695</u>	<u>1,566,045</u>	<u>2,428,473</u>	<u>(7,052,166)</u>	<u>(490,620)</u>	<u>(1,510,176)</u>	<u>1,813,437</u>	<u>125,688</u>
Fund balances - ending	<u>\$ 5,752,828</u>	<u>\$ 1,806,026</u>	<u>\$ 2,270,962</u>	<u>\$ (2,151,535)</u>	<u>\$ 48,415</u>	<u>\$ (500,567)</u>	<u>\$ 1,345,618</u>	<u>\$ 8,571,747</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, 2014

Revenues and other financing sources (under)		
expenditures and other financing uses - governmental funds	\$	8,446,059

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		8,501,179
Depreciation recorded for the fiscal year		(3,759,053)
Retirements/disposals capital assets during the fiscal year, net		(184,947)

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		261,626
Net change in unbilled receivables		(99,000)
Net change in allowance for uncollectible/doubtful accounts		(4,000)

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

Principal payments on long term debt		1,517,948
Issuance of long term debt		(12,200,000)
Bond premiums, net of current year amortization		(736,912)

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		38,760
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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		(6,769,627)
Current year OPEB contributions		2,410,434
Change in the estimated landfill monitoring cost liability		(49,000)
Capital leases recorded during the year		(125,254)
Principal payments on capital leases during the year		109,545
Net change in estimated compensated absences liability		316,000

Change in net position of governmental activities	\$	<u><u>(2,326,242)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF ROCKLAND, MASSACHUSETTS
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended June 30, 2014

	Private Purpose Trust Funds	Other Post-Employment Benefits Trust fund
Additions		
Contributions	\$ 23,110	\$ 1,059
Interest and dividends	56,916	1,059
Unrealized gain on investments		
Total additions	80,026	1,059
Deductions		
Scholarships and awards	43,400	
Total deductions	43,400	
Change in net position	36,626	1,059
Net position - beginning	702,480	10,000
Net position - ending	\$ 739,106	\$ 11,059

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, 2014

Note 1. Organization and Reporting Entity

A. Organization

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

B. Reporting Entity

General

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

Joint Ventures

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town’s significant joint ventures, their purpose, and the annual assessments or fees paid for services rendered during fiscal year 2014. Financial statements may be obtained from each the joint ventures by contacting each of them directly, except for the Abington/Rockland Joint Water works. The transactions of the joint water works are included in these financial statements as part of the water fund. The Town does not have a material equity interest in any of the other joint ventures.

<u>Joint venture</u>	<u>Purpose</u>	<u>FY 2014 amounts paid</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$ 2,013,099
South Shore Regional School District	To provide vocational educational services	1,726,675
North River Collaborative	To provide special education services	780,756
Massachusetts Bay Transit Authority	To provide regional transportation	65,139
Charms Collaborative	To provide special education services	60,446
Brockton Area Transit Authority	To provide regional transportation services	49,445
READS Collaborative	To provide special education services	44,446
Old Colony Library Network	To provide enhanced services to members	21,401
South Shore Tri-Town Development Corp.	To develop land with towns of Abington & Weymouth	Not applicable

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 2014, the Town received approximately \$181,000. See also Note 18.

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

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

Related Organizations

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

Note 2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

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

Government-wide Statements

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets, receivables and deferred outflows of resources, as well as long-term liabilities, deferred inflows of resources and other liabilities reported on a full accrual basis. The Town's net position is reported in three parts—net investment in capital assets, restricted, and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

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

The net costs are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities, except for those costs associated with the water and sewer activities which have been directly charged to the public works function.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

Fund Financial Statements

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

The emphasis in the Town's fund financial statements is on the major funds in the governmental functional categories. Government Accounting Standards Board pronouncements set forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements titled Other Governmental Funds.

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

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

Governmental Funds:

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

Major Funds

- General fund is the general operating fund of the Town. It should be used to account for all financial resources not accounted for and reported in another fund.
- Water fund is a special revenue fund used to account for the activities related to the operations of the Town's water system inclusive of all employee benefits related thereto. Revenues consist primarily of user charges and other departmental fees. This fund also accounts for joint water works activity.
- Sewer fund is a special revenue fund used to account for the activities related to the operations of the Town's sewer system, inclusive of all employee benefits related thereto. 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.
- Senior Center building project is a capital project fund used to account for financial resources to be used to fund the construction of a new community senior center. Resources of the fund consist primarily of debt proceeds when issued and grant reimbursements from the Commonwealth.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

- Road Improvement projects is a capital project fund used to account for financial resources to be used to fund constructions and repairs to the roads and related infrastructure of the Town. Other resources consist of debt proceeds when issued.

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

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

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

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

Fiduciary Funds:

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

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations (including scholarships and awards) other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Other Post-Employment Benefit trust fund accounts for resources legally held in trust for the providing health insurance benefits to retired employees of the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements. This fund was established pursuant to Town Meeting vote in accordance with provisions of MGL Chapter 32B, section 20 which allows for establishment of a trust fund for other post-employment benefits.
- Agency funds are used to hold funds on behalf of parties other than the Town. These funds consist of amounts associated with the public school students' activities funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

B. Measurement Focus and Basis of Accounting

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

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

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

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

C. Cash, cash equivalents and Investments

For the purpose of the financial statements cash and cash equivalents include all demand, certificates of deposit and savings accounts.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in these Notes.

D. Interfund Receivables and Payables

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

E. Receivables

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle excise three years or more as uncollectible for financial reporting purposes. The Town estimates 30% of the reported ambulance charges to be uncollectible. Outstanding real estate taxes and sewer charges are secured by tax liens, and therefore considered to be fully collectible. Outstanding water charges are subject to discontinued service, and therefore are deemed fully collectible by the Town.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

F. Capital Assets

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

G. Deferred Outflows and Deferred Inflows

Deferred outflows of resources, as applicable, represent a consumption of assets by the government that is applicable to a future reporting period. These *deferred outflows of resources* have a positive effect on net position and are reported after assets when applicable. The Town has not reported and deferred outflows of resources as of June 30, 2014. Deferred inflows of resources, as applicable, represent the acquisition of assets by the government that is applicable to a future reporting period. These *deferred inflows of resources* have a negative effect on net position and are reported after liabilities when applicable. These amounts are reported in government-wide and fund financial statements based upon the nature of the items.

H. Liabilities

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

I. Compensated Absences

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The Town records a liability estimated buy back for accumulated sick time as long-term obligations in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

J. Equity Classifications

Government-wide Statements

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

- **Net investment in capital assets**— This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- **Restricted** — This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. These assets may be restricted by constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Financial Statements

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

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

K. Use of estimates

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

L. Total columns

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

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

Note 3. Stewardship, Compliance and Accountability

A. Property tax calendar and limitations

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

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

B. Budgetary Basis of Accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year’s deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The budgets for all departments and operations of the Town are prepared under the direction of the Board of Selectmen. The School department budget is prepared under the direction of the School Committee. Water and sewer departmental budgets are prepared under the direction of the respective board of commissioners. All original and supplemental appropriations must be acted upon by vote of Town Meeting. All general fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds, except for water and sewer. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies. Budgetary information has been presented as required supplementary information to these financial statements.

C. Fund equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either non-spendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2014, the classification of the Town's fund balances can be detailed as follows:

	General <u>Fund</u>	Water <u>Fund</u>	Sewer <u>Fund</u>	School Building <u>Project</u>	Senior Center <u>Project</u>	Road Construction <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Totals</u>
Restricted								
General Government	\$	\$	\$	\$	\$	\$	\$ 55,268	\$ 55,268
Public Safety							320,392	320,392
Education							943,231	943,231
Public Works							205,695	205,695
Human Services							118,194	118,194
Culture & Recreation							256,698	256,698
Capital outlay					48,415			48,415
Debt service	<u>1,055,263</u>	<u>3,107</u>	-	-	-	-	-	<u>1,058,370</u>
subtotal	1,055,263	3,107			48,415		1,899,478	3,006,263
Committed								
General Government	78,735						88,584	167,319
Public Safety	427,692						21,390	449,082
Education	395,000							395,000
Public Works	191,176	854,130	2,210,396				116,230	3,371,932
Human Services	3,777							3,777
Culture & Recreation	57,010						45,698	102,708
Employee benefits	185,041							185,041
Capital outlay	-	<u>948,789</u>	<u>60,566</u>	-	-	-	-	<u>1,009,355</u>
subtotal	1,338,431	1,802,919	2,270,962				271,902	5,684,214
Assigned								
General Government	10,721							10,721
Public Safety	20,616							20,616
Education	25,767							25,767
Public Works	594							594
Human Services	12,975							12,975
Culture & Recreation	<u>33,091</u>	-	-	-	-	-	-	<u>33,091</u>
subtotal	103,764							103,764
Unassigned								
	<u>3,255,370</u>	-	-	<u>(2,151,535)</u>	-	<u>(500,567)</u>	<u>(825,762)</u>	<u>(222,494)</u>
Total	<u>\$ 5,752,828</u>	<u>\$ 1,806,026</u>	<u>\$ 2,270,962</u>	<u>\$ 2,151,535</u>	<u>\$ 48,415</u>	<u>\$ (500,567)</u>	<u>\$ 1,345,618</u>	<u>\$ 8,571,747</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The Town reported \$185,401 as committed for employee benefits. This amount was established pursuant to an agreement signed between the Town and the Public Employee Committee pursuant to provision of Massachusetts General Law (MGL) Chapter 32B to provide certain benefits as a result of transferring active health insurance subscribers to different insurance plans (public employee health care mitigation). The agreement is effective for the period July 1, 2012 through June 30, 2015. At January 1, 2016 the remaining balance of any funds shall be distributed to employees through a premium holiday or other equitable means as agreed upon.

The Town reported a deficit in the general fund for snow and ice appropriations in the amount of \$153,760 for fiscal year 2014. The Town maintains a stabilization fund, which maintains funds set aside by Town Meeting vote for further appropriation or in accordance with MGL for the Board of Selectmen to perform inter-fund borrowings during the year. Since this fund is not supported by specific revenue sources, it is included with the general fund pursuant to provisions of GASB pronouncement 54. At June 30, 2014, the stabilization fund maintained a balance of \$512,287. Both of these amounts have been included with the unassigned fund balance reported in the General Fund.

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

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

Special revenue funds:	
MA Chapter 90 highway funds	\$ (203,658)
Public safety funds	(27,957)
General government grants	(81,832)
Education and other funds	(5,463)
Capital projects:	
Water handling facility	(186,448)
Water storage tanks	<u>(320,404)</u>
Total	<u>\$ (825,762)</u>

D. Restricted Net Position

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

Sewer	\$2,948,190
Water	1,894,650
Debt service	1,055,263
Revolving funds	976,918
Grants	329,967
Gifts and donations	329,859
Library	114,097
Cemetery	104,577
Other special revenue funds and other	<u>71,367</u>
Total restricted net position	<u>\$7,824,888</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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, 2014, the Town's carrying amount of cash deposits and investments was \$16,074,196 and \$603,989 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, 2014 cash deposits totaled \$16,259,617 and had a carrying amount of \$16,074,195. Of the deposit amounts, \$5,128,212 was exposed to custodial credit risk at June 30, 2014 because it was uninsured and/or uncollateralized in securities specifically in the Town's name. These funds are covered by a pooled collateralization agreement with the financial institution. The difference between deposit amounts and carrying amounts represents prepaid expenses, outstanding checks and deposits in transit.

As of June 30, 2014, the Town had the following investments:

<u>Type of Investment</u>	<u>Fair value/ Carrying Amount</u>	<u>Moody's Average credit quality/ratings</u>	<u>Maturity Less 1 year</u>	<u>Maturity 1-5 years</u>
Primary Government				
Domestic stocks	\$ 104,577	Not applicable	\$	\$
MMDT	42,091	Exempt	42,091	
Money funds	<u>6,004</u>	Not applicable	6,004	
Total primary government investments (non-fiduciary)	152,672			
Fiduciary Funds				
Money funds	12,868	Not applicable	12,868	
Mutual funds	24,123	Not applicable		
US government obligations	48,125	Aaa		48,125
Domestic stocks	<u>366,201</u>	Not applicable		
Total fiduciary funds investments	<u>451,317</u>			
Grand total investments	<u>\$ 603,989</u>			

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy provides general guidelines for addressing custodial credit risks.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town's policy provides general guidelines for addressing interest rate risks. The approximate maturities of the Town's investments are disclosed in the above table.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies that have the explicit guarantee of the US government are not considered to have credit risk and therefore have been listed as exempt from disclosure in the above table. Investments in external investment pools are also exempt from disclosure. Equity securities and equity mutual funds are not rated as to credit risk. The Town's investment policy addresses credit risk. The Town has not determined the rating for its money funds.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's policy sets guidelines for this risk. The Town's fiduciary funds maintain the following investments in domestic stocks which exceed 5% of fiduciary activities' investments (fair market value) at year end.

<u>Investment</u>	<u>Amount</u>
McDonalds Corp	\$ 25,185
General MLS Inc	24,957
Pepsico Inc	25,462
Procter & Gamble Co.	25,148
Johnson & Johnson	26,155
Southern Company	25,867

Note 5. Receivables

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Property taxes, penalties	\$ 999,657	\$ (48,000)	\$ 951,657	\$ 627,643
Tax liens, deferrals and foreclosures	1,188,104		1,188,104	1,188,104
Motor vehicle excise	444,851	(141,000)	303,851	444,851
Trash fees, liens and related	263,903		263,903	263,903
Ambulance charges	582,859	(95,000)	487,859	582,859
Water charges and related	809,800		809,800	269,012
Sewer charges, betterments, related	378,253		378,253	378,253
Intergovernmental:				
Massachusetts School Building Authority	125,882		125,882	125,882
MA Chapter 90 highway funds	693,636		693,636	693,636
MWPAT - drawdown	111,319		111,319	
MWPAT - subsidy	28,436		28,436	28,436
Other state and federal	<u>249,081</u>		<u>249,081</u>	<u>-</u>
Total - Governmental funds	5,875,781		5,591,781	<u>\$ 4,602,579</u>
Accrual of unbilled water and sewer charges	<u>867,000</u>	<u>-</u>	<u>867,000</u>	
Total - Governmental activities	<u>\$ 6,742,781</u>	<u>\$ (284,000)</u>	<u>\$ 6,458,781</u>	

Intergovernmental receivables included approximately \$126,000 of reimbursable school construction project expenditures which were incurred prior to year end. Project expenditures are reimbursed as submitted and audited for reimbursement eligibility by the Massachusetts School Building Authority (MSBA). This amount has been reported as deferred revenue on the government-wide financial statements as it has yet to be reimbursed. Massachusetts Water Pollution Abatement Trust (MWPAT) drawdown amounts of \$111,000 represent amounts to be drawn related to agreements entered into for water facilities and infrastructure projects. Massachusetts Chapter 90 highway improvement funds of \$693,636, for which the Town submits for reimbursements upon completion of approved project expenditures. Of this amount approximately \$178,000 has been accrued on the government-wide financial statements for reimbursement received subsequent to year end.

TOWN OF ROCKLAND, MASSACHUSETTS
Notes to Financial Statements
June 30, 2014

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows. Certain prior year balances have been restated to correspond with current year presentation:

<u>Governmental activities</u>	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u> <u>Balances</u>
Capital assets not being depreciated:				
Land and improvements	\$ 5,682,051	\$	\$	\$ 5,682,051
Land -conservation restriction	499,000			499,000
Construction in progress	<u>83,692,928</u>	<u>2,555,363</u>	<u>(83,064,909)</u>	<u>3,183,382</u>
Subtotal	89,873,979	2,555,363	(83,064,909)	9,364,433
Capital assets being depreciated:				
Buildings and improvements	22,377,097	84,182,100	(220,050)	106,339,147
Infrastructure	47,783,043	3,987,600	(351,350)	51,419,293
Equipment, machinery & other	14,909,744	723,750	(1,298,892)	14,334,602
50% Joint water works	<u>7,890,012</u>	<u>117,275</u>	<u>(10,000)</u>	<u>7,997,287</u>
Subtotal	92,959,896	89,010,725	(1,880,292)	180,090,329
Less accumulated depreciation:				
Buildings and improvements	15,341,606	1,915,939	(142,004)	17,115,541
Equipment, machinery & other	11,606,185	741,884	(1,253,475)	11,094,594
Infrastructure	25,075,210	912,091	(289,866)	25,697,435
50% Joint water works	<u>2,257,882</u>	<u>189,139</u>	<u>(10,000)</u>	<u>2,437,021</u>
Subtotal	<u>54,280,883</u>	<u>3,759,053</u>	<u>(1,695,345)</u>	<u>56,344,591</u>
Governmental capital assets, net	<u>\$ 128,552,992</u>	<u>\$ 87,807,035</u>	<u>\$ (83,249,856)</u>	<u>\$ 133,110,171</u>

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

Additions to construction in progress relate to the school building project and the senior center. The School building project was substantially completed and placed into service during fiscal year 2014. Infrastructure additions included approximately \$3.5 million in road construction projects.

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

Governmental activities:	
General government	\$ 92,641
Public safety	513,217
Education	1,580,005
Public works, including water and sewer	1,532,793
Human services	30,744
Culture and recreation	<u>9,653</u>
Total depreciation expense – governmental activities	<u>\$3,759,053</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 7. Interfund balances and activity

As of June 30, 2014, a total of \$477,822 was due to the general fund for short term borrowings of cash. This was comprised of \$166,606 due from the school building project and \$311,216 due from other governmental funds.

Interfund transfers, for the year ended June 30, 2014, consisted of the following:

	<u>General</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>
Appropriated and other amounts transferred between General appropriated indirect costs	\$ 99,626	\$ (61,538)	\$ (38,088)	\$ -
Appropriations from other funds for operations and capital outlay	217,349			(217,349)
Other transfers	<u>(832)</u>	<u>-</u>	<u>-</u>	<u>832</u>
Net transfers	<u>\$ 316,143</u>	<u>\$ (61,538)</u>	<u>\$ (38,088)</u>	<u>\$ (216,517)</u>

Note 8. Deferred inflows of resources

As of June 30, 2014, the Town reported aggregate deferred inflows of resources of \$4,602,579 in the governmental funds. This amount represents deferred revenues associated with receivables as detailed in Note 5 above.

As of June 30, 2014, the governmental activities reported deferred inflows of resources in the amount of \$1,696,973. This is comprised of unamortized bond premiums of \$1,055,659, and deferred revenues of \$641,314 comprised of \$515,432 of highway awarded funds not yet earned and \$125,882 of school projects not yet reimbursed.

Note 9. Temporary borrowings

Under state law and by authorization of the Board of Selectmen and Town Meeting, the Town is authorized to issue general obligation indebtedness for purposes and terms permitted by Massachusetts statute. Generally, when debt has been authorized, the Town may issue temporary (short-term) debt in anticipation of revenues, grants or issuance of serial bonds or serial notes (long term debt). Temporary debt obligations include the following:

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

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

TOWN OF ROCKLAND, MASSACHUSETTS
Notes to Financial Statements
June 30, 2014

The Town had the following table indicates certain of the Town's temporary debt activity during fiscal year 2014.

<u>Purpose</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2014</u>
Bond anticipation note, school project, 1.25%, dtd 9/7/2012, due 9/6/2013	\$ 6,400,000	\$	\$ (6,400,000)	\$
Bond anticipation note, school project, .70%, dtd 6/28/2013, due 9/6/2013	1,000,000		(1,000,000)	
Bond anticipation note, school project 1.00%, dtd 9/6/2013, due 3/6/2014		7,400,000	(7,400,000)	
Bond anticipation note, senior center, 1.25%, dtd 9/7/2012, due 9/6/2013	3,000,000		(3,000,000)	
Bond anticipation note, senior center, 1.00%, dtd 9/6/2013, due 3/6/2014		3,000,000	(3,000,000)	
Bond anticipation note, road construction project, 1.25%, dtd 9/7/2012, due 9/6/2013	4,500,000		(4,500,000)	
Bond anticipation note, road construction project, 1.00%, dtd 9/6/2013, due 3/6/2014		4,500,000	(4,500,000)	
Bond anticipation note, school project and road construction project, .60% dtd. 6/24/2014 due 3/6/2014	-	3,754,000	-	3,754,000
Total governmental activities	<u>\$ 14,900,000</u>	<u>\$ 18,654,000</u>	<u>\$ (29,800,000)</u>	<u>\$ 3,754,000</u>

On March 6 2014, the Town issued \$12.2 million of General Obligation State Qualified Municipal Purpose Bonds which permanently financed the bond anticipation notes related to the school project of \$4,700,000, the senior center of \$3,000,000 and the road construction project of \$4,500,000. Additional information regarding the Town's long term debt obligations and outstanding debt authorizations are detailed in Note 11 Long term obligations.

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 2014 as it relates to these agreements.

<u>Purpose</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2014</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, 2014

Note 11. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

<u>Purpose</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2014</u>	<u>Current Portion</u>
Multipurpose bonds, 3.25%-5.00%, dtd 7/1/02, due 7/1/2022	\$ 1,950,000	\$	\$ (235,000)	\$ 1,715,000	\$ 235,000
Multi-purpose bonds, 4.00% -5.25%, dtd 7/1/06, due 7/15/2016	660,000		(165,000)	495,000	165,000
MWPAT-subsidized bonds, water treatment facility, dtd 11/16/05, due 7/15/2025	266,000		(18,115)	247,885	18,479
MWPAT-subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/2025	161,162		(10,364)	150,798	10,798
MWPAT-subsidized bonds, water treatment facility, dtd 3/18/09, due 7/15/2029	147,290		(7,890)	139,400	8,049
MWPAT - drinking water bonds, dtd 7/8/10, due 7/15/2030	487,495		(24,011)	463,484	24,496
ARRA-MWPAT- DWS-06-14A dtd 7/8/2010, due 1/15/2030	924,635		(43,105)	881,530	43,976
ARRA-MWPAT- DWS-08-27 dtd 7/8/2010, due 1/15/2030	1,124,582		(53,805)	1,070,777	54,892
G.O.B. -water building, 2.0%-4.0% dtd 12/01/2010, due 8/1/2020	760,000		(95,000)	665,000	95,000
G.O.B. -water mains, 2.0%-4.0% dtd 12/01/2010, due 8/1/2020	200,000		(25,000)	175,000	25,000
G.O.B. state qualified bonds, school project, 2.0%-4.0%, dtd 11/15/11, due 12/1/2033	29,220,000		(820,000)	28,400,000	860,000
MWPAT-subsidized bonds, water 2.0%, dtd 5/23/2013, due 1/15/2033	510,745		(20,660)	490,085	21,109
G.O.B. state qualified bonds, various, 2.0%-5.0%, dtd 3/6/2014, due 3/1/2034	-	12,200,000	-	12,200,000	735,000
Total bonds payable	36,411,909	12,200,000	(1,517,950)	47,093,959	2,296,799
Landfill closure monitoring liability	525,000	89,500	(40,500)	574,000	41,000
Capital leases	503,708	125,254	(109,543)	519,419	175,545
Compensated absences, net	4,598,000		(316,000)	4,282,000	
Net OPEB obligation	18,661,127	6,769,627	(2,410,434)	23,020,320	-
Total governmental activities	<u>\$ 60,699,744</u>	<u>\$ 19,184,381</u>	<u>\$ (4,394,427)</u>	<u>\$ 75,489,698</u>	<u>\$ 2,513,344</u>

Pursuant to MGL Chapter 44A, the Municipal Finance Oversight Board of the Commonwealth of Massachusetts determined the Town to be entitled to issue General Obligation State Qualified Municipal Bonds. Under this program, which is unique to the Commonwealth, the State Treasurer pays the related debt service of these bonds directly from the Town's local aid. The outstanding balance related to these bonds at June 30, 2014 was \$40.6 million, of which \$33.1 million related to the school building project, \$3.0 million to the senior center and \$4.5 million to road construction project.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2014, including interest, are as follows:

Year Ending				
June 30,		Principal		Interest
				Total
2015	\$	2,296,799	\$	1,685,213
2016		2,304,489		1,633,718
2017		2,353,047		1,548,957
2018		2,246,677		1,476,693
2019		2,285,382		1,393,877
2020-2024		11,705,180		5,520,238
2025-2029		11,717,665		3,409,660
2030-2034		<u>12,184,720</u>		<u>1,243,062</u>
Total	\$	<u>47,093,959</u>	\$	<u>17,911,418</u>
				<u>\$ 65,005,377</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. The Town is responsible for any debt of joint ventures in which it participates through the appropriate annual assessment.

Unissued debt authorizations consist of the following at June 30, 2014:

Purpose	Year Authorized	Balance June 30, 2014
School	2009 & 2010	\$ 51,864,859
Sewer	2000,2003, 2008	185,253
Water	2004-2010; 2012	2,920,942
Roads	2012	<u>1,800,000</u>
Totals		<u>\$ 56,771,054</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, 2014.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

B. Capital leases

The Town has entered into several capital leases for public safety and public works vehicles. Of this amount approximately \$125,000, of financing incurred in fiscal year 2014 related to the overall acquisition of an ambulance included as a capital asset addition during the year of \$240,000. The annual requirement to pay future capital lease payments as of June 30, 2014 is as follows:

For Year <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 175,545	\$ 20,764	\$ 196,309
2016	125,888	14,714	140,602
2017	39,854	9,788	49,642
2018	41,643	7,998	49,641
2019	43,513	6,128	49,641
2020-2021	<u>92,976</u>	<u>6,308</u>	<u>99,284</u>
	<u>\$ 519,419</u>	<u>\$ 65,700</u>	<u>\$ 585,119</u>

Note 12. School Construction Projects

On November 14, 2009, the Town electorate approved a Proposition 2^{1/2} 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 costs of the project are submitted to the MSBA as the project progresses and are reimbursed upon audit by the MSBA. Through the date of these financial statements, the MSBA has reimbursed the Town approximately \$47 million. The project was substantially completed and considered placed into service during fiscal year 2014.

Note 13. Employee Benefits

A. Retirement Benefits

Plan Description

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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 \$2,984,007, representing approximately 5.43% of the system wide employer assessments. The System offered a 2% discount to member Towns if the entire fiscal year assessment was paid by July 1st. The Town's discount was \$57,891 for a net payment of \$2,926,026. 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, 2013 and 2012 were \$2,811,985 and \$2,435,980 respectively, equal to the required contributions for each year, net of the discount available for the year.

As previously noted, the Town does not contribute to MTRS. Contributions to the MTRS are made by the Commonwealth of Massachusetts on behalf of the Town. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$5,764,871 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and employee benefits expenditures of the general fund.

B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Vacation carryover at year end of approximately \$255,000 has been recorded as a liability in the Balance Sheet at June 30, 2014. Accumulated unused sick leave of approximately \$4.3 million due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Position at June 30, 2014.

C. Other Post Employment Benefits

Plan Description

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

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

	Governmental
	<u>Activities</u>
Annual required contribution	\$ 6,015,303
Interest on net OPEB obligation	746,444
Adjustment	(1,037,668)
Amortization of actuarial (gain)/losses	<u>1,045,548</u>
Annual OPEB cost (expense)	6,769,627
Contributions made	<u>(2,410,434)</u>
Change in net OPEB obligation	4,359,193
Net OPEB obligation – beginning of year	<u>18,661,127</u>
Net OPEB obligation – end of year	<u>\$ 23,020,320</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 2014 and the two previous fiscal years are as follows:

	Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
Governmental activities:				
	6/30/2014	\$6,769,627	35.61%	\$ 23,020,320
	6/30/2013	\$6,483,114	35.29%	\$ 18,661,127
	6/30/2012	\$6,774,934	40.24%	\$ 14,465,733

Funding Status and Funding Progress

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

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

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

Actuarial Methods and Assumptions

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

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

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

Discount rate: 4.0% per annum

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

General Inflation Assumption: 2.5% per annum

Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 26 years at July 1, 2012

As allowed under MGL Chapter 32B, Section 20, the Town has voted to establish a trust fund for the purpose of accumulating assets for these other post-employment benefits. As of June 30, 2014, the Town maintains a balance of \$11,059 in this fund. This amount is immaterial overall to the reported liability and has not been taken into account within the latest actuarial valuation.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

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

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

As of June 30, 2014, \$575,000 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2014, the Town has anticipates 14 years of post-closure monitoring remaining. Actual costs in future periods associated with post-closure monitoring may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

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

For the year	
<u>ended</u>	<u>Amount</u>
2015	\$ 47,200
2016	47,200
2017	47,200
2018	47,200
2019-2023	236,000
2024-2028	236,000
2029-2032	<u>188,800</u>
Total	<u>\$ 849,600</u>

Note 15. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Town carries commercial insurance for all risks, except health insurance. As previously noted, the Town participates in the Commonwealth's Retired Municipal Teacher (RMT) Program. The Town's annual contribution to the program for premiums is deducted directly from the Town's state aid. The assessment for fiscal year 2014 was approximately \$1.1 million.

The Town belongs to the Mayflower Municipal Health Group (Group), a joint purchasing group established under MGL Chapter 32B, section 12 for employee and retirees' health and dental insurance. The Town budgets and pays annual premiums to the Group. The Town's share of health insurance benefits is approximately 79% and 75% for active and retired participants respectively. The Group reinsures itself for claims in excess of \$300,000 per person annually to a lifetime maximum payable of \$2,000,000. The Town pays monthly premiums to the Group. The Town's cost for health insurance premiums to the Group for the year ended June 30, 2013 was approximately \$6.8 million. Of this amount approximately \$1.0 million relates to premiums for retirees. The Group reported Net Position of \$36.1 million (audited) at June 30, 2014. Additional information related to the Group may be obtained by contacting the Group's treasurer directly at: Mayflower Municipal Health Group, P.O. Box 3390, Plymouth, MA 02361.

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 16. Commitments and Contingencies

Various legal actions and claims are pending against the Town as of June 30, 2014. 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.

The Town maintains several ongoing contractual arrangements for annual services including transportation of students, solid waste disposals and operation of its sewer plant. As of June 30, 2014, the Town's significant ongoing construction projects consisted of the senior center and road construction. The total contract with the general contractor for the senior center project as of June 30, 2014, Linwood Construction, LLC, was \$2.9 million. The balance to complete the contract as of this date, including retainage payable was approximately \$300,000.

Note 17. Restatement of certain beginning balances

The following illustrates reclassifications of beginning year balances to correspond with current year presentations. The Public Employee Health Care Mitigation Fund was reclassified from Fiduciary Funds to General Fund pursuant to interpretation by the Massachusetts Department of Revenue.

Fund basis financial statements:

	General Fund	Public Employee Health Care Mitigation Fund
Fund balance/net position, June 30, 2013	\$ 3,218,520	\$ 152,175
Reclassification to General fund	<u>152,175</u>	<u>(152,175)</u>
Fund balance/ net position, restated July 1, 2013	<u>\$ 3,370,695</u>	<u>\$ -</u>

Government-wide financial statements:

	Governmental Activities
Net position, June 30, 2013	\$ 71,677,892
Reclassification of Public Employee Health Care Mitigation Fund	<u>152,175</u>
Net position, July 1, 2013, restated	<u>\$ 71,830,067</u>

TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2014

Note 18. Subsequent events

Legislation approved on August 20, 2014, Chapter 291 of the Acts of 2014, reconstituted the South Shore Tri-Town Development Corporation as the Southfield Redevelopment Authority (the Authority). Pursuant to this Act, the participating towns of Rockland, Weymouth and Abington will become responsible for providing services and the corresponding assessing and collection of property taxes for land and development within each town's borders within the former Naval Air Station (NAS) South Weymouth, commencing July 1, 2015. Each town shall collect a property tax rate equal to the base rate plus the Southfield rate. Within thirty days after each fiscal quarter the towns are required to remit to the Authority the Southfield rate portion of the revenue collected by the town in the preceding quarter.

Note 19. GASB Pronouncements

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

Current pronouncements

The GASB issued Statement #66, *Technical Corrections – 2012, an amendment of GASB Statements No.10 and No. 62*, which was required to be implemented in fiscal year 2014. The pronouncement resolves conflicting guidance from issued pronouncement No. 54, regarding fund based reporting of risk financing activities. Also it amends No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) purchase of a loan or a group of loans, and (3) service fees. This pronouncement had no impact on the Town's financial statements.

The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting issues associated with a variety of transactions, such as mergers, acquisitions, disposals and transfer of governmental operations. This pronouncement had no impact on the Town's financial statements.

The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which was required to be implemented in fiscal year 2014. The pronouncement addresses accounting and financial reporting for financial guarantees extended by a government for the obligations of another government, not-for-profit, or private entity without directly receiving equal or approximately equal value in exchange for the guarantee. This pronouncement had no impact on the Town's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ROCKLAND, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Funding Progress - Other Post-Employment Benefits (OPEB)
 June 30, 2014

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.

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

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

Actuarial Methods and Assumptions

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

Significant actuarial assumptions used in the valuation are as follows:

Actuarial Cost Method: Projected Unit Credit

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

Discount Rate: 4.0% per annum

See Independent Auditor's Report.

TOWN OF ROCKLAND, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress - Other Post-Employment Benefits (OPEB)
June 30, 2014

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

General Inflation Assumption: 2.5% per annum

Compensation Increases: 3.0% per annum

Actuarial Value of Assets: Market Value

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

Remaining Amortization Period: 26 years at July 1, 2012

See Independent Auditor's Report.

TOWN OF ROCKLAND, MASSACHUSETTS
 Budgetary Comparison Schedule - General Fund
 For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Property Taxes	\$ 29,926,662	\$ 29,926,662	\$ 29,985,938	\$ 59,276
Excise	1,770,000	1,770,000	2,593,247	823,247
Penalties and interest	270,000	270,000	353,731	83,731
Investment interest	30,000	30,000	119,270	89,270
Departmental, fees and other	2,451,000	2,451,000	2,748,664	297,664
Intergovernmental	13,262,434	13,262,434	13,544,807	282,373
Total revenues	47,710,096	47,710,096	49,345,657	1,635,561
Expenditures				
General government	1,729,339	1,703,880	1,466,811	237,069
Public Safety	6,496,340	6,529,406	6,513,572	15,834
Education	22,456,381	22,520,157	23,359,259	(839,102)
Public works	857,032	1,360,700	1,505,068	(144,368)
Human services	1,727,686	1,740,934	1,707,072	33,862
Culture and recreation	752,013	714,421	709,502	4,919
Employee benefits and other insurances	9,789,655	9,230,777	8,940,373	290,404
State and county assessments	2,412,368	2,412,368	1,572,918	839,450
Debt service	2,294,993	2,371,015	2,371,299	(284)
Total Expenditures	48,515,807	48,583,658	48,145,874	437,784
Revenues over (under) expenditures	(805,711)	(873,562)	1,199,783	2,073,345
Other financing sources (uses)				
Premium received on issuance of debt, net of costs			795,323	795,323
Transfers out to other funds	(259,912)	(509,912)	(510,744)	(832)
Transfers in from other funds	217,877	217,877	217,877	
Total other financing sources (uses)	(42,035)	(292,035)	502,456	794,491
Revenues and other financing sources over (under) expenditures and other financing uses	(847,746)	(1,165,597)	1,702,239	\$ 2,867,836
Fund balances, beginning of year, restated			3,997,488	
Fund balances, end of year			\$ 5,699,727	
Other budget items				
Carryover encumbrances and articles	426,948	10,256		
Use of overlay	115,000	215,000		
Appropriation of fund balance	503,029	1,137,572		
Funding of prior year deficits	(197,231)	(197,231)		
Total other budget items	847,746	1,165,597		
Net budget	\$	\$		

See Independent Auditor's Report.
 See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS

Budgetary Comparison Schedule - Water

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Charges for services and other	\$ 2,696,379	\$ 2,696,379	\$ 3,164,902	\$ 468,523
Total revenues	<u>2,696,379</u>	<u>2,696,379</u>	<u>3,164,902</u>	<u>468,523</u>
Expenditures				
Public works	2,822,093	2,415,508	2,305,567	109,941
Debt service	<u>533,385</u>	<u>533,385</u>	<u>557,816</u>	<u>(24,431)</u>
Total Expenditures	<u>3,355,478</u>	<u>2,948,893</u>	<u>2,863,383</u>	<u>85,510</u>
Revenues over (under) expenditures	<u>(659,099)</u>	<u>(252,514)</u>	<u>301,519</u>	<u>554,033</u>
Other financing sources (uses)				
Transfers out to other funds	<u>(61,538)</u>	<u>(61,538)</u>	<u>(61,538)</u>	
Total other financing sources (uses)	<u>(61,538)</u>	<u>(61,538)</u>	<u>(61,538)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(720,637)</u>	<u>(314,052)</u>	<u>239,981</u>	<u>\$ 554,033</u>
Fund balances, beginning of year			<u>1,566,045</u>	
Fund balances, end of year			<u>\$ 1,806,026</u>	
Other budget items				
Appropriation of fund balance	200,000	200,000		
Carryover encumbrances and articles	<u>520,637</u>	<u>114,052</u>		
Total other budget items	<u>720,637</u>	<u>314,052</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.

See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS

Budgetary Comparison Schedule - Sewer

For the year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues				
Charges for services and other	\$ 2,199,410	\$ 2,199,410	\$ 2,301,103	\$ 101,693
Total revenues	<u>2,199,410</u>	<u>2,199,410</u>	<u>2,301,103</u>	<u>101,693</u>
Expenditures				
Public works	3,097,946	2,602,060	2,322,913	279,147
Debt service	<u>125,000</u>	<u>125,000</u>	<u>97,612</u>	<u>27,388</u>
Total Expenditures	<u>3,222,946</u>	<u>2,727,060</u>	<u>2,420,525</u>	<u>306,535</u>
Revenues over (under) expenditures	(1,023,536)	(527,650)	(119,422)	408,228
Other financing sources (uses)				
Transfers out to other funds	<u>(38,088)</u>	<u>(38,088)</u>	<u>(38,088)</u>	
Total other financing sources (uses)	(38,088)	(38,088)	(38,088)	
Revenues and other financing sources over (under) expenditures and other other financing uses	(1,061,624)	(565,738)	(157,510)	<u>\$ 408,228</u>
Fund balances, beginning of year			<u>2,428,473</u>	
Fund balances, end of year			<u>\$ 2,270,963</u>	
Other budget items				
Appropriation of fund balance	388,448	388,448		
Carryover encumbrances and articles	<u>673,176</u>	<u>177,290</u>		
Total other budget items	<u>1,061,624</u>	<u>565,738</u>		
Net budget	<u>\$</u>	<u>\$</u>		

See Independent Auditor's Report.
See accompanying notes to budgetary comparison schedule.

TOWN OF ROCKLAND, MASSACHUSETTS
Notes to Required Supplementary Information
June 30, 2014

Note 1. Budgetary basis of accounting

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year’s deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

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

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column of the Budgetary Comparison Schedule – General Fund are presented on a “budget basis” to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2014, is presented below:

<u>General Fund:</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 49,345,657	\$ 48,145,874	\$ 502,456
Adjustment of property tax revenues to modified accrual basis and adjustment to provision for refunds	106,068		509,912
Activity associated with stabilization fund	2,375		
Net adjustment for vacation liability		37,559	
Gross-up of issuance costs charged to premiums		77,485	77,485
Transfer in budgetary basis for FY2014 town meeting appropriations transferred to general fund prior year			(109,000)
Adjustment for FY2015 town meeting appropriations Transferred to general fund prior year			208,098
State funded teacher’s pension	<u>5,764,871</u>	<u>5,764,871</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 55,218,971</u>	<u>\$ 54,025,789</u>	<u>\$ 1,188,951</u>

During fiscal year 2014, the Town incurred snow and ice deficits in the amount of \$153,760. This amount is included as a deficit in general fund unassigned fund balance to be raised on the fiscal 2015 tax rate recapitulation sheet.

TOWN OF ROCKLAND, MASSACHUSETTS
Notes to Required Supplementary Information
June 30, 2014

A reconciliation of the budgetary-basis to GAAP-basis results for the water and sewer funds for the year ended June 30, 2014, are presented below:

Water fund:

	<u>Revenues</u>	<u>Expenditures</u>	Other Financing Sources (Uses), Net
As reported on a budgetary basis	\$ 3,164,902	\$ 2,863,383	\$ (61,538)
Joint water works gross-up	<u>1,644,221</u>	<u>1,644,221</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 4,809,123</u>	<u>\$ 4,507,604</u>	<u>\$ (61,538)</u>

Sewer fund:

	<u>Revenues</u>	<u>Expenditures</u>	Other Financing Sources (Uses), Net
As reported on a budgetary basis	\$ 2,301,103	\$ 2,420,525	\$ (38,088)
MWPAT subsidy	<u>3,370</u>	<u>3,370</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 2,304,473</u>	<u>\$ 2,423,895</u>	<u>\$ (38,088)</u>

See Independent Auditor's Report.