

*CITY OF ROCKLAND, MAINE*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES  
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE YEAR  
ENDED JUNE 30, 2009*

**CITY OF ROCKLAND  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2009**

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**CITY OF ROCKLAND**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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***INDEPENDENT AUDITOR'S REPORT***

March 15, 2010

Members of the City Council  
City of Rockland  
Rockland, ME 04841

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010, on our consideration of the City of Rockland, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-6 and 34 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockland, Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements of the City of Rockland, Maine. The combining and individual nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, C.P.A.

**CITY OF ROCKLAND, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2009**

Management of the City of Rockland, Maine provides this *Management's Discussion and Analysis* of the City's financial performance for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the City of Rockland, Maine (the City) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

**FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

**Government-wide Highlights:**

*Net Assets* – The assets of the City exceeded its liabilities at fiscal year ending June 30, 2009 by \$20,973,742 (presented as “net assets”). Of this amount, \$5,776,242 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The City's total net assets increased by \$208,698 (a 1.01% increase) for the fiscal year ended June 30, 2009.

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2009, the City's governmental funds reported a combined ending fund balance of \$5,055,256 with \$647,520 being general undesignated fund balance. This undesignated fund balance represents approximately 3.54% of the total general fund expenditures for the year.

**Long-term Debt:**

The City's total long-term debt obligations decreased by \$988,811 (8.17%) during the current fiscal year. A new bond anticipation note was issued for \$2,250,000 for wastewater treatment plant repairs and a new lease was issued for \$981,100 for equipment. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

**Government-wide Financial Statements**

The Government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the City's

own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

**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 the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

57.76% of the City's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's 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.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2009</b>	<b>Total 2008</b>
Current Assets	7,042,037	3,202,544	10,244,581	9,034,830
Capital Assets	14,447,214	12,031,065	26,478,279	27,564,311
<b>Total Assets</b>	<b>21,489,251</b>	<b>15,233,609</b>	<b>36,722,860</b>	<b>36,599,141</b>
Current Liabilities	2,185,318	2,385,634	4,570,952	4,297,779
Other Liabilities	5,665,247	5,512,919	11,178,166	11,536,318
<b>Total Liabilities</b>	<b>7,850,565</b>	<b>7,898,553</b>	<b>15,749,118</b>	<b>15,834,097</b>
<b>Net Assets:</b>				
Invested in Capital Assets	7,877,814	6,072,046	13,949,860	14,857,903
Restricted	337,463	910,177	1,247,640	914,284
Unrestricted	5,423,409	352,833	5,776,242	4,992,857
<b>Total Net Assets</b>	<b>13,638,686</b>	<b>7,335,056</b>	<b>20,973,742</b>	<b>20,765,044</b>
<b>Total Liabilities and Net Assets</b>	<b>21,489,251</b>	<b>15,233,609</b>	<b>36,722,860</b>	<b>36,599,141</b>

### Changes in Net Assets

Approximately 60.47 percent of the City's total revenue came from property and excise taxes, approximately 12.13 percent came from State and Federal subsidies and grants, and approximately 27.40 percent came from services, investment earnings and other sources. Depreciation expense on the City's governmental activity assets represents \$2,026,610 of the total expenses for the fiscal year.

	Governmental Activities	Business-Type Activities	Total 2009	Total 2008
<b>Revenues:</b>				
Taxes	14,434,448		14,434,448	14,492,930
Intergovernmental Revenues	2,896,007		2,896,007	2,782,171
Departmental Revenues	2,141,433		2,141,433	1,958,135
Charges for Services	470,623	3,277,967	3,748,590	3,945,617
Other Local Sources	629,254	19,578	648,832	1,825,962
<b>Total</b>	<b>20,571,765</b>	<b>3,297,545</b>	<b>23,869,310</b>	<b>25,004,815</b>
<b>Expenses:</b>				
General Government	1,295,594		1,295,594	1,752,998
Public Safety	4,508,800		4,508,800	3,914,391
Public Works	3,759,620	3,112,948	6,872,568	6,517,189
Health & Welfare	76,361		76,361	83,265
Cultural & Recreation	1,298,829		1,298,829	1,264,049
Unclassified	422,951		422,951	317,128
City CIP Bond Issues	1,687		1,687	13,122
Debt Service	244,004		244,004	264,037
Assessments	7,528,517		7,528,517	7,516,714
Capital Projects	1,496,087		1,496,087	1,478,903
Transfer (from)/to Fiduciary Fund			-	-
Transfer (from)/to Enterprise Fund	(40,443)	(350,000)	(390,443)	(409,312)
Gain/(Loss) on Disposal of Assets	305,657		305,657	18,252
<b>Total</b>	<b>20,897,664</b>	<b>2,762,948</b>	<b>23,660,612</b>	<b>22,730,736</b>
<b>Changes in Net Assets</b>	<b>(325,899)</b>	<b>534,597</b>	<b>208,698</b>	<b>2,274,079</b>

### FINANCIAL ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS

#### Governmental Funds

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

At the end of the fiscal year, the City's governmental funds reported ending fund balances of \$5,055,256, a decrease of \$77,467 in comparison with the prior year. Approximately 26.35 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

**Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$49,961,761, net of accumulated depreciation of \$23,483,482, leaving a net book value of \$26,478,279. Current year additions include \$97,500 for land, \$16,481 for fire equipment, \$21,794 for a police vehicles, \$603,867 for public works equipment, \$48,208 for playground equipment, \$417,150 for transfer station equipment, \$37,613 for a wastewater vehicle and \$222,015 in public works related infrastructure.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: City of Rockland, 270 Pleasant Street, Rockland, ME 04841.

**CITY OF ROCKLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,026,357	244	2,026,601
Investments	2,129,869	1,319	2,131,188
Receivables			
Taxes	1,060,825		1,060,825
Tax Liens	210,040		210,040
Accounts	905,916	1,845	907,761
User Fees, net	291,994	561,826	853,820
Loans	7,787		7,787
Tax Acquired Property	45,296	656	45,952
Prepaid Expenses	335,684		335,684
Due from Other Governments	28,269	2,636,654	2,664,923
Capital Assets:			
Land	761,671	1,102	762,773
Other Capital Assets, Net of Depreciation	13,685,543	12,029,963	25,715,506
<b>Total Assets</b>	<b>21,489,251</b>	<b>15,233,609</b>	<b>36,722,860</b>
 <i>Liabilities and Net Assets</i>			
<b>Liabilities</b>			
Accounts Payable	162,086		162,086
Payroll Taxes / Deductions	32,405		32,405
Prepaid Taxes	19,520		19,520
Deposits Payable	4,903		4,903
Compensated Absences Payable	940,279	62,142	1,002,421
Accrued Salaries	121,972	15,378	137,350
Accrued Interest Payable		30,359	30,359
Due to Other Governments		1,831,655	1,831,655
Long-term Liabilities:			
Due Within One Year	904,153	446,100	1,350,253
Due in More Than One Year	5,665,247	5,512,919	11,178,166
<b>Total Liabilities</b>	<b>7,850,565</b>	<b>7,898,553</b>	<b>15,749,118</b>
 <b>Net Assets</b>			
Investment in Capital Assets, net of Related Debt	7,877,814	6,072,046	13,949,860
Restricted Net Assets	337,463	910,177	1,247,640
Unrestricted	5,423,409	352,833	5,776,242
<b>Total Net Assets</b>	<b>13,638,686</b>	<b>7,335,056</b>	<b>20,973,742</b>
<b>Total Liabilities and Net Assets</b>	<b>21,489,251</b>	<b>15,233,609</b>	<b>36,722,860</b>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Fees, Fines, and Charges for Services	Operating Grants	Total	Governmental Activities	Business-like Activities
<b>Functions/Programs</b>	<b>Expenses</b>				<b>Total</b>
<u>Primary Government</u>					
<u>Governmental Activities</u>					
General Government	1,295,594	164,359	(1,131,235)	(1,131,235)	(1,131,235)
Public Safety	4,508,800	722,330	5,258	(3,781,212)	(3,781,212)
Public Works	3,759,620	1,374,977	16,600	(2,368,043)	(2,368,043)
Health & Welfare	76,361	7,000	(69,361)	(69,361)	(69,361)
Cultural & Recreation	1,298,829	428,917	(869,912)	(869,912)	(869,912)
Unclassified	422,951		(422,951)	(422,951)	(422,951)
City CIP Bond Issue	1,687		(1,687)	(1,687)	(1,687)
Debt Service	244,004		(244,004)	(244,004)	(244,004)
Assessments	7,528,517		(7,528,517)	(7,528,517)	(7,528,517)
Capital Projects	1,496,087		69,680	69,680	69,680
<b>Total Governmental Activities</b>	<b>20,632,450</b>	<b>2,690,583</b>	<b>1,594,625</b>	<b>(16,347,242)</b>	<b>(16,347,242)</b>
<u>Business-type Activities:</u>					
Wastewater	3,112,948	3,277,967	-	165,019	165,019
<b>Total Business-type Activities</b>	<b>3,112,948</b>	<b>3,277,967</b>	<b>-</b>	<b>165,019</b>	<b>165,019</b>
<b>Total Primary Government</b>	<b>23,745,398</b>	<b>5,968,550</b>	<b>1,594,625</b>	<b>(16,347,242)</b>	<b>(16,182,223)</b>
<u>General Revenues:</u>					
Taxes					
Property			13,567,948		13,567,948
Auto Excise			866,500		866,500
Intergovernmental Revenues			1,315,383		1,315,383
Interest/Change in Fair Value			180,430		180,430
Other Local Sources			356,296		356,296
Transfers between Enterprise Fund			40,443	19,578	375,874
Gain/(Loss) on Disposal of Assets			(305,657)	350,000	390,443
<b>Total Revenues, Special Items and Transfers</b>			<b>16,021,343</b>	<b>369,578</b>	<b>16,390,921</b>
<u>Changes in Net Assets</u>					
Net Assets - Beginning			(325,899)	534,597	208,698
Net Assets - Ending			13,964,585	6,800,459	20,765,044
Net Assets - Ending			13,638,686	7,335,056	20,973,742

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

*Exhibit C*  
*Page 1 of 2*

<i>Assets</i>	<i>General Fund</i>	<i>Reserves Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	1,191,887	605,889	228,581	2,026,357
Investments	218,497	1,091,296	820,076	2,129,869
Taxes Receivable	1,060,825			1,060,825
Tax Liens Receivable	210,040			210,040
Accounts Receivable	855,129		50,787	905,916
User Fees Receivable			291,994	291,994
Loans Receivable			7,787	7,787
Tax Acquired Property	45,296			45,296
Prepaid Expense	335,684			335,684
Due from Other Governments	11,415		16,854	28,269
Due from Other Funds	1,313,864	1,036,875	1,173,680	3,524,419
<b>Total Assets</b>	<b>5,242,637</b>	<b>2,734,060</b>	<b>2,589,759</b>	<b>10,566,456</b>
 <i>Liabilities and Net Assets</i>				
<i>Liabilities</i>				
Accounts Payable	159,347		2,739	162,086
Payroll Taxes/Deductions	32,405			32,405
Deferred Property Taxes	872,481			872,481
Deferred Revenues - Other	21,475		74,156	95,631
Prepaid Taxes	19,520			19,520
Due to Other Funds	3,212,123	567,842	544,209	4,324,174
Deposits Payable	4,903			4,903
<i>Total Liabilities</i>	<i>4,322,254</i>	<i>567,842</i>	<i>621,104</i>	<i>5,511,200</i>
 <i>Fund Balances</i>				
<i>Reserved For:</i>				
Encumbrances	272,863			272,863
Endowments			304,742	304,742
Loans			32,721	32,721
<i>Unreserved</i>				
Designated for Subsequent Years' Expenditures		2,166,218	946,732	3,112,950
Undesignated	647,520		684,460	1,331,980
<i>Total Fund Balances</i>	<i>920,383</i>	<i>2,166,218</i>	<i>1,968,655</i>	<i>5,055,256</i>
<b>Total Liabilities and Fund Balances</b>	<b>5,242,637</b>	<b>2,734,060</b>	<b>2,589,759</b>	<b>10,566,456</b>

(Continued)

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

*Exhibit C*  
*Page 2 of 2*

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance	5,055,256
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$12,610,242	<u>14,447,214</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenue - Other	95,631
Deferred Taxes	<u>872,481</u>
	<u>968,112</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Interfund Payable	799,755
Bonds Payable	(5,160,113)
Accrued Compensated Absences	(1,062,251)
Capital Leases Payable	<u>(1,409,287)</u>
	<u>(6,831,896)</u>
Net Assets of Governmental Activities	<u><u>13,638,686</u></u>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>Reserves Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>				
Taxes	14,240,543			14,240,543
Intergovernmental Revenues	323,608		2,572,399	2,896,007
Departmental Revenues	2,143,433			2,143,433
Interest	56,416	53,942	27,394	137,752
Change in Fair Value			3,750	3,750
Other Local Sources	231,502	495,346	537,388	1,264,236
<b>Total Revenues</b>	<b>16,995,502</b>	<b>549,288</b>	<b>3,140,931</b>	<b>20,685,721</b>
<b>Expenditures</b>				
General Government	1,223,503		105,999	1,329,502
Public Safety	3,967,515	6,888	223,089	4,197,492
Public Works	3,127,332			3,127,332
Health and Welfare	53,373	6,047	16,934	76,354
Culture and Recreation	1,125,543	66,253		1,191,796
Unclassified	272,658	109,127	41,166	422,951
City CIP Bond Issues	1,687			1,687
Debt Service	985,072			985,072
Assessments	7,528,517			7,528,517
Capital Outlay			2,533,585	2,533,585
<b>Total Expenditures</b>	<b>18,285,200</b>	<b>188,315</b>	<b>2,920,773</b>	<b>21,394,288</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(1,289,698)	360,973	220,158	(708,567)
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds			981,100	981,100
Transfers from Other Funds	1,278,326	366,036	107,716	1,752,078
Transfers to Other Funds	(286,352)	(533,000)	(1,282,726)	(2,102,078)
<b>Total Other Financing Sources (Uses)</b>	<b>991,974</b>	<b>(166,964)</b>	<b>(193,910)</b>	<b>631,100</b>
<b>Excess of Revenues and Other Financing</b>				
<b>Sources Over (Under) Expenditures</b>	<b>(297,724)</b>	<b>194,009</b>	<b>26,248</b>	<b>(77,467)</b>
<b>Fund Balance - July 1</b>	<b>1,218,107</b>	<b>1,972,209</b>	<b>1,942,407</b>	<b>5,132,723</b>
<b>Fund Balance - June 30</b>	<b>920,383</b>	<b>2,166,218</b>	<b>1,968,655</b>	<b>5,055,256</b>

(Continued)

**CITY OF ROCKLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds (77,467)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,427,015
Revenue received for disposal of assets	(361,493)
Gain/(Loss) on disposal of assets	(305,657)
Depreciation expense	(1,337,866)
	<u>(578,001)</u>

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Interfund Transfers	390,443
Deferred Revenues - Other	53,632
Deferred Taxes	193,905
	<u>637,980</u>

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

New capital leases	(981,100)
Capital lease obligation principal payments	170,279
General obligation bond principal payments	570,789
	<u>(240,032)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued compensated absences	(68,379)
	<u>(68,379)</u>

Change in net assets of governmental activities (325,899)

**CITY OF ROCKLAND**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2009**

*Exhibit E*

<i>Assets</i>	<i>Wastewater Enterprise</i>
<b>Current Assets:</b>	
Cash and Equivalents	244
Investments	1,319
Invested with General Fund	2,136,655
Total Cash and Investments	<u>2,138,218</u>
Receivables	
User Fees, net	561,826
Accounts	2,501
Due From Other Governments	<u>499,999</u>
<b>Total Current Assets</b>	<b><u>3,202,544</u></b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	<u>12,031,065</u>
<b>Total Noncurrent Assets</b>	<b><u>12,031,065</u></b>
<b>Total Assets</b>	<b><u>15,233,609</u></b>
 <b>Liabilities and Fund Equity</b>	
<b>Liabilities</b>	
Accrued Salaries and Benefits	15,378
Accrued Compensated Absences	62,142
Accrued Interest Payable	30,359
Due to Other Governments	1,831,655
Bonds and Notes Payable	<u>446,100</u>
<b>Total Current Liabilities</b>	<b><u>2,385,634</u></b>
<b>Noncurrent Liabilities:</b>	
Bonds and Notes Payable	<u>5,512,919</u>
<b>Total Noncurrent Liabilities</b>	<b><u>5,512,919</u></b>
<b>Total Liabilities</b>	<b><u>7,898,553</u></b>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	6,072,046
Retained Earnings	
Reserved	910,177
Unreserved - Undesignated	<u>352,833</u>
<b>Total Net Assets</b>	<b><u>7,335,056</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>15,233,609</u></b>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Exhibit F**

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Operating Revenues:	
Industrial	2,097,564
Residential	700,539
Commercial	451,397
Sewer Reserve Capacity Fee	21,416
Interest - Late Penalties	7,051
	<hr/>
Total Operating Revenues:	3,277,967
	<hr/>
Operating Expenditures:	
Personnel	661,356
Contracted Services	1,076,929
Commodities	282,976
Equipment Repairs & Replacement	177,260
Capital Improvements Programs	77,842
Lease Payments	2,566
Depreciation and Amortization	688,744
	<hr/>
Total Operating Expenditures	2,967,673
	<hr/>
Net Operating Income	310,294
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Revenue	42
Change in Fair Value	30
Nonutility Income, net of expense	19,506
Transfer from/(to) other funds	350,000
Interest Expense	(145,275)
	<hr/>
Total Nonoperating Revenue (Expenses)	224,303
	<hr/>
<i>Change in Net Assets</i>	534,597
	<hr/>
<i>Total Net Assets - Beginning</i>	6,800,459
	<hr/>
<i>Total Net Assets - Ending</i>	7,335,056
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Exhibit G

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
<b>Cash Flows from Operating Activities</b>	
Received from Customers	3,277,967
Payments to Suppliers	(1,617,573)
Payments to Employees	(661,356)
Other Receipts (Payments)	369,506
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,368,544</b>
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	(180,713)
Principal Paid on Capital Debt	(429,021)
Interest Paid on Capital Debt	(148,593)
	<hr/>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(758,327)</b>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Purchase of Investments	170,898
Interest and Dividends	72
	<hr/>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>170,970</b>
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>781,187</b>
	<hr/>
<b>Balances - beginning of the year</b>	<b>1,357,031</b>
	<hr/>
<b>Balances - end of the year</b>	<b>2,138,218</b>
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Net Operating Income (Loss)	310,294
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	688,744
(Increase) Decrease in Accounts Receivable	(134,141)
(Increase) Decrease in Due To/From Other Governments	421,650
Increase (Decrease) in Accrued Wages Payable	2,981
Increase (Decrease) in Accrued Interest Payable	(3,318)
Increase (Decrease) in Compensated Absences Payable	(7,593)
Increase (Decrease) in Accounts Payable	89,927
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,368,544</b>
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2009**

*Exhibit H*

<i>Assets</i>	<i>Private Purpose Trust Funds</i>		<i>Total</i>
	<i>Rich Education Fund</i>	<i>Farwell Church Benevolent</i>	
Investments	53,321	6,053	59,374
<b>Total Assets</b>	<b>53,321</b>	<b>6,053</b>	<b>59,374</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds	5,000	244	5,244
<b>Total Liabilities</b>	<b>5,000</b>	<b>244</b>	<b>5,244</b>
<i>Net Assets</i>			
Net Assets			
Net Assets			
Reserved for Endowment	27,000	5,000	32,000
Unreserved			
Designated for Subsequent Years' Expenditures	21,321	809	22,130
<b>Total Net Assets</b>	<b>48,321</b>	<b>5,809</b>	<b>54,130</b>
<b>Total Liabilities and Net Assets</b>	<b>53,321</b>	<b>6,053</b>	<b>59,374</b>

The notes to financial statements are an integral part of this statement.

**CITY OF ROCKLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit I*

	<i>Private Purpose Trust Funds</i>		<i>Total</i>
	<i>Rich Education Fund</i>	<i>Farwell Church Benevolent</i>	
<u>Additions</u>			
Fair Value Increases (Decreases)	958	109	1,067
Investment Income	1,496	170	1,666
<b>Total Additions</b>	<b>2,454</b>	<b>279</b>	<b>2,733</b>
<u>Reductions</u>			
Churches			-
Scholarships	2,000		2,000
<b>Total Reductions</b>	<b>2,000</b>	<b>-</b>	<b>2,000</b>
Changes in Net Assets	454	279	733
Net Assets - July 1	47,867	5,530	53,397
<b>Net Assets - June 30</b>	<b>48,321</b>	<b>5,809</b>	<b>54,130</b>

The notes to financial statements are an integral part of this statement.

*CITY OF ROCKLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Rockland have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Governmental Reporting Entity**

The City of Rockland operates under an elected Mayor/Council form of government. The City's major operations include public works, public safety, fire protection, health services, recreation and parks, and general administrative services.

For financial reporting purposes the City includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In addition to entities, which should be included within these financial statements, the City may enter into agreements with other governments for specific purposes. These agreements are referred to as joint ventures or jointly governed entities. The City participates in the following joint venture:

MUNICIPAL REVIEW COMMITTEE, INC. – The City has entered into an interlocal agreement with several municipalities, PERC, and Bangor Hydro for the long-term goal of handling the disposal of their present and projected volumes of nonhazardous municipal solid waste. The Corporation is administered by its board of directors elected from among Municipal Review Committee's membership by the charter municipalities. Operating revenues of the Corporation are allocated among municipalities on the basis of a weighted average of their share of actual tons of acceptable waste delivered to PERC each quarter and tons each municipality has guaranteed to be delivered to PERC. The City's equity interest for year 2008 is \$1,203,328. This figure has not been included as part of the City's financial statements.

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement, known as the "Reporting Model" statement affects the way the City prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

***Management's Discussion and Analysis***

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Governmental Reporting Entity (Continued)**

***Government-wide Financial Statements***

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

***Statement of Net Assets***

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

***Statement of Program Activities***

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

***Budgetary Comparison Schedules***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the City add the original budget to the current comparison of the final budget and actual results.

**B. Fund Accounting**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (continued)**

assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the City (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs.

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The reserve fund accounts for monies received by the City for specific expenditures.

The City reports the following major proprietary fund:

The wastewater fund accounts for the activities of the wastewater operations. The City operates the wastewater collection system and related administrative costs.

Additionally, the City reports the following fund types:

Permanent funds account for monies held in trust by the City, the investment earnings from which may only be used for the operation of the program.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting, Measurement Focus, and Financial Statement Presentation***

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 and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

***E. Assets, Liabilities and Equity***

***1. Deposits and Investments***

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the City limits its investments to those authorized by Maine State Statutes, which authorize the City to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the City requires that, at the time funds are invested, collateral for repurchase agreements be held in the City's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (continued)**

**2. Receivables and Payables**

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year-end are classified as deferred revenue. At June 30, \$872,481 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 10, 2008 on property values assessed on April 1. Taxes were due in two installments due on September 26 and March 6, with interest at 11% beginning September 27 and March 7. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The City has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

**3. Inventories**

Inventories are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**4. Capital Assets**

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Infrastructure	20-25
Equipment	8-20

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued)**

**5. Compensated Absences**

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

**6. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type financial statements. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Under State Law, no municipality can incur debt which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At June 30, the City of Rockland is in compliance with the above requirements.

**7. Fund Equity/Net Assets**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

General government revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the City's operations. Once adopted by the Council, transfers may be made by resolution from one line item to another. General Fund appropriations, except for capital expenditures, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. State statutes require balanced budgets but provide for the use of beginning fund balance to achieve that end.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgetary Information (continued)**

At least 45 days prior to the beginning of each fiscal year, the City Manager shall submit to the Council a budget for the ensuing fiscal year. The budget is prepared by fund, municipal department and capital expenditures, and includes information on the past year, current year and requests for the ensuing fiscal year.

After public hearing, the City Council may increase or decrease any program or amount provided that no amendment shall increase the authorized expenditures to an amount greater than the total estimated income. The Council shall adopt the budget on or before the fifteenth day of the twelfth month of the current fiscal year. After adoption, the Council may amend the budget for supplemental appropriations from excess estimated revenues, emergency appropriations, and reduction or transfer of appropriations. Expenditures may not legally exceed budgeted appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year.

The General Fund reserved for encumbrances at June 30 is detailed in Exhibit A-2 and totals \$272,863.

**B. Budget/GAAP Reconciliation**

The Statement of Revenues, Expenditures -Budget and Actual (Exhibit G) reconciles financial data on a budgetary basis for the government's general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The differences are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Cash and Equivalents**

At year-end, the government's carrying amount of deposits was \$2,026,601 and the bank balance was \$2,614,657. The bank balance is categorized according to credit risk as follows:

Category 1 - Insured by Federal depository or credit union insurance.

Category 2 - Collateralized with securities held by the pledging financial institution's trust Department or agent in the City's name.

Category 3 - Uninsured and uncollateralized.

	<i>Bank</i>	<i>Category</i>		
	<i>Balance</i>	<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>2,614,657</u>	<u>238,205</u>	<u>2,376,452</u>	<u>-</u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**B. Investments**

Investments made by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

Category 1 - Insured or registered, or securities held by the government or its agent in the government's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category</i> <i>2</i>	<i>Fair</i> <i>Value</i>	<i>Cost</i>
U.S. Government Obligations	<u>2,052,597</u>	2,052,597	1,975,726
Unclassified Mutual Funds		<u>137,965</u>	<u>149,964</u>
Total Investments		<u>2,190,562</u>	<u>2,125,690</u>

**C. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value	759,226,000
Tax Rate (per \$1,000)	<u>17.60</u>
Commitment	<u>13,362,378</u>
Appropriations	18,503,472
Less:	
State Municipal Revenue Sharing	948,467
Estimated Revenues	3,972,734
BETE Reimbursement	52,299
Homestead Reimbursement	<u>167,594</u>
	<u>5,141,094</u>
Net Assessment for Commitment	<u>13,362,378</u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**C. Property Taxes (continued)**

Supplemental taxes totaling \$18,279 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$890,725, which represents tax collection of 93.33% of current year commitment. Unpaid liens at June 30 totaled \$210,040.

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2009, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	1,313,864	3,212,123
Special Revenue Funds:		
Reserves	1,036,875	567,842
Municipal Revenue Sharing	341,020	
Police Dare		3,824
Business/Economic Development		79,474
Emergency Medical		319,329
CDBG Home Repair Network Grant		59,094
Community Development Operating	126,929	
CDBG Infrastructure Grant		10,199
CDBG Community Enterprise Grant		6,310
CDBG Small Community Grant		100
Department of Justice Grant		258
Wellness Grant	506	
RCHP Scholarship Trust		1,750
Odor Study	2,819	
Police N.A.D.D.I Grant	4,260	
Recreation Fund	646	
Capital Project Funds		
CIP Projects	491,498	
Pump Station/CSO Project	206,002	
Permanent Funds		63,871
Fiduciary Funds		5,244
Wastewater Enterprise Fund	2,636,654	1,831,655
Totals	<u>6,161,073</u>	<u>6,161,073</u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. The majority of the above balances represent amounts owed in relation to continuing and future projects. The balances will be repaid upon need of those funds for those projects. \$469,033 represent appropriations to town reserves and will be repaid, along with other balances, during the next year.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. Capital Assets**

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

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities:</i>				
<i>Capital assets not being depreciated</i>				
Land	664,171	97,500		761,671
<i>Capital assets being depreciated</i>				
Buildings	6,450,509		(633,800)	5,816,709
Equipment	5,980,757	1,107,500	(434,671)	6,653,586
Infrastructure	13,603,475	222,015		13,825,490
<i>Total capital assets being depreciated</i>	26,034,741	1,329,515	(1,068,471)	26,295,785
<i>Less accumulated depreciation for</i>				
Buildings	1,500,331	150,764	(22,447)	1,628,648
Equipment	3,074,445	575,236	(378,874)	3,270,807
Infrastructure	7,098,921	611,866		7,710,787
<i>Total accumulated depreciation</i>	11,673,697	1,337,866	(401,321)	12,610,242
<i>Net capital assets being depreciated</i>	14,361,044	(8,351)	(667,150)	13,685,543
<b><i>Governmental Activities Capital Assets, net</i></b>	<b>15,025,215</b>	<b>89,149</b>	<b>(667,150)</b>	<b>14,447,214</b>

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

<i>Governmental Activities</i>	
General Government	77,213
Public Safety	269,592
Public Works, including general infrastructure assets	856,653
Culture and Recreation	134,408
<b>Total Depreciation Expense - Governmental Activities</b>	<b>1,337,866</b>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**E. Capital Assets (continued)**

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities:</i>				
<i>Capital assets not being depreciated</i>				
Land	1,102			1,102
Construction Work in Process		143,100		143,100
<i>Capital assets being depreciated</i>				
Buildings	1,848,871			1,848,871
Equipment	597,394	37,613		635,007
Infrastructure	20,276,225			20,276,225
<i>Total capital assets being depreciated</i>	<i>22,722,490</i>	<i>37,613</i>	<i>-</i>	<i>22,760,103</i>
<i>Less accumulated depreciation for</i>				
Buildings	287,742	73,955		361,697
Equipment	442,749	42,654		485,403
Infrastructure	9,454,005	572,135		10,026,140
<i>Total accumulated depreciation</i>	<i>10,184,496</i>	<i>688,744</i>	<i>-</i>	<i>10,873,240</i>
<i>Net capital assets being depreciated</i>	<i>12,537,994</i>	<i>(651,131)</i>	<i>-</i>	<i>11,886,863</i>
<b><i>Business-type Activities Capital Assets, net</i></b>	<b><i>12,539,096</i></b>	<b><i>(508,031)</i></b>	<b><i>-</i></b>	<b><i>12,031,065</i></b>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**F. Capital Leases**

The City is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in Governmental Funds. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year Ended</i> <u>June 30,</u>	<i>Minimum</i> <i>Lease</i> <i>Payment</i>
2010	382,164
2011	358,309
2012	298,521
2013	298,520
2014	<u>217,172</u>
Total Minimum Lease Payments	1,554,686
Less: Amount Representing Interest	<u>(145,399)</u>
Present Value of Future Minimum Lease Payments	<u><u>1,409,287</u></u>

**G. Long-Term Debt**

**1. General Obligation Bonds and Notes**

The government issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and notes currently outstanding are as follows:

<i>Purpose</i> <i>General Obligation</i>	<i>Maturity</i> <i>Date</i>	<i>Interest</i> <i>Rate</i>	<i>Amount</i>
1995 City Hall Bonds	10/1/2015	5.2%-6.0%	175,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	287,364
1999 General Obligation Bonds	11/1/2014	4.039%-5.239%	349,200
2000 Paving Bond	11/1/2010	5.281%-5.406%	400,000
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	1,272,957
2006 Fire Truck	11/1/2021	1.85 - 6.0%	520,000
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	953,111
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	902,587
2008 Fire Truck	2/5/2023	4.440%	<u>299,894</u>
			<u><u>5,160,113</u></u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. Long-Term Debt (continued)**

**1. General Obligation Bonds and Notes (continued)**

<i>Purpose Proprietary</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
1993 Declorination Bonds	10/1/2013	5.193%	57,500
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	20,636
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	3,699,530
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	1,110,793
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	1,059,560
2009 Wastewater Bond Anticipation Note	5/13/2010	1.980%	<u>11,000</u>
			<u>5,959,019</u>
Total Debt			<u>11,119,132</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$2,901,671 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
2010	760,823	582,564	1,343,387
2011	740,629	570,298	1,310,927
2012	525,645	568,997	1,094,642
2013	516,003	567,828	1,083,831
2014	506,653	567,338	1,073,991
2015-2019	1,863,310	2,760,989	4,624,299
2020-2024	932,275	808,752	1,741,027
2025-2029	543,723	635,497	1,179,220
2030-2033	262,985	306,493	569,478
Total	<u>6,652,046</u>	<u>7,368,756</u>	<u>14,020,802</u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**G. Long-Term Debt (Continued)**

**2. Changes in Long-Term Liabilities**

The following is a summary of long-term debt transactions of the City of Rockland for the fiscal year ended June 30, 2009:

	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2008</i>	5,730,902	6,377,040	12,107,942
Debt Issued		11,000	11,000
Debt Retired	(570,789)	(429,021)	(999,810)
<i>Long-term Debt payable June 30, 2009</i>	<u>5,160,113</u>	<u>5,959,019</u>	<u>11,119,132</u>

**3. Overlapping Debt**

The City's proportionate share of debt of all local government units which provide services within the City's boundaries, and which must be borne by properties in the City is summarized as follows:

<i>Units</i>	<i>Net debt outstanding June 30, 2009</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
School Administrative District No. 5	2,526,800	60.94%	1,539,832
Knox County	440,840	10.92%	48,159
Totals	<u>2,967,640</u>		<u>1,587,992</u>

The City's proportionate share of the County and School District debt is paid through annual assessments by the respective units.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)**

**H. Permanent Funds**

The principal amount of all Non-expendable Trust Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Non-expendable and Expendable Trust Funds at June 30 are detailed as follows:

<i>Non-expendable</i>	<i>Principal</i>	<i>Income</i>
Cemetery Care	88,131	12,936
Haines Charity	57,581	187,464
Keywood Library	91,230	3,871
Leach Library	50,000	13,616
Cleveland/Bostick Library	10,000	1,552
Flower	1,000	5,181
Monroe Highway	200	4,822
Library	<u>6,600</u>	<u>1,496</u>
Total	<u>304,742</u>	<u>230,938</u>

**NOTE 4 - OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 amount, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the government.

**B. Pension Plan**

**Plan Description**

The City's employees are covered under the ICMA or Maine State Retirement System. The ICMA is a qualified pension plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the City remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 4 - OTHER INFORMATION (Continued)**

**B. Pension Plan (continued)**

**Plan Description (continued)**

under the plan, all investments purchased and all income attributable thereto are held in trust for the exclusive benefit of participants and their beneficiaries. The City participates in the Maine State Retirement System consolidated Plan for Participating Districts (Consolidated Plan) which is a cost sharing multiple-employer defined benefit pension plans.

The Maine State Retirement System (System) is a body corporate and politic and an incorporated public instrumentality of the State. Under Title 5 M.R.S.A. the System is the administrator of retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System issues a financial report that includes the financial statements and required supplementary information for the plans. That report may be obtained by writing to Maine State Retirement System, Two Central Plaza, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

**Funding Policy**

Under the ICMA plan, covered employees contribute 5% of their salary to the plan with the City contributing 5%. The City's contributions for the fiscal years ended June 30, 2007, 2008 and 2009, were \$81,620, \$80,810 and \$71,626 respectively, which were paid in full each year.

MSRS Consolidated Plan regular employees and police employees hired after 7/1/1997 are required to contribute 6.5% of their annual covered salary to the plan, with remaining fire and police employees contributing 8%. The City is required to contribute an actuarially determined rate. The current rate is 2.8% for regular employees, 5.3% for fire and police employees, and 4.0% for police employees hired after 7/1/1997, plus a monthly payment of \$104 for regular employees and \$327 for police and fire employees for its Initial Unfunded Unpooled Actuarial Liability (IUUAL). The contribution requirements of plan members and the City are established by the Maine State Retirement System Board of Trustees. The City's contributions to the Consolidated Plan for the years ended June 30, 2007, 2008 and 2009, were \$135,010, \$139,674 and \$143,641 respectively, which were paid in full each year.

**C. Postemployment Healthcare Benefits**

The City sponsors a post-retirement benefit plan providing health insurance to retired employees who have 25 or more years of full-time service with the City and retire after July 1, 1997. Employees hired after July 1, 1997 are not eligible for this benefit. The City pays 25% of the retired employee's annualized health insurance premiums for the year, including health insurance for dependents for as long as the eligible employee is living. The City's cost for 2009 was \$26,910.

**CITY OF ROCKLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit J*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	14,388,166	14,388,166	14,240,543	(147,623)
Intergovernmental Revenues	259,293	323,234	323,608	374
Departmental Revenues	2,194,963	2,194,963	2,143,433	(51,530)
Other Local Sources	229,671	246,232	287,918	41,686
<b>Total Revenues</b>	<u>17,072,093</u>	<u>17,152,595</u>	<u>16,995,502</u>	<u>(157,093)</u>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,211,857	1,228,047	1,227,609	438
Public Safety	4,003,179	4,017,144	3,969,458	47,686
Public Works	2,909,391	2,977,540	3,127,332	(149,792)
Health and Welfare	55,985	56,288	53,373	2,915
Culture and Recreation	1,197,110	1,207,716	1,125,543	82,173
Unclassified	323,826	295,115	269,219	25,896
Debt Service	967,231	967,231	985,072	(17,841)
Assessments	7,590,933	7,590,933	7,528,517	62,416
<b>Total Expenditures</b>	<u>18,259,512</u>	<u>18,340,014</u>	<u>18,286,123</u>	<u>53,891</u>
<b>Excess Revenues Over Expenditures</b>	(1,187,419)	(1,187,419)	(1,290,621)	(103,202)
<b>Other Financing Sources</b>				
Transfers from Other Funds	1,431,379	1,376,379	1,278,326	(98,053)
Transfers to Other Funds	(243,960)	(243,960)	(286,352)	(42,392)
<b>Total Other Financing Sources</b>	<u>1,187,419</u>	<u>1,132,419</u>	<u>991,974</u>	<u>(140,445)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(55,000)</u>	<u>(298,647)</u>	<u>(243,647)</u>
<b>Beginning Fund Balances - Budgetary Basis</b>			<u>946,167</u>	
<b>Ending Fund Balances - Budgetary Basis</b>			647,520	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<u>272,863</u>	
<b>Ending Fund Balances - GAAP Basis</b>			<u>920,383</u>	

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit A-1*  
*Page 1 of 2*

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
<b>Taxes</b>			
Property	13,362,378	13,186,751	(175,627)
Auto Excise	894,788	866,500	(28,288)
Interest and Lien Charges	89,000	125,347	36,347
Payment in Lieu of Taxes	42,000	61,945	19,945
	<u>14,388,166</u>	<u>14,240,543</u>	<u>(147,623)</u>
<b>Intergovernmental Revenues</b>			
Welfare Reimbursement	7,500	6,749	(751)
Veterans Reimbursement	6,000	8,112	2,112
Tree Growth	4,300	3,303	(997)
Homestead Reimbursement	167,594	167,483	(111)
BETE Reimbursement	52,299	52,345	46
FEMA Reimbursement	84,941	84,941	-
Snowmobile Reimbursement	600	675	75
	<u>323,234</u>	<u>323,608</u>	<u>374</u>
<b>Departmental Revenues</b>			
Police	171,687	187,785	16,098
Fire	20,890	23,494	2,604
Assessment	500	185	(315)
Finance	-	902	902
Legal	800	375	(425)
Engineering	-	-	-
Code Enforcement	63,100	65,012	1,912
Public Works	112,607	114,279	1,672
Fish Pier	110,478	138,419	27,941
Harbor and Waterfront	178,150	177,835	(315)
Library	55,700	57,926	2,226
Recreation	54,349	54,737	388
City Clerk	42,500	47,953	5,453
Community Development	17,000	13,833	(3,167)
Transfer Station	1,367,202	1,260,698	(106,504)
	<u>2,194,963</u>	<u>2,143,433</u>	<u>(51,530)</u>

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit A-1*  
*Page 2 of 2*

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Other Local Sources			
Interest on Investments	33,000	56,416	23,416
Interest on Accounts Receivable		4,826	4,826
Camden and Rockport Water	8,000	7,983	(17)
Cable Franchise Fee	60,500	64,201	3,701
Photocopies	500	349	(151)
Workers Compensation Dividend		8,843	8,843
Administration Fee from Sewer	127,421	127,421	-
Van Baalen	16,561	16,561	-
Other	250	1,318	1,068
	<u>246,232</u>	<u>287,918</u>	<u>41,686</u>
Transfers and Other Sources			
Community Business Development	8,000	8,000	-
Municipal Revenue Sharing	948,467	948,467	-
Emergency Medical	231,617	231,617	-
Library Trust Fund	10,242	10,242	-
Tillson Redevelopment	98,053	-	(98,053)
CIP Fund	80,000	80,000	-
	<u>1,376,379</u>	<u>1,278,326</u>	<u>(98,053)</u>
Total Revenues and Transfers	18,528,974	<u>18,273,828</u>	<u>(255,146)</u>
Beginning Fund Balance Used	<u>55,000</u>		
<b>Total</b>	<u><u>18,583,974</u></u>		

CITY OF ROCKLAND  
GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2  
Page 1 of 2

	Encumbered from 2008	Budget	Actual	Encumbered to 2010	(Over) Under Budget
General Government					
Legislative		7,066	8,000		(934)
Executive		209,511	193,521	3,000	12,990
Assessment		144,833	146,693		(1,860)
Finance		338,177	337,620		557
Legal		104,423	98,099		6,324
City Clerk		182,329	181,708		621
General		99,670	106,055		(6,385)
City Hall		43,156	46,619		(3,463)
Community Development		73,882	70,359	1,106	2,417
Engineering		25,000	34,829		(9,829)
	-	1,228,047	1,223,503	4,106	438
Public Safety					
Police Department		1,840,195	1,808,809		31,386
Fire Department		1,313,403	1,309,516	1,943	1,944
Dispatch		153,404	153,404		-
Lights and Hydrants		531,345	519,592		11,753
Code Enforcement		178,797	176,194		2,603
	-	4,017,144	3,967,515	1,943	47,686
Public Works					
Public Works		1,642,383	1,786,438		(144,055)
Transfer Station		1,335,157	1,340,894		(5,737)
	-	2,977,540	3,127,332	-	(149,792)
Health and Welfare					
Health		30,000	30,000		-
Welfare		26,288	23,373		2,915
	-	56,288	53,373	-	2,915
Culture and Recreation					
Public Library		558,848	532,306		26,542
Harbor and Waterfront		188,492	165,184		23,308
Municipal Fish Pier		111,429	99,229		12,200
Recreation		348,947	328,824		20,123
	-	1,207,716	1,125,543	-	82,173

CITY OF ROCKLAND  
 GENERAL FUND  
 STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2  
 Page 2 of 2

	Encumbered from 2008	Budget	Actual	Encumbered to 2010	(Over) Under Budget
Unclassified					
Fringe Benefits		83,800	69,686		14,114
Other Unclassified		194,754	182,972		11,782
TIF Agreements	154,479	16,561	20,000	151,040	-
City CIP Bond Issues	154,479	295,115	272,658	151,040	25,896
Sewers & Lindsey Brook	117,461		1,687	115,774	-
Debt Service	117,461		1,687	115,774	-
TAN Interest		12,500			12,500
Principal on Long-Term Debt		555,447	576,247		(20,800)
Interest on Long-Term Debt		200,307	208,190		(7,883)
Capital Leases		198,977	200,635		(1,658)
Assessments		967,231	985,072		(17,841)
School District		6,659,735	6,659,735		-
County Tax		718,467	718,467		-
Overlay		212,731	150,315		62,416
Operating Transfer Out		7,590,933	7,528,517		62,416
Tillson Redevelopment Reserve		66,570	66,570		-
Landfill Closure Reserve		50,000	50,000		-
Transfer Station Capital Equipment Reserve		40,000	40,000		-
Fire Building Reserve		12,390	12,390		-
Cemetery Trust Fund		75,000	75,000		-
Fish Pier Improvements Reserve			39,190		(39,190)
Parks Reserve			2,886		(2,886)
DARE			316		(316)
		243,960	286,352		(42,392)
<b>Total Appropriations</b>	<b>271,940</b>	<b>18,583,974</b>	<b>18,571,552</b>	<b>272,863</b>	<b>11,499</b>

CITY OF ROCKLAND

Exhibit A-3

GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009

Unreserved - Undesignated Fund Balance July 1, 2008		946,167
Additions		
Budget Summary		
Revenue Surplus (Deficit)(Exhibit A-1)	(255,146)	
Unexpended Balance of Appropriations (Exhibit A-2)	<u>11,499</u>	
Budget Surplus		<u>(243,647)</u>
		702,520
Deductions		
Beginning Fund Balance Used		<u>(55,000)</u>
Unreserved - Undesignated Fund Balance June 30, 2009		<u><u>647,520</u></u>

CITY OF ROCKLAND  
 ALL SPECIAL REVENUE FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2009

Exhibit B-1

Assets	Reserves	Emergency Medical	Municipal Revenue Sharing	Local Road Assistance	Federal/State Programs (Exhibit B-2)	All Other (Exhibit B-3)	Total
Cash and Equivalents	605,889				98,631	16,609	721,129
Investments	1,091,296	149,200		36,737	88,110	31,812	1,397,155
Receivables (Net of Allowances)							
User Fees		291,994					291,994
Other		25,853			24,934		50,787
Due from Other Governments					16,854		16,854
Due from Other Funds	1,036,875		341,020		131,695	3,465	1,513,055
<b>Total Assets</b>	<b>2,734,060</b>	<b>467,047</b>	<b>341,020</b>	<b>36,737</b>	<b>360,224</b>	<b>51,886</b>	<b>3,990,974</b>
<b>Liabilities and Fund Balances</b>							
Liabilities							
Accounts Payable		390			2,349		2,739
Deferred Revenue		74,156					74,156
Due to Other Funds	567,842	319,329			155,435	5,574	1,048,180
<b>Total Liabilities</b>	<b>567,842</b>	<b>393,875</b>	<b>-</b>	<b>-</b>	<b>157,784</b>	<b>5,574</b>	<b>1,125,075</b>
Fund Balances							
Reserved for Loans Unreserved					24,934		24,934
Designated for Subsequent Years' Expenditures Undesignated	2,166,218	3,943			177,506	41,456	2,389,123
		69,229	341,020	36,737		4,856	451,842
<b>Total Fund Balances</b>	<b>2,166,218</b>	<b>73,172</b>	<b>341,020</b>	<b>36,737</b>	<b>202,440</b>	<b>46,312</b>	<b>2,865,899</b>
<b>Total Liabilities and Fund Balances</b>	<b>2,734,060</b>	<b>467,047</b>	<b>341,020</b>	<b>36,737</b>	<b>360,224</b>	<b>51,886</b>	<b>3,990,974</b>

CITY OF ROCKLAND  
 SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2009

Assets	Community Development Operating	Business/Economic Development	CDBG Home Repair Network Grant	CDBG Infrastructure Ilwaco Street	CDBG Community Enterprise	Police N.A.D.D.I. Grant	Dept. of Justice Bureau Grant	Small Community Grant Program	Wellness Grant	Totals
Cash			98,631							98,631
Investments	1,704	86,406								88,110
Due from Other Governments		24,934		10,199	6,397		258			16,854
Loans Receivable						4,260			506	24,934
Due from Other Funds	126,929									131,695
<b>Total Assets</b>	<b>128,633</b>	<b>111,340</b>	<b>98,631</b>	<b>10,199</b>	<b>6,397</b>	<b>4,260</b>	<b>258</b>	<b>-</b>	<b>506</b>	<b>360,224</b>
<i>Liabilities and Fund Balances</i>										
Liabilities										
Accounts Payable			2,349							2,349
Due to Other Funds		79,474	59,094	10,199	6,310		258	100		155,435
Total Liabilities	-	79,474	61,443	10,199	6,310	-	258	100	-	157,784
Fund Balances										
Reserved for Loans		24,934								24,934
Unreserved										
Designated for Subsequent Years' Expenditures	128,633	6,932	37,188		87	4,260		(100)	506	177,506
Total Fund Balances	128,633	31,866	37,188	-	87	4,260	-	(100)	506	202,440
<b>Total Liabilities and Fund Balances</b>	<b>128,633</b>	<b>111,340</b>	<b>98,631</b>	<b>10,199</b>	<b>6,397</b>	<b>4,260</b>	<b>258</b>	<b>-</b>	<b>506</b>	<b>360,224</b>

**CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

<i>Assets</i>	<i>Shore Village Museum</i>	<i>Police DARE</i>	<i>Skateboard Park Project</i>	<i>RCHP Scholarship Trust</i>	<i>Berlowsky Park</i>	<i>Odor Study</i>	<i>Recreation Fund</i>	<i>Coast Guard</i>	<i>Total</i>
Cash and Equivalents:	100		4,123				10,520	1,866	16,609
Investments	4,756	3,824		19,462	3,770	2,819	646		31,812
Due from Other Funds									3,465
<b>Total Assets</b>	<b>4,856</b>	<b>3,824</b>	<b>4,123</b>	<b>19,462</b>	<b>3,770</b>	<b>2,819</b>	<b>11,166</b>	<b>1,866</b>	<b>51,886</b>
<i>Liabilities and Fund Balances</i>									
<i>Liabilities</i>									
Due to Other Funds		3,824		1,750					5,574
Total Liabilities	-	3,824	-	1,750	-	-	-	-	5,574
<i>Fund Balances</i>									
Fund Balances									
Unreserved									
Designated for Subsequent Years' Expenditures			4,123	17,712	3,770	2,819	11,166	1,866	41,456
Undesignated	4,856								4,856
Total Fund Balances	4,856	-	4,123	17,712	3,770	2,819	11,166	1,866	46,312
<b>Total Liabilities and Fund Balances</b>	<b>4,856</b>	<b>3,824</b>	<b>4,123</b>	<b>19,462</b>	<b>3,770</b>	<b>2,819</b>	<b>11,166</b>	<b>1,866</b>	<b>51,886</b>

**CITY OF ROCKLAND  
ALL SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Reserves (Exhibit B-8)	Emergency Medical (Exhibit B-7)	Municipal Revenue Sharing	Local Road Assistance	Federal/State Programs (Exhibit B-5)	All Other (Exhibit B-6)	Total
<b>Revenues</b>							
Intergovernmental Revenues			998,524		1,573,875		2,572,399
Charges for Services	13,204	457,419					470,623
Interest	53,942	4,742		1,168	3,075		62,927
Fair Value Increases (Decreases)	38,928	3,422		842	2,021	602	45,815
Other Local Sources	443,214	116			65,267	7,786	516,383
<b>Total Revenues</b>	<b>549,288</b>	<b>465,699</b>	<b>998,524</b>	<b>2,010</b>	<b>1,644,238</b>	<b>8,388</b>	<b>3,668,147</b>
<b>Expenditures</b>							
General Government					105,999		105,999
Public Safety	6,888	216,538			2,681	3,870	229,977
Public Works							-
Health & Welfare	6,047				16,934		22,981
Cultural & Recreation	66,253						66,253
Professional Services							-
Capital Improvement					1,521,268		1,521,268
Other	109,127					8,105	117,232
<b>Total Expenditures</b>	<b>188,315</b>	<b>216,538</b>	<b>-</b>	<b>-</b>	<b>1,646,882</b>	<b>11,975</b>	<b>2,063,710</b>
Excess of Revenues Over (Under) Expenditures	360,973	249,161	998,524	2,010	(2,644)	(3,587)	1,604,437
Other Financing Sources (Uses) Transfers from Other Funds Transfers to Other Funds	366,036 (533,000)	(231,617)	(948,467)		22,000 (12,400)	716	388,752 (1,725,484)
<b>Total Other Financing Sources (Uses)</b>	<b>(166,964)</b>	<b>(231,617)</b>	<b>(948,467)</b>	<b>-</b>	<b>9,600</b>	<b>716</b>	<b>(1,336,732)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	194,009	17,544	50,057	2,010	6,956	(2,871)	267,705
Fund Balance - July 1	1,972,209	55,628	290,963	34,727	195,484	49,183	2,598,194
<b>Fund Balance - June 30</b>	<b>2,166,218</b>	<b>73,172</b>	<b>341,020</b>	<b>36,737</b>	<b>202,440</b>	<b>46,312</b>	<b>2,865,899</b>

**CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Community Development Operating	Business/ Economic Development	CDBG Public Service	2008 CDBG Home Repair Network Grant	2007 CDBG Home Repair Network Grant	CDBG Housing Assistance Grant Program
Revenues						
Microloan Payments	22,895		25,281	922,524	291,519	70,943
Intergovernmental Revenues	54	3,021				
Interest	39	1,982				
Fair Value Increases(Decreases)						
Local Sources	28,371					
Total Revenues	51,359	5,003	25,281	922,524	291,519	70,943
Expenditures						
New Loans	6,900					1,028
Administration	2,600					5,610
Professional Services		275				64,305
Contractors			25,281			
Capital Improvement		85,000		885,336	291,519	
Equipment						
Other						
Total Expenditures	9,500	85,275	25,281	885,336	291,519	70,943
Excess of Revenues Over (Under) Expenditures	41,859	(80,272)	-	37,188	-	-
Other Financing Sources (Uses)						
Transfers from Other Funds		18,000				
Transfers to Other Funds		(8,000)				
Total Other Financing Sources (Uses)	-	10,000	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	41,859	(70,272)	-	37,188	-	-
Fund Balance - July 1	86,774	102,138	-	-	-	-
Fund Balance - June 30	128,633	31,866	-	37,188	-	-

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	CDBG Infrastructure	CDBG Downtown Tree Planting	CDBG Community Enterprise	Police N.A.D.D.I. Grant	Dept. of Justice Barnes Grant	Small Community Grant Program	Wellness Grant	Total
Revenues								
Microloan Payments								22,895
Intergovernmental Revenues	100,000		150,000	5,000	258	8,350		1,573,875
Interest								3,075
Fair Value Increases(Decreases)			5,500			8,250	251	2,021
Local Sources								42,372
Total Revenues	100,000	-	155,500	5,000	258	16,600	251	1,644,238
Expenditures								
New Loans								6,900
Administration						200		3,828
Professional Services								5,885
Contractors			159,413			16,500		365,499
Capital Improvement	100,000							1,261,855
Equipment				2,423	258		234	-
Other								2,915
Total Expenditures	100,000	-	159,413	2,423	258	16,700	234	1,646,882
Excess of Revenues Over (Under) Expenditures	-	-	(3,913)	2,577	-	(100)	17	(2,644)
Other Financing Sources (Uses)								
Transfers from Other Funds		(4,000)	4,000	(400)				22,000
Transfers to Other Funds		(4,000)						(12,400)
Total Other Financing Sources (Uses)	-	(4,000)	4,000	(400)	-	-	-	9,600
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(4,000)	87	2,177	-	(100)	17	6,956
Fund Balance - July 1	-	4,000	-	2,083	-	-	489	195,484
Fund Balance - June 30	-	-	87	4,260	-	(100)	506	202,440

**CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Bertlawsky Park	Odor Study	Recreation Fund	Coast Guard	Total
Revenues									
Intergovernmental Revenues		1,900					850	4,084	6,834
Other Local Sources	151	121	9	546	118			7	952
Interest	109	88		350	55				602
Fair Value Increases (Decreases)									
Total Revenues	260	2,109	9	896	173	-	850	4,091	8,388
Expenditures									
Public Safety Programs		3,870							3,870
Repairs and Maintenance			758						758
Scholarships				1,000			1,020	5,327	1,000
Supplies/Materials									6,347
Professional Services									-
Total Expenditures	-	3,870	758	1,000	-	-	1,020	5,327	11,975
Excess of Revenues Over (Under) Expenditures	260	(1,761)	(749)	(104)	173	-	(170)	(1,236)	(3,587)
Other Financing Sources (Uses) Transfer from Other Funds Transfer to Other Funds		716							716
Total Other Financing Sources (Uses)	-	716	-	-	-	-	-	-	716
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	260	(1,045)	(749)	(104)	173	-	(170)	(1,236)	(2,871)
Fund Balance (Deficit) - July 1	4,596	1,045	4,872	17,816	3,597	2,819	11,336	3,102	49,183
Fund Balance - June 30	4,856	-	4,123	17,712	3,770	2,819	11,166	1,866	46,312

**CITY OF ROCKLAND**  
**EMERGENCY MEDICAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2009**

Exhibit B-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
User Fees	378,653	350,177	(28,476)
Owls Head EMS Service	62,892	62,892	-
Aid to Outside Towns	27,600	44,350	16,750
Interest		4,742	4,742
Change in Fair Value		3,422	3,422
Donations	300	25	(275)
All Other	200	91	(109)
Total Revenues	<u>469,645</u>	<u>465,699</u>	<u>(3,946)</u>
Expenditures			
Personal Services	117,044	112,557	4,487
Contracted Services	77,414	64,992	12,422
Commodities	34,570	29,082	5,488
Capital Outlay	9,000	9,907	(907)
Total Expenditures	<u>238,028</u>	<u>216,538</u>	<u>21,490</u>
Excess of Revenues Over (Under) Expenditures	<u>231,617</u>	<u>249,161</u>	<u>17,544</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	(231,617)	(231,617)	-
Use of Surplus	-	-	-
Total Other Financing Sources (Uses)	<u>(231,617)</u>	<u>(231,617)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>-</u>	<u>17,544</u>	<u>17,544</u>
Fund Balance - July 1		<u>55,628</u>	
Fund Balance - June 30		<u><u>73,172</u></u>	

CITY OF ROCKLAND  
RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2009

Reserve Fund	Fund Balance July 1	New Funds	Transfers From (To) Other Funds	Interest/Dividends	Increase (Decrease) In Fair Value	Expenditures	Fund Balance June 30
Sewer Depreciation	182,645		(25,457)	376	272		157,836
Sewer Equipment	24,069		(24,148)	46	33		-
Sewer Debt Service	313,281		(331,416)	10,533	7,602		-
Samoset/Glen Cove I & I	3,546			119	86		3,751
Samoset Debt Service	(45)			(1)	(1)		(47)
Johnson Park	707			24	17		748
Custom House Parking Lot	111,606	13,204		3,743	2,701		131,254
Police Forfeiture	23,855	23,205		948	685	(6,584)	42,109
Industrial Park Land Sales	66,103	4,000		2,222	1,604		73,929
City Land Sales	17,516	376,001	(15,000)	(675)	(487)	(109,127)	268,228
Parks	13,099		7,886	330	239	(7,503)	14,051
Merritt Park Playground	62,481	5,504		2,081	1,502	(58,750)	12,818
Fish Pier Maintenance	2,617			88	64		2,769
Fish Pier Improvements	32,744		39,190	1,769	1,276		74,979
Police Trading Cards	1,700			47	34	(304)	1,477
Audio Visual Reserve	4,031			189	137		4,357
Thermal Imaging Camera	-						-
Ground Cover Reserve	14,394			484	349		15,227
Recreation Reserve	2,317			78	56		2,451
Pumping/Chemicals Reserve	5,341		(5,650)	179	130		-
Sewer Rate Stabilization Reserve	209,916		60,000	5,377	3,880		279,173
Sewer Renewal and Replacement Reserve	387,193		90,000	10,329	7,454		494,976
Civil War Artifacts Reserve	16,411			543	392		17,346
Emergency Medical Reserve	15,938			536	386		16,860
Skatepark Helmet Reserve	1,128			38	27		1,193
Traffic Improvements Reserve	31,313			1,053	759		33,125
Landfill Closure Reserve	213,772		50,000	7,188	5,187		276,147
Ladder Truck Reserve	11,062			425	307		11,794
Landfill Perpetual Care Reserve	57,511		(113,329)	1,934	1,395		60,840
Sewer-CIP Reserve	107,128			3,602	2,599	(6,047)	-
Fuel Assistance Reserve	18,180	11,120		337	243		23,833
Fire Department Building Reserve	8,650	12,390					21,040
Transfer Station Capital Equipment Reserve	12,000	40,000					52,000
TIF Tillson Redevelopment Reserve		48,570					48,570
Police Reserve		23,384					23,384
<b>Total</b>	<b>1,972,209</b>	<b>456,418</b>	<b>(166,964)</b>	<b>53,942</b>	<b>38,928</b>	<b>(188,315)</b>	<b>2,166,218</b>

**CITY OF ROCKLAND**  
**ALL CAPITAL PROJECT FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2009**

*Exhibit C-1*

<i>Assets</i>	<i>Pump Station/CSO Project</i>	<i>Capital Improvements Program</i>	<i>Total</i>
Investments		35,794	35,794
Due from Other Funds	206,002	491,498	697,500
<b>Total Assets</b>	<b>206,002</b>	<b>527,292</b>	<b>733,294</b>
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable			-
Due to Other Funds		-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances			
Unreserved			
Designated for Subsequent Years' Expenditures	206,002	517,825	723,827
Undesignated		9,467	9,467
<b>Total Fund Balances</b>	<b>206,002</b>	<b>527,292</b>	<b>733,294</b>
<b>Total Liabilities and Fund Balances</b>	<b>206,002</b>	<b>527,292</b>	<b>733,294</b>

**CITY OF ROCKLAND**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

*Exhibit C-2*

	<i>Pump Station/CSO Project</i>	<i>Capital Improvements Program</i>	<i>Total</i>
Revenues			
Intergovernmental Revenue			-
Local Sources		6,800	6,800
Change in Fair Value		1,138	1,138
Interest		821	821
<b>Total Revenues</b>	-	<b>8,759</b>	<b>8,759</b>
Expenditures			
Capital Outlay		444,140	444,140
Equipment		568,177	568,177
Other			-
<b>Total Expenditures</b>	-	<b>1,012,317</b>	<b>1,012,317</b>
Excess of Revenues Over (Under) Expenditures	-	<b>(1,003,558)</b>	<b>(1,003,558)</b>
Other Financing Sources (Uses)			
Capital Lease Proceeds		981,100	981,100
Transfers from Other Funds		-	-
Transfers to Other Funds		(80,000)	(80,000)
<b>Total Other Financing Sources (Uses)</b>	-	<b>901,100</b>	<b>901,100</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	<b>(102,458)</b>	<b>(102,458)</b>
Fund Balance - July 1	206,002	629,750	835,752
<b>Fund Balance - June 30</b>	<b>206,002</b>	<b>527,292</b>	<b>733,294</b>

CITY OF ROCKLAND  
 CAPITAL IMPROVEMENTS FUND  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1	Transfers	Revenues	Total Available	Expenditures	Transfer From(To) Unreserved	Balance June 30
<i>City Projects</i>							
Road Construction	104,798	(80,000)		24,798			24,798
Drainage Projects	1,597			1,597			1,597
Lindsey Brook Rehab	317,223			317,223	(15,446)		301,777
Roads and Sidewalks	4,327			4,327			4,327
Recycling Facility Improvement	10,090			10,090			10,090
EMS Utility Vehicle	108,423		1,959	110,382			110,382
Sign Van	8,000			8,000			8,000
Monitoring Well Landfill	12,000			12,000			12,000
Fire/EMS Command Vehicle	2,840			2,840			2,840
Solid Waste Transfer Trailer	-		57,150	57,150	(57,150)		-
Solid Waste Land Dozer	-		310,000	310,000	(310,000)		-
Solid Waste Extraction Well & Monitoring Wells	-		35,963	35,963	(7,751)		28,212
Fire Rescue Pumper	-		2,000	2,000	(981)		1,019
Police Upgrade Radar Units	-		6,600	6,600	(2,329)	(3,502)	769
PW Replace 97 Case 621 Loader	-		106,974	106,974	(106,974)		-
PW 1 Ton Dump Truck	43,771			43,771	(47,273)	3,502	-
PW Replace GMC 5500 Dump Truck	-		121,195	121,195	(121,195)		-
PW Sidewalk Machine	-		107,850	107,850	(107,850)		-
PW Replace 91 Vacuum Sweeper	-		181,575	181,575	(181,575)		-
CDBG Recreation Renovation	-		37,312	37,312	(37,312)		-
FD Fire Hose Upgrade/Replacement	-		21,281	21,281	(16,481)		4,800
Municipal Fish Pier Underground Elec.	7,214			7,214			7,214
<b>City Designated Balances</b>	<b>620,283</b>	<b>(80,000)</b>	<b>989,859</b>	<b>1,530,142</b>	<b>(1,012,317)</b>	<b>-</b>	<b>517,825</b>
<b>Total Designated Balances</b>	<b>620,283</b>	<b>(80,000)</b>	<b>989,859</b>	<b>1,530,142</b>	<b>(1,012,317)</b>	<b>-</b>	<b>517,825</b>
<b>Unreserved - Undesignated</b>	<b>9,467</b>			<b>9,467</b>			<b>9,467</b>
<b>Total CIP</b>	<b>629,750</b>	<b>(80,000)</b>	<b>989,859</b>	<b>1,539,609</b>	<b>(1,012,317)</b>	<b>-</b>	<b>527,292</b>

**CITY OF ROCKLAND  
PERMANENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2009**

*Exhibit D-1*

<i>Assets</i>	<i>Cemetery</i>	<i>Haines Charity</i>	<i>Keywood Library</i>	<i>Leach Library</i>	<i>All Other (Exhibit D-4)</i>	<i>Total</i>
Cash	10,024	103,317				113,341
Investments	137,966	140,647	104,101	64,176	31,533	478,423
Due From Other Funds						-
Loans Receivable		7,787				7,787
<b>Total Assets</b>	<b>147,990</b>	<b>251,751</b>	<b>104,101</b>	<b>64,176</b>	<b>31,533</b>	<b>599,551</b>
<i>Liabilities and Fund Balances</i>						
<i>Liabilities</i>						
Due to Other Funds	46,923	6,706	9,000	560	682	63,871
<b>Total Liabilities</b>	<b>46,923</b>	<b>6,706</b>	<b>9,000</b>	<b>560</b>	<b>682</b>	<b>63,871</b>
<i>Fund Balances (Deficit)</i>						
Reserved for Endowments	88,131	57,581	91,230	50,000	17,800	304,742
Reserved for Loans Unreserved		7,787				7,787
Undesignated	12,936	179,677	3,871	13,616	13,051	223,151
<b>Total Fund Balances</b>	<b>101,067</b>	<b>245,045</b>	<b>95,101</b>	<b>63,616</b>	<b>30,851</b>	<b>535,680</b>
<b>Total Liabilities and Fund Balances</b>	<b>147,990</b>	<b>251,751</b>	<b>104,101</b>	<b>64,176</b>	<b>31,533</b>	<b>599,551</b>

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 COMBINING BALANCE SHEET - ALL OTHER  
 JUNE 30, 2009

<i>Assets</i>	<i>Cleveland/ Bostick Library</i>	<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
Investments	11,615	6,181	5,022	8,715	31,533
Due from Other Funds					
Loans Receivable					
<b>Total Assets</b>	<b>11,615</b>	<b>6,181</b>	<b>5,022</b>	<b>8,715</b>	<b>31,533</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds	63			619	682
Total Liabilities	63			619	682
Fund Balances					
Reserved for Endowments	10,000	1,000	200	6,600	17,800
Reserved for Loans					
Unreserved	1,552	5,181	4,822	1,496	13,051
Undesignated					
Total Fund Balances	11,552	6,181	5,022	8,096	30,851
<b>Total Liabilities and Fund Balances</b>	<b>11,615</b>	<b>6,181</b>	<b>5,022</b>	<b>8,715</b>	<b>31,533</b>

**CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2009**

	Cemetery	Haines Charity	Keywood Library	Leach Library	All Other (Exhibit D-4)	Total
Revenues						
Local Sources						
Investment Income	5,134	6,848	2,922	1,801	883	17,588
Fair Value Increases (Decreases)	(12,247)	4,382	1,870	1,153	567	(4,275)
Total Revenues	(7,113)	11,230	4,792	2,954	1,450	13,313
Expenditures						
Charity		11,847				11,847
Cemetery Care	21,214					21,214
Total Expenditures	21,214	11,847				33,061
Excess of Revenues Over (Under) Expenditures	(28,327)	(617)	4,792	2,954	1,450	(19,748)
Other Financing Sources (Uses)						
Transfer From Other Funds	75,000	10,000	(9,000)	(560)	(682)	85,000
Transfer to Other Funds						(10,242)
Total Other Financing Sources (Uses)	75,000	10,000	(9,000)	(560)	(682)	74,758
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	46,673	9,383	(4,208)	2,394	768	55,010
Fund Balance - July 1	54,394	235,662	99,309	61,222	30,083	480,670
Fund Balance - June 30	101,067	245,045	95,101	63,616	30,851	535,680

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL OTHER  
 FOR THE YEAR ENDED JUNE 30, 2009

	Cleveland/ Bostick Library	Flower	Monroe Highway	Other Library	Total
Revenues					
Investment Income	325	173	141	244	883
Fair Value Increases (Decreases)	209	111	90	157	567
Total Revenues	534	284	231	401	1,450
Expenditures					
Abatements					-
Cemetery Care					-
Total Expenditures					-
Excess of Revenues Over (Under) Expenditures	534	284	231	401	1,450
Other Financing Sources (Uses) Transfer to Other Funds	(63)			(619)	(682)
Total Other Financing Sources (Uses)	(63)			(619)	(682)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	471	284	231	(218)	768
Fund Balance - July 1	11,081	5,897	4,791	8,314	30,083
Fund Balance - June 30	11,552	6,181	5,022	8,096	30,851

CITY OF ROCKLAND  
 WASTEWATER ENTERPRISE CAPITAL IMPROVEMENTS  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1	Transfers	Revenues	Total Available	Expenditures	Transfer From(To) Unreserved	Balance June 30
<i>Wastewater Projects</i>							
WWTP Lifting Hook - Drum	4,880			4,880			4,880
Rehab Sea Pro Pump Station	50,000			50,000			50,000
Sand & Paint Clarifier	25,000			25,000			25,000
Resinous Floor Coat	30,000			30,000			30,000
Enlarge Door GBT Room	8,000			8,000			8,000
WWTP Recline Sewer Pipe	55,500			55,500			55,500
WWTP Rehab Clarifier	11,540			11,540	(11,540)		-
WWTP 50% Aeration Cover	100,520			100,520	(66,303)		34,217
	629,869	-	-	285,440	(77,843)	-	207,597
Wastewater Designated Balances							

**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**

March 15, 2010

Members of the City Council  
City of Rockland  
Rockland, ME 04841

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockland, Maine as of and for the year ended June 30, 2009, which collectively comprise the City of Rockland, Maine's basic financial statements and have issued our report thereon dated March 15, 2010. 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.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the City of Rockland, Maine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rockland, Maine's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rockland, Maine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rockland, Maine's financial statements that is more than inconsequential will not be prevented or detected by the City of Rockland, Maine's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2009-1 through 2009-4.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Rockland, Maine's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2009-1 through 2009-4 to be material weaknesses.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the City of Rockland, Maine's financial statements are free of 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*.

This report is intended solely for the information and use management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

***REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

March 15, 2010

Members of the City Council  
City of Rockland  
Rockland, ME 04841

***Compliance***

We have audited the compliance of the City of Rockland, Maine with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Rockland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Rockland, Maine's management. Our responsibility is to express an opinion on the City of Rockland, Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Audits Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Rockland, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Rockland, Maine's compliance with those requirements.

In our opinion the City of Rockland, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

***Internal Control Over Compliance***

The management of the City of Rockland, Maine is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Rockland, Maine's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Rockland, Maine's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

*SCHEDULE I  
CITY OF ROCKLAND  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2009*

*Auditor's  
Reference  
Number*

**2008-06:**

Major Program: CDBG Community Enterprise-Façade Grant  
CFDA #14.228  
Federal Agency: Housing and Urban Development

*Condition:* This finding was a material weakness stating that the Davis-Bacon Act was not followed for some contractors. 17 of 21 contractors did not provide Davis-Bacon Act wage information. 19 of 40 employees tested were not paid the prevailing wage rates.

*Auditor's Recommendation:* Certified payrolls should be reviewed by management for each of the contractors and subcontractors subject to Davis-Bacon requirements. Each payroll should be reviewed to determine that all employees are being paid the current federal prevailing wage rates. The certified payrolls should be signed by an employee and management as evidence of the review.

*Current Status:* The recommendations have been adopted. No similar findings were noted in the 2009 audit.

**2008-07:**

Major Program: CDBG Community Enterprise-Façade Grant  
CFDA #14.228  
Federal Agency: Housing and Urban Development

*Condition:* This finding was a material weakness stating that Procurement and Suspension and Debarment policies were not followed for all recipients.

*Auditor's Recommendation:* Management needs to monitor all sub recipients of grants to ensure they are in compliance with all requirements of the grant.

*Current Status:* The recommendations have been adopted. No similar findings were noted in the 2009 audit.

*SCHEDULE II  
CITY OF ROCKLAND, MAINE  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009*

*A. SUMMARY OF AUDITOR'S RESULTS*

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the City of Rockland.
2. Reportable conditions relating to the audit of the financial statements are reported in the *Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Rockland were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the *Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the City of Rockland expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs include:

CDBG Grants CFDA #14.228
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Rockland was not determined to be a low-risk auditee.

*B. FINDINGS – FINANCIAL STATEMENT AUDIT*

**2009-01 RECONCILIATION OF ACCOUNTS PAYABLE, ACCOUNTS RECEIVABLE AND PAYROLL WITHHOLDING ACCOUNTS**

Reconciliations were attempted for several months, however they were not finished until after year end. Failure to reconcile the general ledger allows errors to go undetected and results in inaccurate and incomplete financial records. The reconciliations identified variances in the general ledger; however, steps were not taken to reconcile to the subsidiary ledgers and make entries necessary and were not completed in a timely manner.

We recommend that management monitor the monthly reconciliations to ensure that they are completed in a timely manner and that the general ledger accounts agree with the subsidiary ledgers and/or payroll reports.

## **2009-02 RECONCILIATION OF GRANT FUNDS, CAPITAL IMPROVEMENT PROJECTS**

The City has established separate funds to account for grants and capital improvement projects through the finance department. The administration of the grants is run by the community development office of the city. There are various forms of funding for every grant obtained for capital improvement projects. Reconciliation of the accounting records to the grant documents and project funding was attempted, however was not finalized at year end. The general ledger, revenue and expense reports should be reconciled monthly to each grant document and budgeted funding source in order to assure accurate reporting and proper adherence to grant/budget requirements. This should be reviewed by the community development office to verify accuracy. We recommend that management monitor the progress of these reconciliations to assure they are completed on a monthly basis and reviewed.

## **2009-03 EMERGENCY MEDICAL FUND**

The emergency medical fund accounts receivable balance was not adjusted to the aged trial balance of the outside billing agency at year end. The outside billing agency does not always send their billings, payments and write off reports on a monthly basis. Although a reconciliation is done of payments made, there are still collections received by the City that have not been posted to patient accounts at year-end. We recommend that management continue to request monthly reports and continue to reconcile City collections to the outside billing agency. We also recommend continued follow up of payments not posted to patient accounts.

Also, new funds received from Medicaid referred to as "seed money" have been posted by the City to a separate account. "Seed money" is money sent to help cover the costs associated with Medicaid. This money has been deferred until accounts receivable have been finalized.

## **2009-04 FINANCIAL STATEMENT PREPARATION**

*Condition:* Based on recently implemented auditing standards, inadequate design of internal control over the preparation of the financial statements is deemed to be a material weakness in the internal control structure.

*Criteria:* Internal control over financial reporting in preparing the financial statements.

*Cause:* Due to financial and time constraints to effectively prepare and evaluate the audited financial statements and detect material misstatements in those financial statements, the board and management approve the auditors to prepare the financial statements.

*Effect:* The auditor prepares the financial statements.

*Recommendation:* The board should continue to understand and take responsibility for the financial statements.

*Response:* Management concurs with the recommendation and will continue to understand and take responsibility for the financial statements.

### ***C. FINDINGS AND QUESTIONED COSTS -- MAJOR FEDERAL AWARD PROGRAMS AUDIT***

NONE

CITY OF ROCKLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2009

SCHEDULE III

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Program or Award Amount	Accrued or (Deferred) Revenue at July 1	Revenues	Expenditures	Accrued or (Deferred) Revenue at June 30
U.S. Department of Housing and Urban Development							
Passed Through State Department of Economic and Community Development							
Housing Assistance (Rehab)	14.228	015-19A-05870126631	250,000		70,943	(70,943)	-
2008 Home Repair Network Program	14.228	015-19A-05870126631	1,552,500		922,524	(885,336)	37,188
2007 Home Repair Network Program	14.228	015-19A-05870126631	1,050,000		291,519	(291,519)	-
CDBG Community Enterprise-Streetscape	14.228	015-19A-05870126631	150,000		150,000	(150,000)	-
CDBG Public Infrastructure-Limerock Street	14.228	015-19A-05870126631	100,000		100,000	(100,000)	-
CDBG Public Service	14.228	015-19A-05870126631	30,000		25,281	(25,281)	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>3,132,500</b>	<b>-</b>	<b>1,560,267</b>	<b>(1,523,079)</b>	<b>37,188</b>
U.S. Department of Transportation							
Passed Through State Department of Transportation							
2009 HV Seat Belt Enforcement	20.600	013-16A-304D0126401	2,000		1,964	(1,964)	-
2009 Speed Enforcement Grant	20.600	013-16A-304D0126401	4,919		2,303	(2,303)	-
2008 Speed Enforcement Grant	20.600	013-16A-304D0126401	4,970		1,690	(1,690)	-
2009 HV Impaired Driving Enforcement	20.600	013-16A-304D0126401	5,000		5,000	(5,000)	-
2008 Holiday Enforcement	20.600	013-16A-308A0126401	6,381		3,061	(3,061)	-
2008 OUI Enforcement Grant	20.600	013-16A-308A0126401	4,999		3,850	(3,850)	-
<b>Total U.S. Department of Transportation</b>			<b>28,269</b>	<b>-</b>	<b>17,868</b>	<b>(17,868)</b>	<b>-</b>
U.S. Department of Agriculture							
Passed Through State Department of Conservation							
Project Canopy Assistance Program	10.675	--	4,937	4,000		(4,000)	-
<b>Total U.S. Department of Agriculture</b>			<b>4,937</b>	<b>4,000</b>	<b>-</b>	<b>(4,000)</b>	<b>-</b>
U.S. Department of Justice							
Underage Drinking Enforcement	16.727	--	16,935		8,707	(8,707)	-
Consolidation of Equipment and Services	16.804	--	39,491		258	(258)	-
Bulletproof Vest Partnership	16.607	--	1,400		1,400	(1,400)	-
<b>Total U.S. Department of Justice</b>			<b>57,826</b>	<b>-</b>	<b>10,365</b>	<b>(10,365)</b>	<b>-</b>
U.S. Department of Homeland Security							
Passed Through State Department of Defense, Veterans and Emergency Management							
Federal Emergency Management Funds	97.036	--	84,941		84,941	(84,941)	-
<b>Total U.S. Department of Homeland Security</b>			<b>84,941</b>	<b>-</b>	<b>84,941</b>	<b>(84,941)</b>	<b>-</b>
<b>Total</b>			<b>3,308,473</b>	<b>4,000</b>	<b>1,673,441</b>	<b>(1,640,253)</b>	<b>37,188</b>

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***CITY OF ROCKLAND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009***

***NOTE A – SIGNIFICANT ACCOUNTING POLICIES***

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting whereby transactions are presented in the same way as they are included in the financial statements of the City of Rockland, Maine in accordance with generally accepted accounting principles.