

**TOWN OF ROCKLAND, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**TOWN OF ROCKLAND, MASSACHUSETTS  
 BASIC FINANCIAL STATEMENTS AND  
 MANAGEMENT’S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2015**

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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 the Town of Rockland, Massachusetts (the Town), as of and for the year ended June 30, 2015, 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 the Town of Rockland, Massachusetts, as of June 30, 2015, 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 to xii, and the schedule of pension contributions, schedule of funding progress for the Town's other post-employment benefit plan (OPEB) and budgetary comparison information, on pages 39 through 47 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 June 21, 2016, 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 the Town of Rockland, Massachusetts' internal control over financial reporting and compliance.

*Lynch, Malloy, Marini, LLP*

Norwell, Massachusetts  
June 21, 2016



Lynch, Malloy, Marini, LLP

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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 the Town of Rockland, Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Rockland, Massachusetts' basic financial statements, and have issued our report thereon dated June 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Town of Rockland, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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  
June 21, 2016

**MANAGEMENT'S DISCUSSION & ANALYSIS**

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

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, 2015.

#### **Financial Highlights:**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$34.9 million (net position). The Town reported a decrease in net position of approximately \$3.9 million, due primarily to the net increases in the Town's net pension liability and net other postemployment benefit obligation (OPEB) of \$1.5 million and \$3.8 million respectively.
- The total cost of all Town services for fiscal year 2015 was approximately \$73.3 million.
- As of the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$3.7 million, an increase of approximately \$400,000 from the prior year.

#### **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. It should be noted the GASB required implementation of GASB Statement #68, *Accounting and Financial Reporting for Pensions*, which had a significant impact upon the Town's Statement of Net Position for the year ended June 30, 2015.

**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.

See Independent Auditor's Report.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

**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.

**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, employer pension contributions and information related to the Town's retiree benefits plan for health care (OPEB).

# TOWN OF ROCKLAND, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

### 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34.9 million at the close of the most recent fiscal year as demonstrated in the following table. With the implementation of GASB Statement #68, beginning net position has been restated for financial reporting purposes, but no restatement has been made in the following tables.

	<b>FY2015</b>	<b>FY2014</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Current assets	\$ 20,089,209	\$ 22,511,642
Capital assets	<u>130,964,978</u>	<u>133,110,171</u>
Total assets	151,054,187	155,621,813
Deferred outflows of resources	<u>1,494,573</u>	<u>                    </u>
Total assets and deferred outflows	<u>\$ 152,548,760</u>	<u>\$ 155,621,813</u>
Current liabilities	\$ 9,805,011	\$ 11,444,661
Long term liabilities	<u>106,570,229</u>	<u>72,976,354</u>
Total liabilities	116,375,240	84,421,015
Deferred inflows of resources	1,288,507	1,696,973
Net position:		
Net investment in capital assets	82,271,695	78,903,288
Restricted	5,899,739	7,824,888
Unrestricted	<u>(53,286,421)</u>	<u>(17,224,351)</u>
Total net position	<u>34,885,013</u>	<u>69,503,825</u>
Total liabilities, deferred inflows and net position	<u>\$ 152,548,760</u>	<u>\$ 155,621,813</u>

Included within the governmental activity current assets are approximately \$14.0 million in cash and cash equivalents, \$155,000 of investments, and \$5.9 million of receivables.

Deferred outflows of resources of \$1.5 million, represent differences between the projected and actual pension earnings associated with the Town's participation in the county retirement system.

Current liabilities of \$9.8 million consisted primarily of \$2.1 million of accounts payable, \$961,000 of salaries and withholdings payable, \$209,000 in provision for refund of paid taxes, \$303,000 in accrued interest, \$3.8 million in notes payable, and \$2.3 million of long term bonds due in fiscal year 2016.

Governmental activity long-term liabilities include \$42.4 million in general obligation bonds, \$32.3 million net pension obligation, \$26.9 million for net other post-employment benefits (OPEB) obligations, \$4.3 million for estimated compensated absences, \$492,000 for estimated future landfill monitoring and related costs, and \$218,000 for capital lease obligations.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

Deferred inflows of resources of \$1.3 million is comprised of \$1.0 million of unamortized bond premiums and \$285,000 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.

The largest portion of the Town's net position \$82.3 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, \$6.0 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 \$544,000 and \$3.0 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 \$53.3 million. This is primarily due to the Town's reported net pension liability and other postemployment benefits obligation of approximately \$32.3 million and \$26.9 million respectively.

Governmental activities decreased the Town's net position by approximately \$3.9 million, or 10% during fiscal year 2015. A summary of revenues and major functional expenditures is presented below.

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

#### Revenues:

- Property taxes represent nearly 46.2% 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 \$18.6 million represented approximately 26.7% 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 of \$13.4 million, represent nearly 19.3% of the Town's revenue. This includes water and sewer charges at nearly \$8.8 million, trash fees at \$1.6 million, and ambulance receipts of \$1.4 million. All represented slight increases over the prior year.
- Capital grants and contributions amounted to \$1.1 million and represented approximately 1.6% of the Town's total revenues. The decrease from the previous year related primarily completion of the school construction project.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Management's Discussion and Analysis

June 30, 2015

Expenses

- Total expenses increased approximately \$585,000, or .80% over fiscal year 2014. The Town had increases in pension and other postemployment benefits costs, but realized savings from the reported on-behalf payment of retired teachers pension costs made by the Commonwealth of Massachusetts pursuant to the provisions of GASB Statement #68. General government expenses increased in part due to the Town's classification of all electricity expenditures within that function for the current year presentation. The Town realized various other increases and decrease from the previous year.

	<b>FY2015</b>	<b>FY2014</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Revenues:		
Charges for services	\$ 13,388,317	\$ 13,163,205
Operating grants and contributions	18,551,624	20,924,832
Capital grants and contributions	1,102,319	1,970,769
General revenues:		
Property taxes	32,075,890	30,021,240
Excise taxes	2,861,037	2,663,541
Penalties and interest	319,265	353,731
Grants and contributions not restricted	618,711	1,013,122
Investment income	124,064	132,259
Departmental and other	<u>379,542</u>	<u>314,466</u>
Total revenues	69,420,769	70,557,165
Expenses:		
General government	2,359,329	1,610,645
Public safety	7,576,591	7,170,015
Education	31,564,062	29,727,018
Public works	9,819,619	9,128,139
Human services	2,076,903	1,749,835
Culture and recreation	1,096,354	1,149,462
Employee benefits and other insurance	16,658,303	20,374,064
Interest and other charges	1,784,491	1,525,990
State and county charges	<u>347,812</u>	<u>263,291</u>
Total expenses	73,283,464	72,698,459
Loss on retirement of capital assets	<u>-</u>	<u>(184,947)</u>
Change in net position	<u>\$ (3,862,695)</u>	<u>\$ (2,326,241)</u>

See Independent Auditor's Report.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Management's Discussion and Analysis

June 30, 2015

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

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

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

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

As of the end of the current fiscal year, combined governmental funds reported an aggregate balance of \$8.0 million, a decrease of approximately \$537,000 from the previous year. The governmental funds' combined ending fund balances were reported in the following classifications: restricted fund balance of \$3.3 million, committed fund balance was \$5.4 million; assigned fund balance was \$117,000 and unassigned deficit of \$767,000. Deficit fund balances reported for the school building project and road improvement projects of \$2.7 million and \$1.5 million are due to final permanent bonding not having been issued which 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 \$6.0 million, an increase of approximately \$236,000 from the previous year. Of this amount \$1.0 million or 16.8% represents restricted fund balance. Committed fund balance of \$1.1 million and assigned fund balance of \$117,000 represent 19.0% and 2.0% of total general fund balance respectively. Unassigned fund balance of \$3.7 million represents 62.3% 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 7.0% of both total general fund revenues and expenditures. This is compared to 6.0% of both revenues and expenditures in the prior year.

#### 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 \$50.3 million and the amended final budget of \$51.2 is due to primarily to encumbrances from the prior fiscal year included in the original budget, additional special town meeting appropriations and the encumbrances at the end of the year are not included in the final budget.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2015

### Water Fund Budgetary Highlights

The Town adopts an annual expenditure budget for its water fund. A budgetary comparison statement has been provided for the water fund to demonstrate compliance with the budget. The difference between the original budget of \$3.8 million and the final budget of \$3.5 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 Town adopts an annual expenditure budget for its sewer fund. A budgetary comparison statement has been provided for the water fund to demonstrate compliance with the budget. The difference between the original budget of \$3.0 million and the final budget of \$2.4 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.

### Capital Asset and Debt Administration

**Capital assets** - The Town's investment in capital assets for governmental activities as of June 30, 2015 amounts to \$130,964,978, which is net of accumulated depreciation of \$61,803,672. 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>Capital asset type</u>	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 5.7	\$ 5.7
Land-conservation restriction	0.5	0.5
Buildings and related improvements	89.4	89.2
Joint Water Works	5.5	5.6
Equipment, machinery, other	3.6	1.4
Infrastructure (including water & sewer)	26.0	27.5
Construction in progress	<u>0.6</u>	<u>3.2</u>
Total	<u>\$ 131.3</u>	<u>\$ 133.1</u>

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

- Placing into service the new senior center building.
- Road paving, construction and related improvements (infrastructure).
- Acquisition of several vehicles and public safety equipment.

**Debt obligations** - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$44.7 million. This is compared to \$47.1 million last year. All debt is a general obligation of the Town.

The Town maintains an AA bond rating with Moody's Investors Service, as of June 2015.

# **TOWN OF ROCKLAND, MASSACHUSETTS**

## Management's Discussion and Analysis

June 30, 2015

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

- The Town's fiscal year 2016 operating budget (inclusive of water and sewer) approved at May 4, 2015 Annual Town Meeting increased approximately 5.8% over the fiscal year 2015 operating budget.
- The total real estate and personal property tax levy approved to be raised for fiscal year 2016 was \$33.7 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, 2015

	<u><b>Primary Government Governmental Activities</b></u>
<b><u>ASSETS</u></b>	
Cash, cash equivalents and investment:	\$ 14,166,019
Receivables, net of allowances	5,923,190
Capital assets, net accumulated depreciation	130,964,978
Total assets	151,054,187
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Net difference between projected and actual pension earnings	1,494,573
Total deferred outflows of resources	1,494,573
Total assets and deferred outflows of resources	\$ 152,548,760
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 2,111,060
Salaries and withholdings payable	961,694
Provision for refund of paid taxes	209,000
Notes payable	3,754,000
Accrued interest payable	303,000
Long-term liabilities	
Due within one year	2,466,257
Due in more than one year	106,570,229
Total liabilities	116,375,240
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unamortized bond premiums	1,003,487
Deferred revenue	285,020
Total deferred inflow of resources	1,288,507
<b><u>NET POSITION</u></b>	
Net investment in capital assets	82,271,695
Restricted	5,899,739
Unrestricted	(53,286,421)
Total net position	34,885,013
Total liabilities, deferred inflows of resources and net position	\$ 152,548,760

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

**TOWN OF ROCKLAND, MASSACHUSETTS**

Statement of Activities:

For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Capital Grants and</u>	<u>Revenue and</u>
<u>Primary government</u>		<u>Services</u>	<u>and Contributions</u>	<u>Contributions</u>	<u>Changes in Net Position</u>
					<u>Primary Government</u>
					<u>Governmental Activities</u>
Governmental activities					
General government	\$ 2,359,329	\$ 218,484	\$ 251,772	\$	\$ (1,889,073)
Public safety	7,576,591	1,848,978	61,765	\$	(5,665,848)
Education	31,564,062	2,236,119	12,293,989	\$	(17,033,954)
Public works	9,819,619	7,417,843	113,342	1,102,319	(1,186,115)
Human services	2,076,903	1,348,153	381,381	\$	(347,369)
Culture and recreation	1,096,354	318,740	100,398	\$	(677,216)
Employee benefits and other insurance	16,658,303	\$	3,546,565	\$	(13,111,738)
Interest and other charges	1,784,491	\$	1,492,736	\$	(291,755)
State and county charges	347,812	\$	309,676	\$	(38,136)
Total governmental activities	<u>\$ 73,283,464</u>	<u>\$ 13,388,317</u>	<u>\$ 18,551,624</u>	<u>\$ 1,102,319</u>	<u>(40,241,204)</u>
General revenues:					
Property taxes, net of allowances for uncollectible					32,075,890
Excise taxes, net of allowances for uncollectible					2,861,037
Penalties and interest					319,265
Grants and contributions not restricted to specific program					618,711
Investment income					124,064
Departmental and other					379,542
Total general revenues					<u>36,378,509</u>
Change in net position					<u>(3,862,695)</u>
Net position - beginning, restated					<u>38,747,708</u>
Net position - ending					<u>\$ 34,885,013</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**

Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>							
Cash, cash equivalents and investments	\$ 7,178,809	\$ 1,196,802	\$ 2,648,808	\$	\$ 345,303	\$ 2,796,297	\$ 14,166,019
Receivables	3,655,421	887,909	359,090			431,770	5,334,190
Interfund receivables	1,211,334						1,211,334
Total assets	<u>\$ 12,045,564</u>	<u>\$ 2,084,711</u>	<u>\$ 3,007,898</u>	<u>\$</u>	<u>\$ 345,303</u>	<u>\$ 3,228,067</u>	<u>\$ 20,711,543</u>
<b><u>LIABILITIES</u></b>							
Accounts payable and other current liabilities	\$ 1,513,164	\$ 208,489	\$ 152,668	\$	\$	\$ 236,739	\$ 2,111,060
Salaries, withholdings and benefits payable	961,694						961,694
Provision for refund of paid taxes	209,000						209,000
Notes payable				1,954,000	1,800,000		3,754,000
Interfund payables				733,434		477,900	1,211,334
Total liabilities	<u>2,683,858</u>	<u>208,489</u>	<u>152,668</u>	<u>2,687,434</u>	<u>1,800,000</u>	<u>714,639</u>	<u>8,247,088</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>							
Deferred revenue	<u>3,372,877</u>	<u>412,860</u>	<u>359,090</u>			<u>285,020</u>	<u>4,429,847</u>
Total deferred inflows of resources	<u>3,372,877</u>	<u>412,860</u>	<u>359,090</u>			<u>285,020</u>	<u>4,429,847</u>
<b><u>FUND BALANCES</u></b>							
Restricted	1,003,486	2,431				2,301,040	3,306,957
Committed	1,137,003	1,460,931	2,496,140			283,044	5,377,118
Assigned	117,201						117,201
Unassigned	<u>3,731,139</u>			<u>(2,687,434)</u>	<u>(1,454,697)</u>	<u>(355,676)</u>	<u>(766,668)</u>
Total fund balances	<u>5,988,829</u>	<u>1,463,362</u>	<u>2,496,140</u>	<u>(2,687,434)</u>	<u>(1,454,697)</u>	<u>2,228,408</u>	<u>8,034,608</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 12,045,564</u>	<u>\$ 2,084,711</u>	<u>\$ 3,007,898</u>	<u>\$</u>	<u>\$ 345,303</u>	<u>\$ 3,228,067</u>	<u>\$ 20,711,543</u>

Net position for governmental activities reported in the statement of net position is different because:

Total fund balances of governmental funds	\$ 8,034,608
Capital assets used in governmental activities are not financial resources and are not reported in funds. The cost of the assets is \$192,768,649 net of accumulated depreciation of \$61,803,672.	130,964,978
Certain deferred outflows of resources associated with long term obligations are not recorded on fund basis statements.	
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 amounts.	1,494,573 4,733,827
Long-term liabilities, including debt, leases, compensated absences, net pension obligation, net OPEB obligations and others are not due and payable in the current period and are not included in funds.	(109,036,486)
Unamortized bond premium reported as a deferred inflow of resources.	(1,003,487)
Reporting of liabilities on full accrual basis requires accrual of interest on debt.	(303,000)
Net position of governmental activities	<u>\$ 34,885,013</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, 2015

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Road Improvement Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>							
Property taxes	\$ 31,882,180	\$	\$	\$	\$	\$	\$ 31,882,180
Excise taxes	2,854,128						2,854,128
Penalties and interest	319,265		3,466				322,731
Investment income	119,369					4,695	124,064
Departmental fees, fines and other	2,977,768	4,602,857	2,504,219			3,562,858	13,647,702
Intergovernmental	16,269,362		3,234			4,016,489	20,289,085
Total revenues	<u>54,422,072</u>	<u>4,602,857</u>	<u>2,510,919</u>			<u>7,584,042</u>	<u>69,119,890</u>
<b>Expenditures</b>							
General government	2,051,379					270,311	2,321,690
Public safety	6,805,333					702,585	7,507,918
Education	23,949,460			535,899		4,533,341	29,018,700
Public works	2,257,264	4,329,171	2,148,448		954,130	948,988	10,638,001
Human services	1,803,469					104,283	1,907,752
Culture and recreation	859,649					297,501	1,157,150
Employee benefits and other insurance	11,780,541						11,780,541
State and county assessments	347,812						347,812
Debt service	3,358,822	551,350	97,293				4,007,465
Total expenditures	<u>53,213,729</u>	<u>4,880,521</u>	<u>2,245,741</u>	<u>535,899</u>	<u>954,130</u>	<u>6,857,009</u>	<u>68,687,029</u>
Revenues over (under) expenditures	1,208,343	(277,664)	265,178	(535,899)	(954,130)	727,033	432,861
<b>Other financing sources (uses)</b>							
Transfers in	493,793					496,967	990,760
Transfers (out)	(1,466,135)	(65,000)	(40,000)			(389,625)	(1,960,760)
Total other financing sources (uses)	<u>(972,342)</u>	<u>(65,000)</u>	<u>(40,000)</u>			<u>107,342</u>	<u>(970,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	236,001	(342,664)	225,178	(535,899)	(954,130)	834,375	(537,139)
Fund balances - beginning, restated	<u>5,752,828</u>	<u>1,806,026</u>	<u>2,270,962</u>	<u>(2,151,535)</u>	<u>(500,567)</u>	<u>1,394,033</u>	<u>8,571,747</u>
Fund balances - ending	<u>\$ 5,988,829</u>	<u>\$ 1,463,362</u>	<u>\$ 2,496,140</u>	<u>\$ (2,687,434)</u>	<u>\$ (1,454,697)</u>	<u>\$ 2,228,408</u>	<u>\$ 8,034,608</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, 2015

Revenues and other financing sources (under)		
expenditures and other financing uses - governmental funds	\$	(537,139)
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		3,313,887
Depreciation recorded for the fiscal year		(5,459,080)
Certain deferred outflows of resources are recognized on the government-wide financial statements, to be amortized over future periods, and accordingly are not recognized in the fund basis financial statements.		
Net difference between projected and actual pension earnings		1,494,573
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		183,560
Net change in unbilled receivables		46,000
Net change in allowance for uncollectible/doubtful accounts		(40,000)
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, netted with loan swapout		2,408,118
Bond premiums, net of current year amortization		52,175
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		(126,000)
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.		
Other postemployment obligations (OPEB)		(3,837,966)
Net pension liability		(1,564,369)
Estimated postclosure landfill monitoring costs		41,000
Capital leases obligations		175,546
Estimated compensated absences		(13,000)
		<hr/>
Change in net position of governmental activities	\$	<u><u>(3,862,695)</u></u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2015

	<b>Private Purpose Trust Funds</b>	<b>Other Post-Employment Benefits Trust fund</b>	<b>Agency Accounts</b>
<b><u>ASSETS</u></b>			
Cash, cash equivalents and investments	\$ 764,295	\$ 26,843	\$ 92,823
Total assets	<u>\$ 764,295</u>	<u>\$ 26,843</u>	<u>\$ 92,823</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$	\$	\$ 20,060
Amounts due to students and others	<u></u>	<u></u>	<u>72,763</u>
Total liabilities			92,823
<b><u>NET POSITION</u></b>			
Amounts held in trust	<u>764,295</u>	<u>26,843</u>	<u></u>
Total liabilities and net position	<u>\$ 764,295</u>	<u>\$ 26,843</u>	<u>\$ 92,823</u>

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
For the Year Ended June 30, 2015

	<b>Private Purpose Trust Funds</b>	<b>Other Post-Employment Benefits Trust fund</b>
<b>Additions</b>		
Contributions	\$ 45,239	\$
Interest and dividends	31,205	1,616
Total additions	76,444	1,616
<b>Deductions</b>		
Scholarships and awards	51,255	
Benefits		955,832
Total deductions	51,255	955,832
<b>Transfers</b>		
Transfers in		970,000
Change in net position	25,189	15,784
Net position - beginning	739,106	11,059
Net position - ending	\$ 764,295	\$ 26,843

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, 2015

**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 2015. 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 2015 amounts paid</u>
Abington/Rockland Joint Water Works	To provide water distribution system	\$ 1,448,994
South Shore Regional School District	To provide vocational educational services	1,866,421
North River Collaborative	To provide special education related services	441,979
Massachusetts Bay Transit Authority	To provide regional transportation	63,961
Charms Collaborative	To provide special education services	106,626
Brockton Area Transit Authority	To provide regional transportation services	50,681
READS Collaborative	To provide special education services	33,730
Old Colony Library Network	To provide enhanced services to members	19,689
Southfield Redevelopment Authority.	To develop land with towns of Abington & Weymouth	Not applicable

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. At the May 2016 Annual Town Meeting, the Town of Rockland voted a zoning amendment, pursuant to an agreement with Town and the Southfield Redevelopment Authority's master developer LStar Southfield, LLC for commercial development and certain open space restrictions.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

The Town has an agreement with the developer in which payments are made to the Town based upon land conveyances of land by LNR. These payments are to be used for capital expenditures, and/or recreational facilities. During fiscal year 2015, the Town received approximately \$379,000.

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

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.

## TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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 employee benefits and other 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.

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.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

- 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.
- 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. Resources consist primarily 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:

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

- 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. Currently, the Town transfers the amount appropriated on an annual basis and pays the Town's share of monthly premiums directly from the fund.
- 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.

#### **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.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

**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 uncollectible ambulance charges based upon available trend data. Outstanding real estate taxes and sewer charges are secured by tax liens, and therefore considered to be fully collectible. Outstanding water charges are subject to discontinued service, and therefore are deemed fully collectible by the Town.

**F. Capital Assets**

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

**Government-wide Statements**

In the government-wide financial statements, capital 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 capital 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 generally utilizes a \$5,000 per unit or project 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 capital 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 asset's 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, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

**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. 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.

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 postclosure monitoring, other postemployment obligations and net pension liabilities.

**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 estimated vacation liability expected to be 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.

## TOWN OF ROCKLAND, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2015

- **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. 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. 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.
- **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.

#### 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.

# TOWN OF ROCKLAND, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2015

### **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.

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, 2015, the classification of the Town's fund balances can be detailed as follows:

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
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	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>School Building Project</u>	<u>Road Construction Projects</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<b>Restricted</b>							
General Government	\$	\$	\$	\$	\$	\$ 108,289	\$ 108,289
Public Safety						129,614	129,614
Education						1,395,428	1,395,428
Public Works						120,670	120,670
Human Services						185,582	185,582
Culture & Recreation						361,457	361,457
Debt service	<u>1,003,486</u>	<u>2,431</u>	_____	_____	_____	_____	<u>1,005,917</u>
subtotal	1,003,486	2,431	_____	_____	_____	2,301,040	3,306,957
<b>Committed</b>							
General Government	291,031					139,046	430,077
Public Safety	342,988					37,214	380,202
Education	124,000					1,545	125,545
Public Works	241,385	1,460,931	2,496,140			46,678	4,245,134
Human Services	49,856						49,856
Culture & Recreation	<u>87,743</u>	_____	_____	_____	_____	<u>58,561</u>	<u>146,304</u>
subtotal	1,137,003	1,460,931	2,496,140	_____	_____	283,044	5,377,118
<b>Assigned</b>							
General Government	73,560						73,560
Public Safety	5,891						5,891
Public Works	400						400
Human Services	31,772						31,772
Culture & Recreation	<u>5,578</u>	_____	_____	_____	_____	_____	<u>5,578</u>
subtotal	117,201	_____	_____	_____	_____	_____	117,201
<b>Unassigned</b>	<u>3,731,139</u>	_____	_____	<u>(2,687,434)</u>	<u>(1,454,697)</u>	<u>(355,676)</u>	<u>(766,668)</u>
<b>Total</b>	<u>\$ 5,988,829</u>	<u>\$ 1,463,362</u>	<u>\$ 2,496,140</u>	<u>\$(2,687,434)</u>	<u>\$(1,454,697)</u>	<u>\$ 2,228,408</u>	<u>\$ 8,034,608</u>

The Town reported a deficit in the general fund for snow and ice appropriations in the amount of \$145,693 for fiscal year 2015. 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, 2015, the stabilization fund maintained a balance of \$618,024. 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, 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.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
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Other governmental funds' deficit unassigned fund balance is detailed as follows:

Special revenue funds:	
Public works	\$(133,720)
Education	(97,386)
General government	(44,339)
Public safety	<u>(80,231)</u>
Total	<u>\$(355,676)</u>

**D. Restricted Net Position**

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

Sewer fund	\$ 2,968,187
Water fund	544,086
Revolving funds	1,372,506
Gifts and donations	411,841
Grants	294,760
Library	120,919
Cemetery	106,686
Other special revenue funds and other	<u>80,754</u>
Total restricted net position	<u>\$ 5,899,739</u>

**Note 4. Cash, Cash Equivalents and Investments**

Massachusetts General Laws (MGL), 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. OPEB funds are invested in accordance with MGL Chapter 303C. 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, 2015, the Town's carrying amount of cash deposits and investments totaled \$15,049,980.

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, 2015 cash deposits totaled \$14,479,132 and had a carrying amount of \$14,153,995. Cash balances of \$8,813,402 were covered by depository insurance, the remaining \$5,665,730 was covered by third party collateralization agreements. The difference between deposit amounts and carrying amounts represents prepaid expenses, outstanding checks and deposits in transit.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

As of June 30, 2015, 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>Maturities</u>				<u>Total</u>
			<u>None</u>	<u>Less 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	
<b>Primary Government</b>							
<b>Governmental activities:</b>							
Domestic stock	\$ 106,811	not applicable	\$ 106,811	\$	\$	\$	\$106,811
MMDT	42,175	not applicable		42,175			42,175
Money funds	<u>6,115</u>	unrated		<u>6,115</u>			<u>6,115</u>
Total governmental activities	155,101		106,811	48,290			155,101
<b>Fiduciary funds:</b>							
Domestic stock	383,412	not applicable	383,412				383,412
US government/agencies obligations	314,254	Aaa		67,008	160,270	86,976	314,254
Mutual funds	22,734	not applicable		22,734			22,734
Money funds	<u>20,484</u>	unrated		<u>20,484</u>			<u>20,484</u>
Total fiduciary funds	<u>740,884</u>		<u>383,412</u>	<u>110,226</u>	<u>160,270</u>	<u>86,976</u>	<u>740,884</u>
<b>Grand total investments</b>	<u>\$ 895,985</u>		<u>\$ 490,223</u>	<u>\$ 158,516</u>	<u>\$160,270</u>	<u>\$ 86,976</u>	<u>\$895,985</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.

*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 did not maintain any single investment which exceeded 5% of the total investments.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Position and Balance Sheet. 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.

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Property taxes and penalties	\$ 1,008,911	\$ (47,000)	\$ 961,911
Tax liens, deferrals and foreclosures	1,282,089		1,282,089
Motor vehicle excise	487,762	(177,000)	310,762
Trash fees, liens, related	257,485		257,485
Ambulance charges	619,174	(100,000)	519,174
Water charges and related	887,909		887,909
Sewer charges, betterments, related	359,090		359,090
MA highway Chapter 90 funds	<u>431,770</u>		<u>431,770</u>
Total Governmental funds	5,334,190		5,010,190
Unbilled water and sewer charges	<u>913,000</u>		<u>913,000</u>
Total Governmental activities	<u>\$ 6,247,190</u>	<u>\$ (324,000)</u>	<u>\$ 5,923,190</u>

Massachusetts Chapter 90 highway improvement funds of \$431,770, represent allotments for which the Town submits reimbursements upon completion of approved project expenditures. Of this amount approximately \$146,000 has been accrued on the government-wide financial statements for reimbursement received subsequent to year end.

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows. Certain prior year balances have been restated to correspond with current year presentation:

<u>Governmental activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land and improvements	\$ 5,682,051	\$	\$	\$ 5,682,051
Land -conservation restriction	499,000			499,000
Construction in progress	<u>3,183,382</u>	<u>608,528</u>	<u>(3,183,382)</u>	<u>608,528</u>
Subtotal	9,364,433	608,528	(3,183,382)	6,789,579
Capital assets being depreciated:				
Buildings and improvements	106,339,147	3,761,553		110,100,700
Infrastructure	51,419,293	1,162,726		52,582,019
Equipment, machinery & other	14,334,602	873,875		15,208,477
50% Joint water works	<u>7,997,287</u>	<u>90,587</u>	<u>-</u>	<u>8,087,874</u>
Subtotal	180,090,329	5,888,741	-	185,979,070
Less accumulated depreciation:				
Buildings and improvements	17,115,541	3,628,133		20,743,674
Equipment, machinery & other	11,094,594	456,729		11,551,323
Infrastructure	25,697,435	1,184,807		26,882,242
50% Joint water works	<u>2,437,021</u>	<u>189,411</u>	<u>-</u>	<u>2,626,432</u>
Subtotal	<u>56,344,591</u>	<u>5,459,080</u>	<u>-</u>	<u>61,803,671</u>
Governmental capital assets, net	<u>\$ 133,110,171</u>	<u>\$ 1,038,189</u>	<u>\$ (3,183,382)</u>	<u>\$ 130,964,978</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

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 buildings and improvements relate to the senior center considered placed into service during fiscal year 2015. Infrastructure additions included approximately \$1.2 million in road construction projects.

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

Governmental activities:	
General government	\$ 77,639
Public safety	555,505
Education	3,036,008
Public works, including water and sewer	1,605,728
Human services	174,547
Culture and recreation	<u>9,653</u>
Total depreciation expense - governmental activities	<u>\$ 5,459,080</u>

**Note 7. Interfund Balances and Activity**

As of June 30, 2015, a total of \$1,211,334 was due to the general fund for short term borrowings of cash. This was comprised of \$733,434 due from the school building project and \$477,900 due from other governmental funds.

Interfund transfers, for the year ended June 30, 2015, consisted of the following:

<u>Purpose/description</u>	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Other Governmental Funds</u>	<u>OPEB Trust Fund</u>
Appropriations from other funds for capital outlay	\$ 379,543	\$	\$	\$ (379,543)	\$
Transfer for indirect charges	105,000	(65,000)	(40,000)		
Appropriations to and from other funds	9,250			(9,250)	
Transfer for full day kindergarten	(395,000)			395,000	
Transfer to building use fund	(70,000)			70,000	
Transfer to cover fund deficits	(31,135)			31,135	
Transfer of appropriation for retiree benefits	<u>(970,000)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>970,000</u>
Net transfers	<u>\$ (972,342)</u>	<u>\$ (65,000)</u>	<u>\$ (40,000)</u>	<u>\$ 107,342</u>	<u>\$ 970,000</u>

The Town has established a trust fund for the maintenance of "other postemployment" benefits (OPEB) pursuant to Massachusetts General Laws (MGL). The total amount appropriated for the Town's share of retiree health insurance benefits is transferred to the OPEB trust, from which the Town pays the monthly premium. The transfer of the amount appropriated at Town Meeting is reflected as employee benefits expense in the government-wide Statement of Activities.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

**Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources**

The following is a summary of the Town's deferred outflows of resources and deferred inflows of resources as of June 30, 2015.

	<b>Deferred Outflows of Resources <u>6/30/15</u></b>
<b>Governmental activities:</b>	
Net difference between projected and actual pension earnings	<u>\$ 1,494,573</u>
	<b>Deferred Inflows of Resources <u>6/30/15</u></b>
<b>Governmental funds:</b>	
Deferred revenue:	
Property taxes, personal property, penalties	\$ 726,367
Tax liens, deferrals, foreclosures	1,282,089
Motor vehicle excise	487,762
Trash fees	257,485
Ambulance charges	619,174
Water charges and related	412,860
Sewer charges and related	359,090
Intergovernmental - MA highway Chapter 90	<u>285,020</u>
Total governmental funds	<u>\$ 4,429,847</u>
<b>Governmental activities:</b>	
Deferred revenue - MA highway Chapter 90	\$ 285,020
Unamortized bond premiums	<u>1,003,487</u>
Total governmental activities	<u>\$ 1,288,507</u>

**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).

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

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

The Town had the following table indicates certain of the Town's temporary debt activity during fiscal year 2015.

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2015</u>
Bond anticipation note, school project and road construction project, .60% dtd 6/24/14, due 6/30/15	\$ 3,754,000	\$	\$ (3,754,000)	\$
Bond anticipation note, school project and road construction project, .60% dtd 6/30/15, due 7/15/15		3,754,000		3,754,000
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)	
	<u>\$ 4,327,225</u>	<u>\$ 3,754,000</u>	<u>\$ (4,327,225)</u>	<u>\$ 3,754,000</u>
Total governmental activities	<u>\$ 4,327,225</u>	<u>\$ 3,754,000</u>	<u>\$ (4,327,225)</u>	<u>\$ 3,754,000</u>

On July 15, 2015, the Town issued \$4,999,000 of General Obligation State Qualified Municipal Purpose Bonds which permanently financed the bond anticipation notes related to the school project of \$1,954,000 and the road construction project of \$1,800,000. Additionally, \$1,245,000 was used to refund debt originally issued in July 2002.

On July 8, 2010, the Town entered into permanent financing agreements with the Massachusetts Clean Water Trust (the trust formerly known as the Massachusetts Water Pollution Abatement Trust (MWPAT)), for projects related to its water storage tanks, and water handling facility capital projects. The notes associated with these projects were subject to grant funding received under the American Recovery and Reinvestment Act of 2009 (ARRA), which upon completion of the projects and issuance of approved project completion certificates, the remaining balance on the interim notes is considered principal forgiveness. Accordingly, these projects have been completed and the Town has recorded the principal forgiveness associated with these notes.

Additionally, during the year, the Trust reduced outstanding principal associated with long term financing loan DW-08-27 by \$111,319. This amount represents undrawn funds on the loan, which the Trust considers to be "swap out" amounts and reduce amounts to be repaid on the project. This amount has been included with the principal payout of \$21,109 for a total reduction for the fiscal year of \$132,428.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

**Note 10. Long Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

<u>Purpose</u>	(restated) Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>(Reductions)</u>	Balance <u>June 30, 2015</u>	Current <u>Portion</u>
Multipurpose bonds, 3.25%-5.00%, dtd 7/1/02, due 7/1/2022	\$ 1,715,000	\$	\$ (235,000)	\$ 1,480,000	\$ 200,000
Multi-purpose bonds, 4.00% -5.25%, dtd 7/1/06, due 7/15/2016	495,000		(165,000)	330,000	165,000
MWPAT-subsidized bonds, water treatment facility, dtd 11/16/05, due 7/15/2025	247,885		(18,479)	229,406	18,853
MWPAT-subsidized bonds, stormwater management, dtd 11/23/04, due 8/1/2025	150,798		(10,798)	140,000	10,000
MWPAT-subsidized bonds, water treatment facility, dtd 3/18/09, due 7/15/2029	139,400		(8,049)	131,351	8,212
MWPAT - drinking water bonds, dtd 7/8/10, due 7/15/2030	463,484		(24,496)	438,988	24,991
ARRA-MWPAT- DWS-06-14A dtd 7/8/2010, due 1/15/2030	881,530		(43,976)	837,554	44,864
ARRA-MWPAT- DWS-08-27 dtd 7/8/2010, due 1/15/2030	1,070,777		(54,892)	1,015,885	56,001
G.O.B. -water building, 2.0%-4.0% dtd 12/01/2010. due 8/1/2020	665,000		(95,000)	570,000	95,000
G.O.B. -water mains, 2.0%-4.0% dtd 12/01/2010. due 8/1/2020	175,000		(25,000)	150,000	25,000
G.O.B. state qualified bonds, school project, 2.0%-4.0%, dtd 11/15/11, due 12/1/2033	28,400,000		(860,000)	27,540,000	900,000
MWPAT-subsidized bonds, water DW-08-27 2.0%, dtd 5/23/2013, due 1/15/2033	490,085		(132,428)	357,657	16,448
G.O.B. state qualified bonds, various, 2.0%-5.0%, dtd 3/6/2014, due 3/1/2034	12,200,000		(735,000)	11,465,000	735,000
Total bonds payable	47,093,959		(2,408,118)	44,685,841	2,299,369
Landfill closure monitoring liability	574,000		(41,000)	533,000	41,000
Capital leases	519,419		(175,546)	343,873	125,888
Compensated absences, net	4,282,000	13,000		4,295,000	
Net pension liability	30,756,117	1,564,369		32,320,486	
Net OPEB obligation	23,020,320	6,393,117	(2,555,151)	26,858,286	
Total governmental activities	<u>\$ 106,245,815</u>	<u>\$ 7,970,486</u>	<u>\$ (5,179,815)</u>	<u>\$ 109,036,486</u>	<u>\$ 2,466,257</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

Massachusetts General State Qualified Municipal Bonds

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.

Massachusetts Clean Water Trust bonds

The outstanding Massachusetts Clean Water Trust (CWT, formerly the Massachusetts Water Pollution Abatement Trust (MWPAT)) subsidized, bonds are recorded at the gross amount outstanding. Pursuant to the arrangement with the CWT, certain principal payments are subsidized by the CWT in future periods. Additionally, it is anticipated the Town will receive a subsidy for a portion of the interest of the debt service via contract payments to CWT (and CWT available earnings). The subsidy for interest is recorded as revenue and expenses in the accompanying financial statements. During fiscal year 2015, the Town received an interest subsidy of approximately \$3,000.

Future debt service requirements

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2015, including interest, are as follows:

<u>Year Ending</u>				
<u>June 30,</u>	<u>Principal</u>		<u>Interest</u>	<u>Total</u>
2016	\$ 2,299,369	\$	1,632,229	\$ 3,931,598
2017	2,347,816		1,546,833	3,894,649
2018	2,241,333		1,474,674	3,716,007
2019	2,279,921		1,391,964	3,671,885
2020	2,328,583		1,294,922	3,623,505
2021-2025	11,695,502		5,050,782	16,746,284
2026-2030	11,695,935		3,004,949	14,700,884
2031-2035	<u>9,797,382</u>		<u>808,151</u>	<u>10,605,533</u>
Total	<u>\$ 44,685,841</u>	\$	<u>16,204,504</u>	<u>\$ 60,890,345</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, 2015:

<u>Purpose</u>	<u>Year</u> <u>Authorized</u>	<u>Balance</u> <u>June 30, 2015</u>
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>

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

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, 2015.

*B. Capital leases*

The Town has entered into several capital leases for public safety and public works vehicles. These assets are included in the Town's capital asset inventory and reported a net book value at June 30, 2015 of \$418,037. The annual requirement to pay future capital lease payments consisted of the following:

<b>Year Ending</b>					
<b>June 30,</b>		<b>Principal</b>		<b>Interest</b>	<b>Total</b>
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		45,467		4,175	49,642
2021		<u>47,508</u>		<u>2,133</u>	<u>49,641</u>
Total	\$	<u>343,873</u>	\$	<u>44,936</u>	<u>\$ 388,809</u>

**Note 11. Employee Benefits**

**A. Retirement Benefits**

*1. Plymouth County Retirement Association*

Plan Description

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Plymouth County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions for these school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System (MTRS). Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees. As of December 31, 2014, the Association had 55 participating employers.

The Association is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems. The Association is governed by a five-member Board who establish the policies under which the Association operates. The Association issued an audited financial statement for the year ended December 31, 2014, which may be obtained by contacting the Association directly at: Plymouth County Retirement Association, 10 Cordage Park Circle, Suite 234, Plymouth, MA 02360.

## TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

### Benefits Provided

The Association provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

### Contributions

There are three classes of membership in the retirement system: Group 1, Group 2 and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have specified as hazardous. Lastly, Group 4 consists of police officers, firefighters and other hazardous positions.

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978 and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years or creditable service. There is no minimum vesting requirements for individuals in Group 4.

Members in Group 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon completion of 10 years of service and upon reaching age 55.

Members in Group 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching age 60 (Group 1) or age 55 (Group 2).

Governmental employers are required to pay an annual appropriation established by PERAC. The total appropriation includes the amount to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and an additional appropriation in accordance with adopted early retirement incentive programs. The total appropriations are payable July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discount rate of approximately 2%. The pension fund appropriations are allocated among employers based on covered payroll. The Town's statutorily required contribution for the year was \$3,216,527.

### *Pension Liabilities, expenses, and deferred outflows of resources related to pensions*

The collective net pension liability of the Association was determined by an actuarial valuation as of January 1, 2015 (measurement date).

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

At December 31, 2014 based upon valuation date of January 1, 2015:

	<b><u>2014</u></b>
Total pension liability	\$ 1,417,490,110
Less: plan fiduciary net position	<u>(834,581,969)</u>
Net pension liability	<u>\$ 582,908,141</u>
Plan's fiduciary net position as a percentage of total pension liability	58.9%
Total employer pension expense	\$ 60,282,277
The Town's proportionate share of the collective net pension liability	\$ 32,320,486
The Town's percentage share of the collective net pension liability	5.545%
Town covered payroll	\$ 12.9 million
The Town's proportionate share of pension expense recognized	\$ 3,342,469

The Town's proportionate share of collective deferred outflows of resources as a result of the net difference between projected and actual investment earnings of the pension plan investments, was \$1,494,573. This is to be recognized in future pension expense in the amount of \$373,643 for each of the years ending June 30, 2016, June 30, 2017, June 30, 2018 and June 30, 2019.

*Actuarial Assumptions*

Valuation date:	January 1, 2015
Actuarial cost method:	Entry Age
Amortization method:	Level percent, open group
Remaining amortization period:	17 years
Asset valuation method:	Actuarially valued using a five-year smoothing method of gains and losses
Projected salary increases:	3.75%
Cost-of-living adjustments:	3.00% of the less of the pension amount and \$13,000 per year
Rates of retirement:	Varies based upon age for general employees, police, and fire employees
Rates of disability:	General employees – 45% ordinary (55% service connected) Police & Fire – 10% ordinary (90% service connected)

Mortality rates:	
Pre and post retirement:	RP-2000 Mortality Table, adjusted to 2015 with Scale AA
Disabled retiree:	RP-2000 Mortality Table, set forward two years
Family composition:	Assumption that 80% of members will be survived by a spouse, females are three years younger than males and males are three years older than females

The Plan's investment policy in regard to the allocation of invested assets is established by the Board and pursuant to Massachusetts General Laws and Public Employee Retirement Administration guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The investment objective is to fully fund the Plan by generating sufficient long-term inflation adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing these are often competing goals. This requires taking both assets and liabilities into account when setting investment strategy. The pension's plan target asset allocation as of January 1, 2010 are summarized in the following table:

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Rate of Return</u>
Domestic equity	33.0%	10.2%
Foreign equity	16.0%	11.0%
Total fixed income	25.5%	7.9%
Real estate/real assets	13.0%	9.3%
Private equity	7.5%	14.6%
Hedge funds of funds	4.0%	8.7%
Cash	1.0%	4.0%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The discount rate was selected based on a projection of employer and employee contributions benefit payments, expenses and the long term expected rate of return on trust assets. Under Chapter 32 of the Massachusetts General Law, employers are required to make the necessary contributions to the trust such that the plan reaches a full funding status by 2040.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%)

	<u>1% decrease</u> (7.00%)	<u>Current Discount Rate</u> (8.00%)	<u>1% increase</u> (9.00%)
Plymouth County Retirement Association's net pension liability as of December 31, 2014	\$730,416,337	\$582,908,141	\$456,409,880
Town's proportionate share	\$ 40,499,367	\$ 32,320,486	\$ 25,306,542

2. Special Funding Situation - MTRS

Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaborative and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report. Financial information of the MTRS' Pension Trust fund financial statements is contained in the Commonwealth's Comprehensive Annual Financial Report (CAFR). The Commonwealth's CAFR may be obtained by contacting the Comptroller's office directly at One Ashburton Place #919, Boston, MA 02108.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members-two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who services ex-officio as the Chairman of the MTRB.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, these employers, including the Collaborative, are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. However, the Town is required to disclose the portion of the nonemployer contributing entities' (the Commonwealth) share of the collective net pension liability that is associated with the Town. In addition, the Town must recognize its portion of the collective pension expense as both a revenue and pension expense.

Benefits Provided

MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory public employee retirement systems (PERS). Those requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of credible service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012, cannot retire prior to age 60.

The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

Contributions are provided by the Commonwealth on behalf of the Town based upon actuarially determined amounts. The nonemployer contributions made by the Commonwealth to the MTRS on behalf of the Town was \$2,075,936. The annuity portion of the MTRS retirement is funded by employees, through contribution of a percentage of their compensation as indicated above.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

Pension Liabilities and expenses related to pensions

The collective net pension liability of the MTRS was determined by an actuarial valuation as of January 1, 2014, rolled forward to June 30, 2014 (measurement date). The following table illustrates the Plan's net pension liability and the Commonwealth's proportionate share associated with the District.

	<b><u>2014</u></b>
Total pension liability	\$ 41,435,000,000
Less: plan fiduciary net position	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 15,896,354,000</u>
Plan's fiduciary net position as a percentage of total pension liability	61.64%
Commonwealth's proportionate share of collective net pension liability associated with the Town	\$ 35,204,329
Commonwealth's proportionate share associated with the Town as a percentage of the total net pension liability	.221462%
Commonwealth's proportionate share of pension expense associated with the Town	\$ 2,445,814

The Commonwealth's proportionate share of pension expense has been included on the Town's statement of revenues, expense, and fund balance under intergovernmental revenue and employee benefits and other insurances expenses. In the Statement of Activities, these amounts are reported as Program Revenue Operating Grant and Contributions and employee benefits and other insurances expenses. As the net pension liability is a special funding situation, and the Town does not contribute to MTRS, the Town does not book a liability in the Statement of Net Position.

Actuarial Assumptions

The calculation used the following assumptions:

- (1) (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- (2) Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- (3) Mortality rates were as follows:
  - a. Pre-retirement: reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct)
  - b. Post-retirement: reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
  - c. Disability: reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct), set forward 3 years for males.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global Equity	43.0%	7.2%
Core Fixed Income	13.0%	2.5%
Hedge Funds	10.0%	5.5%
Private Equity	10.0%	8.8%
Real Estate	10.0%	6.3%
Value Added Fixed Income	10.0%	6.3%
Timber/Natural Resources	4.0%	5.0%
Total	<u>100.0%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate at June 30, 2014 (in thousands).

<u>June 30, 2014</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
MTRS- Total	\$20,247,000	\$15,896,000	\$12,200,000
Proportionate share associated with Town	\$10,552	\$8,284	\$6,358

**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 \$233,000 has been recorded as a liability in the Balance Sheet at June 30, 2015. 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, 2015.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

**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 947 participants, comprised of 499 and 448 active and retired and dependent participants respectively. Benefits are provided for and amended under various provisions of Massachusetts General Law, terms of collective bargaining agreements and Town ordinances.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

	<b>Governmental Activities</b>
Annual required contribution	\$ 5,758,289
Interest on net OPEB obligation	920,813
Adjustment	(1,280,066)
Amortization of actuarial (gain)/losses	<u>994,081</u>
Annual OPEB cost (expense)	6,393,117
Contributions made	<u>( 2,555,151)</u>
Change in net OPEB obligation	3,837,966
Net OPEB obligation – beginning of year	<u>23,020,320</u>
Net OPEB obligation – end of year	<u>\$ 26,858,286</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

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 2015 and the two previous fiscal years are as follows:

	<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Annual OPEB Cost Contributed</b>	<b>OPEB Obligation</b>
<b>Governmental activities:</b>				
	6/30/2015	\$6,393,117	39.97%	\$ 26,858,286
	6/30/2014	\$6,769,627	35.61%	\$ 23,020,320
	6/30/2013	\$6,483,114	35.29%	\$ 18,661,127

Funding Status and Funding Progress

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

	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Actuarial Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<u>Date</u>	<u>(a)</u>	<u>(b)</u>	<u>(b)-(a)</u>	<u>(a)/(b)</u>	<u>(c)</u>	<u>[(b)-(a)]/(c)</u>
7/1/2014	\$ 11,509	\$ 68,945,657	\$ 68,934,148	0%	\$ 29,062,153	237.2%
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%

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, 2014. 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 projected to 2017 for males and females.

Discount rate: 4.0% per annum

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

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

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: 24 years at July 1, 2014

**Note 12. 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, 2015, \$533,000 has been reported on the Town's statement of net position as an estimated remaining liability for post-closure monitoring costs of the landfill. As of June 30, 2015, the Town has anticipates 13 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:

<b>For the year</b>	
<b><u>ended</u></b>	<b><u>Amount</u></b>
2016	\$ 47,200
2017	47,200
2018	47,200
2019	47,200
2020	47,200
2021-2025	236,000
2026-2030	236,000
2031-2032	<u>94,400</u>
Total	<u>\$ 802,400</u>

**Note 13. 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 2015 was approximately \$1.1 million.

## TOWN OF ROCKLAND, MASSACHUSETTS

Notes to Financial Statements

June 30, 2015

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 on the "pay-as-you go" basis. 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 specific deductible per individual, and a \$500,000 aggregating deductible to a lifetime maximum payable of \$2,000,000. The Town pays monthly premiums to the Group. Total health and dental premiums paid to the Group for the year ended June 30, 2015 was approximately \$7.8 million. The Group reported Net Position of \$26.4 million (audited) at June 30, 2015. Additional information related to the Group may be obtained by contacting the Group's treasurer directly at: Mayflower Municipal Health Group, P.O. Box 3390, Plymouth, MA 02361.

### **Note 14. Commitments and Contingencies**

Various legal actions and claims are pending against the Town as of June 30, 2015. 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 various contractual arrangements for goods and services. The Town maintains a five year contract, subject to renewal, with a third party vendor for the operation of its sewer plant which aggregated approximately \$1.6 million for fiscal year 2016. Other significant ongoing contractual arrangements provide for annual services for solid waste disposal and student transportation, the cost of which for fiscal year 2015 was approximately \$582,000 and \$751,000 respectively. As of June 30, 2015, the Town had ongoing projects related to road construction. During the year the Town paid approximately \$955,000 on these ongoing road projects. The final retainage payment to the general contractor for the senior center, which was considered placed into service during fiscal year 2015, is approximately \$52,000 and will be released upon satisfactory completion of all punch-list items.

### **Note 15. School Construction Projects**

On November 14, 2009, the Town electorate approved a Proposition 2<sup>1/2</sup> override for the amounts required to pay for bonds to be issued to fund the design, engineering, equipping and construction of a new John W. Rogers Middle School and renovations to the existing Rockland High School, including all incidental costs related thereto. The Town has entered an agreement with the Massachusetts School Building Authority (MSBA) to receive grant funding of approximately 64% of eligible project costs, with the maximum grant not to exceed approximately \$53 million. The costs of the project are submitted to the MSBA as the project progresses and are reimbursed upon audit by the MSBA. The project was substantially completed and considered placed into service during fiscal year 2014. The Town received final reimbursement upon the close-out of the project of approximately \$1.6 million in November 2015.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2015

**Note 16. Restatement of Certain Beginning Balances**

The following illustrates reclassifications and restatement of beginning balances is as follows:

**Fund basis financial statements:**

	<b>Senior Center</b>	<b>Other Governmental</b>
	<b><u>Project</u></b>	<b><u>Funds</u></b>
Fund balance, June 30, 2014	\$ 48,415	\$ 1,345,618
Reclassification of fund as non-major current year presentation	(48,415)	48,415
Fund balance, restated July 1, 2014	\$ -	\$ 1,394,033

	<b>Governmental</b>
	<b><u>Activities</u></b>
Net position, June 30, 2014	\$ 69,503,825
Net pension liability pursuant to implementation of GASB Statement #68	(30,756,117)
Net position, restated, July 1, 2014	\$ 38,747,708

**Note 17. 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 #68, *Accounting and Financial Reporting for Pension*, which was required to be implemented in fiscal year 2015. The pronouncement required governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability and to more comprehensively and comparably measure the annual cost of pension benefits. It also enhanced accountability and transparency through revised and additional note disclosures and required supplementary information. The Town implemented the pronouncement.

The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- An Amendment of GASB Statement No. 68*, which was required to be implemented in fiscal year 2015. The pronouncement addressed application of the transition provisions of Statement No. 68, associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Town implemented the pronouncement.

**Future pronouncements**

The GASB issued Statement #72, *Fair Value Measurement and Application*, which is required to be implemented in fiscal year 2016. The pronouncement addresses accounting and financial reporting issues related to fair value measurements. The Town will evaluate the implementation of the pronouncement as applicable.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2015

The GASB issued Statement #75, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, which is required to be implemented in fiscal year 2018. The pronouncement replaces previously issued guidance and establishes new accounting and financial reporting requirements for governments whose employees are provided other post-employment benefits. The Town expects the implementation of the pronouncement to have a material effect on the financial statements.

The GASB issued Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented in fiscal year 2017. The pronouncement replaces previously issued guidance and improves financial reporting by redefining the hierarchy of generally accepted accounting principles (GAAP). The Town expects to implement the pronouncement as applicable.

The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance regarding disclosures of any tax abatement agreements with parties which the government promises to forgo tax revenues for the promise of specific actions which contribute to economic development or otherwise benefits the government or its citizens. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #79, *Certain External Investment Pools and Pool Participants*, which is required to be implemented in fiscal year 2016. The pronouncement issues accounting and financial reporting guidance regarding qualifying external investment pools and state and local governments that participate in such external investment pools. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in fiscal year 2017. The pronouncement issues guidance improving accounting and financial reporting for these agreements which are used by donors to provide resources to two or more beneficiaries, including governments. The Town will evaluate the implementation of the pronouncement as applicable.

The GASB issued Statement #82, *Pension Issues - An Amendment of GASB Statement No. 67, No. 68 and No. 73* which is generally required to be implemented in fiscal year 2018. The pronouncement addresses certain classification, presentation and other issues raised with previous Statements addressing pension obligations. The Town expects to implement the pronouncement as applicable.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Funding Progress - Other Post-Employment Benefits (OPEB)  
 June 30, 2015

**Funding Status and Schedule of Funding Progress**

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

<b>Schedule of Funding Progress</b>							
	<b>Actuarial</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>	<b>Covered</b>	<b>UAAL as a</b>
	<b>Valuation</b>	<b>Value of</b>	<b>Liability</b>	<b>AAL</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Percentage</b>
	<b>Date</b>	<b>Assets</b>	<b>(AAL)</b>	<b>(UAAL)</b>	<b>(a)/(b)</b>	<b>(c)</b>	<b>of Covered</b>
		<b>(a)</b>	<b>(b)</b>	<b>(b)-(a)</b>			<b>Payroll</b>
							<b>[(b)-(a)]/(c)</b>
<b>Governmental</b>							
<b>Activities:</b>							
	7/1/2014	\$ 11,509	\$ 68,945,657	\$68,934,148	0%	\$29,062,153	237.2%
	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%

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, 2014. 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 projected to 2017 for males and females.

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, 2015

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

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 at the last valuation.

Remaining Amortization Period: 24 years at July 1, 2014

**TOWN OF ROCKLAND, MASSACHUSETTS**

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2015

**Schedule of pension contributions - pension plans**

*A. Plymouth County Retirement Association*

The Plymouth County Retirement Association (the Plan) is a multiple-employer, cost sharing contributory defined benefit pension plan covering eligible employees (except for school department employees who serve in a teaching capacity). Based upon the actuarial valuation date of the Plan of January 1, 2015, the following is presented:

	<b>2014</b>
Total pension liability	\$ 1,417,490,110
Less:	
Plan fiduciary net position	<u>( 834,581,969)</u>
Net pension liability	<u>\$ 582,908,141</u>
Plan fiduciary net position as a percentage of total pension liability	58.9%
Town's proportionate/allocated share of collective net pension liability	\$ 32,320,486
Town's proportionate share of pension expense	\$ 3,342,469
Town's proportionate share of collective net pension liability as a percentage of the total	5.545%
Actuarially determined contributions	\$ 828,705
Contributions in relation to the actuarial determined contribution	<u>\$ 828,705</u>
Contribution deficiency(excess)	<u>\$ -</u>
Town's covered payroll	\$ 13.7 million
Town's contributions as a percentage of covered payroll	23.51%
Town's proportionate share of the collective net pension liability as a percentage of covered payroll.	236.28%

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.

**TOWN OF ROCKLAND, MASSACHUSETTS**

Required Supplementary Information

Schedule of Pension Contributions

June 30, 2015

B. Special Funding Situation - MTRS

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement 68 *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS (the Plan). Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize for each employer. Based upon the actuarial valuation of the Plan as of June 30, 2014, the following is presented:

	<b><u>2014</u></b>
Total pension liability	\$ 41,435,000,000
Less:	
Plan fiduciary net position	<u>(25,538,646,000)</u>
Net pension liability	<u>\$ 15,896,354,000</u>
Plan fiduciary net position as a percentage of total pension liability	61.64%
Commonwealth's proportionate/allocated share of collective net pension liability associated with the Town	\$ 35,204,329
Commonwealth's proportionate share of collective net pension liability as a percentage of the total	.22146%
Commonwealth's actuarial determined contribution on behalf of the Town	\$ 2,075,936
Actuarially determined contribution	\$ 2,075,936
Contributions in relation to the actuarial determined contribution	<u>\$ 2,075,936</u>
Contribution deficiency(excess)	<u>\$ -</u>

Note: This schedule is intended to present information for 10 years. Until a 10 year trend is compiled, information is presented for those years for which information is available.

See Independent Auditor's Report.

**TOWN OF ROCKLAND, MASSACHUSETTS**  
 Budgetary Comparison Schedule - General Fund  
 For the year ended June 30, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 31,701,944	\$ 31,701,944	\$ 31,761,362	\$ 59,418
Excise taxes	2,074,599	2,074,599	2,854,128	779,529
Penalties and interest	282,985	282,985	319,265	36,280
Investment income	95,416	95,416	115,291	19,875
Departmental fees, fines and other	2,172,579	2,172,579	2,977,767	805,188
Intergovernmental	13,933,727	13,933,727	13,956,363	22,636
Total revenues	<u>50,261,250</u>	<u>50,261,250</u>	<u>51,984,176</u>	<u>1,722,926</u>
<b>Expenditures</b>				
General government	2,215,393	2,127,434	2,049,879	77,555
Public Safety	6,847,269	6,891,930	6,829,033	62,897
Education	22,943,382	23,088,382	23,051,077	37,305
Public works	861,270	2,115,525	2,256,264	(140,739)
Human services	1,815,248	1,832,010	1,802,269	29,741
Culture and recreation	903,143	876,823	861,149	15,674
Employee benefits and other insurances	9,036,170	8,671,085	8,233,976	437,109
State and county assessments	2,250,830	2,250,830	2,346,946	(96,116)
Debt service	3,384,711	3,384,711	3,358,822	25,889
Total Expenditures	<u>50,257,416</u>	<u>51,238,730</u>	<u>50,789,415</u>	<u>449,315</u>
Revenues over (under) expenditures	3,834	(977,480)	1,194,761	2,172,241
<b>Other financing sources (uses)</b>				
Transfers in from other funds	313,099	320,048	320,048	
Transfers out to other funds	(1,365,000)	(1,536,409)	(1,567,544)	(31,135)
Total other financing sources (uses)	<u>(1,051,901)</u>	<u>(1,216,361)</u>	<u>(1,247,496)</u>	<u>(31,135)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(1,048,067)	(2,193,841)	<u>\$ (52,735)</u>	<u>\$ 2,141,106</u>
<b>Other budget items</b>				
Carryover encumbrances and articles	231,648	(70,209)		
Use of overlay	35,000	35,000		
Appropriation of fund balance	935,179	2,382,810		
Funding of prior year deficits	(153,760)	(153,760)		
Total other budget items	<u>1,048,067</u>	<u>2,193,841</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 - Water

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>				
Charges for services and other	\$ 2,819,284	\$ 2,819,284	\$ 3,153,863	\$ 334,579
Total revenues	<u>2,819,284</u>	<u>2,819,284</u>	<u>3,153,863</u>	<u>334,579</u>
<b>Expenditures</b>				
Public works	3,275,691	2,979,233	2,880,177	99,056
Debt service	555,178	555,178	551,350	3,828
Total Expenditures	<u>3,830,869</u>	<u>3,534,411</u>	<u>3,431,527</u>	<u>102,884</u>
Revenues over (under) expenditures	<u>(1,011,585)</u>	<u>(715,127)</u>	<u>(277,664)</u>	<u>437,463</u>
<b>Other financing sources (uses)</b>				
Transfers out to other funds	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	
Total other financing sources (uses)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(65,000)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,076,585)</u>	<u>(780,127)</u>	<u>\$ (342,664)</u>	<u>\$ 437,463</u>
<b>Other budget items</b>				
Appropriation of fund balance	670,000	970,000		
Carryover encumbrances and articles	406,585	(189,873)		
Total other budget items	<u>1,076,585</u>	<u>780,127</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, 2015

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>				
Charges for services and other	\$ 2,245,067	\$ 2,245,067	\$ 2,507,685	\$ 262,618
Total revenues	2,245,067	2,245,067	2,507,685	262,618
<b>Expenditures</b>				
Public works	2,830,953	2,272,751	2,148,448	124,303
Debt service	125,000	125,000	94,059	30,941
Total Expenditures	2,955,953	2,397,751	2,242,507	155,244
Revenues over (under) expenditures	(710,886)	(152,684)	265,178	417,862
<b>Other financing sources (uses)</b>				
Transfers out to other funds	(40,000)	(40,000)	(40,000)	
Total other financing sources (uses)	(40,000)	(40,000)	(40,000)	
Revenues and other financing sources over (under) expenditures and other other financing uses	(750,886)	(192,684)	\$ 225,178	\$ 417,862
<b>Other budget items</b>				
Appropriation of fund balance	255,000	255,000		
Carryover encumbrances and articles	495,886	(62,316)		
Total other budget items	750,886	192,684		
Net budget	\$	\$		

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

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Required Supplementary Information  
June 30, 2015

**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. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the year ended June 30, 2015, is presented below:

<b>General Fund</b>	<b>Other Financing Sources</b>		
<u>Description</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>(Uses), Net</u>
As reported on a budgetary basis	\$ 51,984,176	\$ 50,789,415	\$ (1,247,496)
Activity associated with the stabilization fund	4,078		101,409
Adjustment of property tax revenues to modified accrual basis	(50,203)		
Adjustment for timing of accrual of revenues	(180,014)		
Adjustment to provision for refund of paid taxes	218,221		
Net adjustment for estimated vacation liability		(21,500)	
Adjustment for timing of Town Meeting appropriations			173,745
State funded teachers' pension	<u>2,445,814</u>	<u>2,445,814</u>	<u>                    </u>
As reported on a GAAP basis	<u>\$ 54,422,072</u>	<u>\$ 53,213,729</u>	<u>\$ (972,342)</u>

**TOWN OF ROCKLAND, MASSACHUSETTS**  
Notes to Required Supplementary Information  
June 30, 2015

A reconciliation of the budgetary-basis to GAAP-basis results for the water and sewer funds for the year ended June 30, 2015, are presented below:

<b>Water Fund</b>	<b>Other Financing Sources</b>		
<u>Description</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>(Uses), Net</u>
As reported on a budgetary basis	\$ 3,153,863	\$ 3,431,527	\$ (65,000)
Gross-up of joint water works activity	<u>1,448,994</u>	<u>1,448,994</u>	<u>                    </u>
As reported on a GAAP basis	<u>\$ 4,602,857</u>	<u>\$ 4,880,521</u>	<u>\$ (65,000)</u>

<b>Sewer Fund</b>	<b>Other Financing Sources</b>		
<u>Description</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>(Uses), Net</u>
As reported on a budgetary basis	\$ 2,507,685	\$ 2,242,507	\$ (40,000)
Clean Water Trust subsidy	<u>3,234</u>	<u>3,234</u>	<u>                    </u>
As reported on a GAAP basis	<u>\$ 2,510,919</u>	<u>\$ 2,245,741</u>	<u>\$ (40,000)</u>

See Independent Auditor's Report.