

*CITY OF ROCKLAND, MAINE*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR ENDED  
JUNE 30, 2012*

**CITY OF ROCKLAND  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2012**

<b>TABLE OF CONTENTS</b>		<b>PAGE(S)</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>		1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		3 - 8
<b>BASIC FINANCIAL STATEMENTS</b>		
<b>EXHIBIT</b>		
<b>GOVERNMENTAL-WIDE FINANCIAL STATEMENTS</b>		
A	Statement of Net Assets	9
B	Statement of Activities	10
<b>FUND FINANCIAL STATEMENTS</b>		
<b>Governmental Funds Financial Statements</b>		
C	Balance Sheet - Governmental Funds	11 - 12
D	Combined Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	13 - 14
<b>Proprietary Fund Financial Statements</b>		
E	Statement of Net Assets	15
F	Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
G	Statement of Cash Flows	17
<b>Fiduciary Fund Financial Statements</b>		
H	Statement of Net Assets	18
I	Statement of Changes in Net Assets	19
<b>NOTES TO THE FINANCIAL STATEMENTS</b>		20 - 38
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		
J	Budgetary Comparison Schedule	39
<b>OTHER SUPPLEMENTARY INFORMATION</b>		
<b>EXHIBIT</b>		
<b>GENERAL FUND</b>		
A-1	Statement of Estimated and Actual Revenues	40 - 41
A-2	Statement of Appropriations, Expenditures & Encumbrances	42 - 43
A-3	Statement of Changes in Unassigned Fund Balance	44
A-4	Combining Balance Sheet - All General Reserves/Funds	45
A-5	Combining Statement of Revenues, Expenditures and Changes in Fund Balances- All General Reserves/Funds	46
A-6	Schedule of Activity - General Reserves Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	47
A-7	Emergency Medical Fund	48
A-8	Transfer Station	49

**CITY OF ROCKLAND  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS**

**PAGE(S)**

**SPECIAL REVENUE FUNDS**

Combining Balance Sheet		
B-1	All Special Revenue Funds	50
B-2	Federal/State Programs	51 - 52
B-3	All Other	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances		
B-4	All Special Revenue Funds	54
B-5	Federal/State Programs	55 - 57
B-6	All Other	58 - 59

**CAPITAL PROJECTS FUNDS**

C-1	Combining Balance Sheet All Capital Project Funds	60
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance - All Capital Project Funds	61
C-3	Capital Improvements Program - Schedule of Activity	62
C-4	Capital Reserve Funds - Schedule of Activity	63

**PERMANENT FUNDS**

D-1	Combining Balance Sheet - All Permanent Funds	64
D-2	Combining Balance Sheet - All Other	65
D-3	Statement of Activity - All Permanent Funds	66
D-4	Statement of Activity - All Other Matters	67

**ENTERPRISE FUNDS**

E-1	Wastewater Capital Improvements Program - Schedule of Activity	68
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**SINGLE AUDIT ACT  
 INDEPENDENT AUDITOR'S REPORTS AND SCHEDULES**

Report On Compliance and On Internal Control Over Financial Reporting Based On An Audit of Financial Statements Performed in Accordance With Government Auditing Standards	69 - 70
--	---------

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	71 - 72
--	---------

**SCHEDULES**

I	Summary Schedule of Prior Audit Findings	73 - 75
II	Schedule of Findings and Questioned Costs	76 - 80
III	Schedule of Expenditures of Federal Awards	81
	Notes to Schedule of Expenditures of Federal Awards	82

***INDEPENDENT AUDITOR'S REPORT***

May 22, 2013

Members of the City Council  
City of Rockland  
Rockland, ME 04609

We have audited the accompanying financial statements of the governmental activities, the 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, 2012, 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 of Rockland, Maine'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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockland, Maine as of June 30, 2012, 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 May 22, 2013 on our consideration of the City of Rockland, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 39 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rockland, Maine's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Respectfully Submitted,

*James W. Wadman, C.P.A.*

James W. Wadman, C.P.A.

**CITY OF ROCKLAND, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**

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, 2012. 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, 2012 by \$22,355,074 (presented as “net assets”). Of this amount, \$5,491,739 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 decreased by \$365,002 (a 4.7% decrease) for the fiscal year ended June 30, 2012. Net assets of governmental activities decreased by \$1,016,509 (a 7.0% decrease), while net assets of business-type activities showed an increase of \$651,507 (a 7.9% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the fiscal year ended June 30, 2012, the City's governmental funds reported a combined ending fund balance of \$7,593,507 with \$1,331,517 being general unassigned fund balance. This unassigned fund balance represents approximately 7.4% of the total general fund expenditures for the year.

**Long-term Debt:**

The City's total long-term debt obligations increased by \$4,804,914 (48.2%) during the current fiscal year. Governmental debt obligations increased by \$3,169,037 and proprietary debt obligations increased by \$1,635,877. New bonds were issued for the following: \$93,126 for library upgrades; \$675,000 for the recreation center water intrusion project; \$434,239 for capital purchases; \$2,438,500 for the public works big dig project and \$2,250,000 for the sewer pcf project. 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 and business-type activities separately. 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.

The government-wide financial statements can be found on pages 9-10 of this report.

**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.

The basic governmental fund financial statements can be found on pages 11-14 of this report.  
The basic proprietary fund financial statements can be found on pages 15-17 of this report.  
The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 20-38 of this report.

**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).

Required supplementary information can be found on page 39 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

56.9% 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.

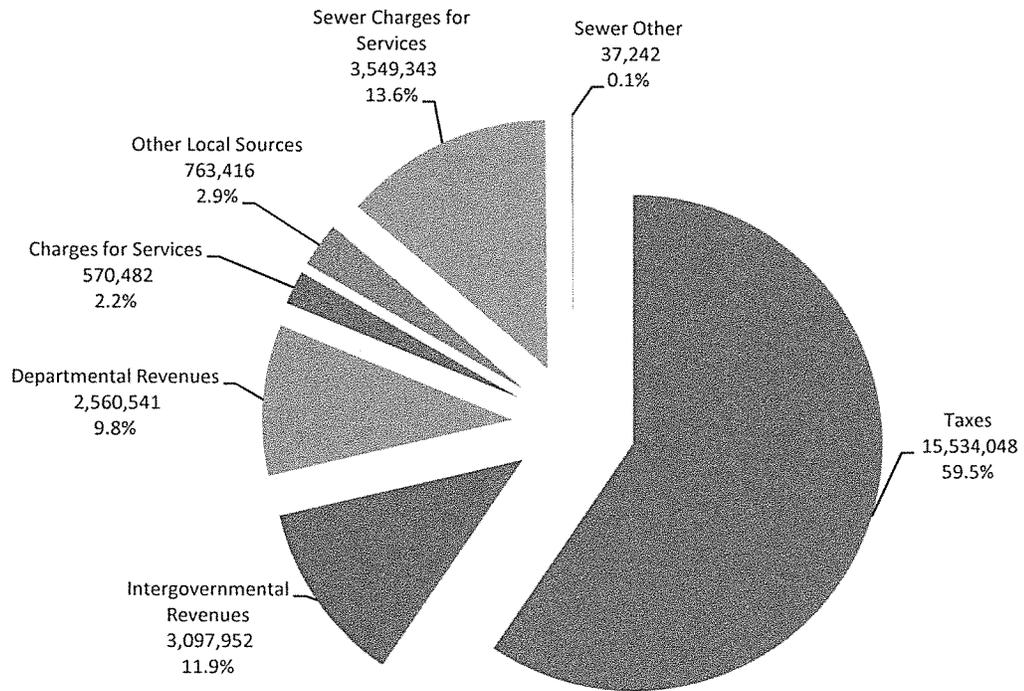
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2012</b>	<b>Total 2011</b>
Current Assets	10,523,047	2,192,069	12,715,116	9,950,199
Capital Assets	14,661,580	13,755,920	28,417,500	27,953,625
<b>Total Assets</b>	<b>25,184,627</b>	<b>15,947,989</b>	<b>41,132,616</b>	<b>37,903,824</b>
Current Liabilities	4,210,355	703,221	4,913,576	5,471,474
Other Liabilities	7,495,532	6,368,434	13,863,966	9,712,274
<b>Total Liabilities</b>	<b>11,705,887</b>	<b>7,071,655</b>	<b>18,777,542</b>	<b>15,183,748</b>
<b>Net Assets:</b>				
Invested in Capital Assets	5,831,870	6,882,719	12,714,589	14,710,196
Restricted	2,800,619	1,285,928	4,086,547	3,405,959
Unrestricted	4,846,251	707,687	5,553,938	4,603,921
<b>Total Net Assets</b>	<b>13,478,740</b>	<b>8,876,334</b>	<b>22,355,074</b>	<b>22,720,076</b>
<b>Total Liabilities and Net Assets</b>	<b>25,184,627</b>	<b>15,947,989</b>	<b>41,132,616</b>	<b>37,903,824</b>

**Changes in Net Assets**

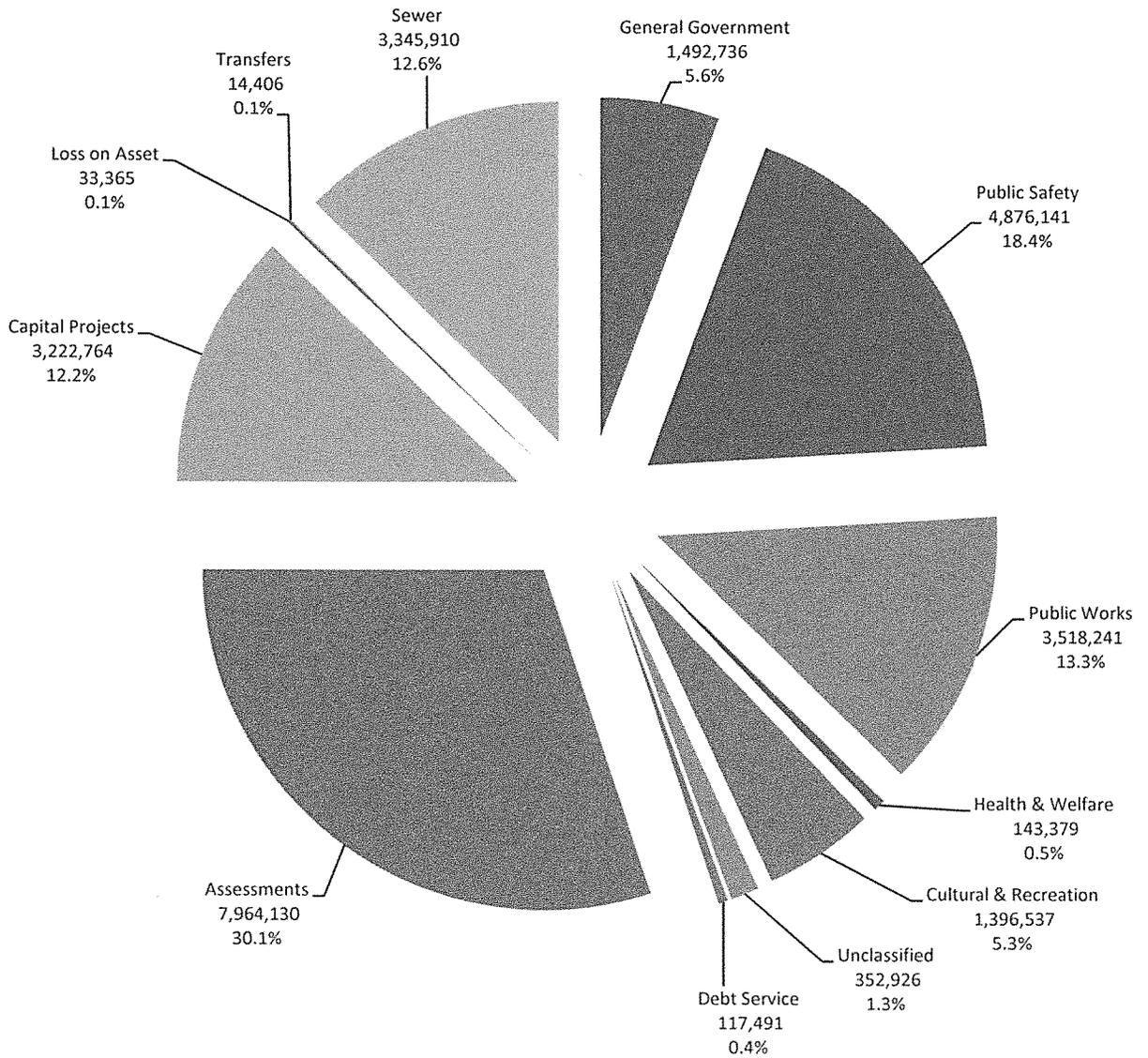
Approximately 43.4 percent of the City's total revenue came from property and excise taxes, approximately 34.0 percent came from State and Federal subsidies and grants, and approximately 22.6 percent came from services, investment earnings and other sources. Depreciation expense on the City's governmental activity assets represents \$1,403,096 of the total expenses for the fiscal year and \$694,402 of the total business-type activity assets.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2012</b>	<b>Total 2011</b>
<b><i>Revenues:</i></b>				
Taxes	15,534,048		15,534,048	14,976,111
Intergovernmental Revenues	2,537,120	560,832	3,097,952	11,705,419
Departmental Revenues	2,568,466		2,568,466	2,495,653
Charges for Services	562,557	3,549,343	4,111,900	4,314,769
Other Local Sources	763,416	37,242	800,658	983,600
<b><i>Total</i></b>	<b>21,965,607</b>	<b>4,147,417</b>	<b>26,113,024</b>	<b>34,475,552</b>
<b><i>Expenses:</i></b>				
General Government	1,492,736		1,492,736	1,456,523
Public Safety	4,876,141		4,876,141	4,619,127
Public Works	3,518,241	3,345,910	6,864,151	7,212,016
Health & Welfare	143,379		143,379	73,151
Cultural & Recreation	1,396,537		1,396,537	1,466,089
Unclassified	352,926		352,926	576,435
Debt Service	117,491		117,491	73,644
Assessments	7,964,130		7,964,130	7,662,968
Capital Projects	3,222,764		3,222,764	10,312,807
(Gain)/Loss on Disposal of Assets	33,365		33,365	-
Transfer (from)/to Enterprise Fund	(135,594)	150,000	14,406	-
<b><i>Total</i></b>	<b>22,982,116</b>	<b>3,495,910</b>	<b>26,478,026</b>	<b>33,452,760</b>
<b><i>Changes in Net Assets</i></b>	<b>(1,016,509)</b>	<b>651,507</b>	<b>(365,002)</b>	<b>1,022,792</b>

## Revenues By Source - Governmental and Business-Type Activities



## Expenditures By Source - Governmental and Business Type Activities



## 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 \$7,593,507, an increase of \$1,338,338 in comparison with the prior year. Approximately 17.5 percent of this total amount constitutes unassigned 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.

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$(68,947) negative variance in property tax resulting from supplemental taxes of \$9,548 less a deferred property tax adjustment of (\$78,495).
- \$(27,023) negative variance in interest/lien charges revenue due to more individuals paying property taxes timely and more people taking advantage of tax payment plans.
- \$25,079 positive variance in welfare reimbursement and \$(49,388) negative variance in welfare expenditures due to more first time individuals receiving welfare than predicted.
- \$50,187 positive variance in executive department due to the City Manager position being vacant for seven months and the Finance Director performing the duties.
- \$65,126 positive variance in police department due to a shortage of full time police officers.
- \$71,889 positive variance in public works department due to a light winter resulting in savings on overtime, equipment rental and salt.
- \$(17,757) negative variance in fringe benefits due to 3 long time employees retiring and two other employees leaving during the fiscal year.
- \$18,302 positive variance in other unclassified due to the property insurance being lower than predicted.

### 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 \$57,766,095, net of accumulated depreciation of \$29,348,594, leaving a net book value of \$28,417,501. Current year additions include \$80,000 in donated city land, \$73,500 in library building additions, \$796,707 in equipment, \$108,211 for infrastructure and 1,544,612 in construction work in process.

## 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, 2012**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,542,749	150	2,542,899
Investments	2,971,677	1,485	2,973,162
Receivables			
Taxes	1,301,575		1,301,575
Tax Liens	264,667		264,667
Accounts	234,937		234,937
User Fees, net	410,605	624,804	1,035,409
Loans	3,806,866		3,806,866
Tax Acquired Property	46,766	656	47,422
Prepaid Expenses	253,163		253,163
Due From Other Governments	255,016		255,016
Internal Balances	(1,564,974)	1,564,974	-
Capital Assets:			
Land	841,671	1,102	842,773
Other Capital Assets, Net of Depreciation	12,409,602	10,024,968	22,434,570
Construction Work In Process	1,410,307	3,729,850	5,140,157
<b>Total Assets</b>	<b>25,184,627</b>	<b>15,947,989</b>	<b>41,132,616</b>
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	1,698,639	-	1,698,639
Retainage Payable	97,384	1,000	98,384
Payroll Taxes / Deductions	45,740		45,740
Prepaid Taxes	18,542		18,542
Deposits Payable	13,903		13,903
Compensated Absences Payable	1,001,969	107,422	1,109,391
Accrued Interest Payable		90,032	90,032
Long-term Liabilities:			
Due Within One Year	1,334,178	504,767	1,838,945
Due in More Than One Year	7,495,532	6,368,434	13,863,966
<b>Total Liabilities</b>	<b>11,705,887</b>	<b>7,071,655</b>	<b>18,777,542</b>
Net Assets			
Held for Postemployment Benefits	62,199		62,199
Investment in Capital Assets, net of Related Debt	5,831,870	6,882,719	12,714,589
Restricted Net Assets	2,800,619	1,285,928	4,086,547
Unrestricted	4,784,052	707,687	5,491,739
<b>Total Net Assets</b>	<b>13,478,740</b>	<b>8,876,334</b>	<b>22,355,074</b>
<b>Total Liabilities and Net Assets</b>	<b>25,184,627</b>	<b>15,947,989</b>	<b>41,132,616</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, 2012**

**Exhibit B**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>		<u>Total</u>		<u>Total</u>
		<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>		
<u>Primary Government</u>						
<u>Governmental Activities</u>						
General Government	1,492,736	149,149		(1,343,587)		(1,343,587)
Public Safety	4,876,141	730,724	47,312	(4,098,105)		(4,098,105)
Public Works	3,518,241	1,808,977	490,459	(1,218,805)		(1,218,805)
Health & Welfare	143,379		37,579	(105,800)		(105,800)
Cultural & Recreation	1,396,537	461,371	9,820	(925,346)		(925,346)
Unclassified	352,926			(352,926)		(352,926)
Debt Service	117,491			(117,491)		(117,491)
Assessments	7,964,130			(7,964,130)		(7,964,130)
Capital Projects	3,222,764		901,834	(2,320,930)		(2,320,930)
<u>Total Governmental Activities</u>	<u>23,084,345</u>	<u>3,150,221</u>	<u>1,487,004</u>	<u>(18,447,120)</u>		<u>(18,447,120)</u>
<u>Business-type Activities:</u>						
Wastewater	3,345,910	3,549,343	560,832		764,265	764,265
<u>Total Business-type Activities</u>	<u>3,345,910</u>	<u>3,549,343</u>	<u>560,832</u>	<u>-</u>	<u>764,265</u>	<u>764,265</u>
<u>Total Primary Government</u>	<u>26,430,255</u>	<u>6,699,564</u>	<u>2,047,836</u>	<u>(18,447,120)</u>	<u>764,265</u>	<u>(17,682,855)</u>
<u>General Revenues:</u>						
Taxes						
Property				14,698,909		14,698,909
Auto Excise				835,139		835,139
Intergovernmental Revenues				1,050,116		1,050,116
Interest/Change in Fair Value				143,356		143,356
Other Local Sources				600,862	37,242	638,104
Gain/(Loss) on Disposal of Assets				(33,365)		(33,365)
Transfers between Enterprise Fund				135,594	(150,000)	(14,406)
<u>Total Revenues, Special Items and Transfers</u>				<u>17,430,611</u>	<u>(112,758)</u>	<u>17,317,853</u>
<u>Changes in Net Assets</u>				<u>(1,016,509)</u>	<u>651,507</u>	<u>(365,002)</u>
<u>Net Assets - Beginning</u>				<u>14,495,249</u>	<u>8,224,827</u>	<u>22,720,076</u>
<u>Net Assets - Ending</u>				<u>13,478,740</u>	<u>8,876,334</u>	<u>22,355,074</u>

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

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

*Exhibit C*  
*Page 1 of 2*

	<i>General Fund</i>	<i>Federal/ State Programs</i>	<i>Capital Improvement Reserves</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>					
Cash and Equivalents	1,303,273	1,131	608,077	630,268	2,542,749
Investments	1,511,952	99,195	966,319	394,211	2,971,677
Taxes Receivable	1,301,575				1,301,575
Tax Liens Receivable	264,667				264,667
Accounts Receivable	234,937				234,937
User Fees Receivable	410,605				410,605
Loans Receivable	153,795	528,782		3,124,289	3,806,866
Tax Acquired Property	46,766				46,766
Prepaid Expense	253,163				253,163
Due from Other Governments	60,046	194,970		-	255,016
Due from Other Funds	1,466,977	310,258	771,284	571,770	3,120,289
<b>Total Assets</b>	<b>7,007,756</b>	<b>1,134,336</b>	<b>2,345,680</b>	<b>4,720,538</b>	<b>15,208,310</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable				1,698,639	1,698,639
Retainage Payable				97,384	97,384
Payroll Taxes/Deductions	45,740				45,740
Deferred Property Taxes	1,062,014				1,062,014
Deferred Revenues - Other	7,724				7,724
Prepaid Taxes	18,542				18,542
Due to Other Funds	3,221,980	186,357	439,545	822,975	4,670,857
Deposits Payable	13,903				13,903
<b>Total Liabilities</b>	<b>4,369,903</b>	<b>186,357</b>	<b>439,545</b>	<b>2,618,998</b>	<b>7,614,803</b>
<b>Fund Balances</b>					
Non-Spendable				125,381	125,381
Restricted		738,492		1,936,746	2,675,238
Committed	1,001,555	199,953	1,906,135	33,225	3,140,868
Assigned	304,781	9,990		6,188	320,959
Unassigned	1,331,517	(456)		-	1,331,061
<b>Total Fund Balances</b>	<b>2,637,853</b>	<b>947,979</b>	<b>1,906,135</b>	<b>2,101,540</b>	<b>7,593,507</b>
<b>Total Liabilities and Fund Balances</b>	<b>7,007,756</b>	<b>1,134,336</b>	<b>2,345,680</b>	<b>4,720,538</b>	<b>15,208,310</b>

(Continued)

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

*Exhibit C*  
*Page 2 of 2*

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

Total Fund Balance	7,593,507
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,402,682	<u>14,661,580</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenue - Other	7,724
Deferred Taxes	<u>1,062,014</u>
	<u>1,069,738</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(7,897,710)
Accrued Compensated Absences	(1,001,969)
Transfer from Fiduciary	(14,406)
Capital Leases Payable	<u>(932,000)</u>
	<u>(9,846,085)</u>
Net Assets of Governmental Activities	<u><u>13,478,740</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, 2012**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>Federal/ State Programs</i>	<i>Capital Improvement Reserves</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	15,455,552				15,455,552
Intergovernmental Revenues	1,062,195	1,449,425		25,500	2,537,120
Departmental Revenues	3,131,023				3,131,023
Interest	56,455	2,698	42,599	14,082	115,834
Change in Fair Value	12,731	1,140	16,004	(2,353)	27,522
Other Local Sources	474,361	25,413	94,920	30,598	625,292
<b>Total Revenues</b>	<b>20,192,317</b>	<b>1,478,676</b>	<b>153,523</b>	<b>67,827</b>	<b>21,892,343</b>
<b>Expenditures</b>					
General Government	1,397,589	3,400			1,400,989
Public Safety	4,514,744	79,760		692	4,595,196
Public Works	2,937,714	625,478			3,563,192
Health and Welfare	133,297			10,082	143,379
Culture and Recreation	1,266,305	13,320		14,194	1,293,819
Unclassified	473,881	8,889		30,156	512,926
Debt Service	930,780			44,659	975,439
Assessments	7,964,130				7,964,130
Capital Outlay		950,442	29,144	2,996,214	3,975,800
<b>Total Expenditures</b>	<b>19,618,440</b>	<b>1,681,289</b>	<b>29,144</b>	<b>3,095,997</b>	<b>24,424,870</b>
Excess of Revenues Over (Under) Expenditures	573,877	(202,613)	124,379	(3,028,170)	(2,532,527)
<b>Other Financing Sources (Uses)</b>					
Loan Proceeds				3,640,865	3,640,865
Donation of Land	80,000				80,000
Transfers from Other Funds	1,393,148	377,040	318,910	62,166	2,151,264
Transfers to Other Funds	(1,810,689)	(35)	-	(190,540)	(2,001,264)
<b>Total Other Financing Sources (Uses)</b>	<b>(337,541)</b>	<b>377,005</b>	<b>318,910</b>	<b>3,512,491</b>	<b>3,870,865</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	236,336	174,392	443,289	484,321	1,338,338
Fund Balance - July 1	2,401,517	773,587	1,462,846	1,617,219	6,255,169
<b>Fund Balance - June 30</b>	<b>2,637,853</b>	<b>947,979</b>	<b>1,906,135</b>	<b>2,101,540</b>	<b>7,593,507</b>

(Continued)

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

**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, 2012**

**Exhibit D**  
**Page 2 of 2**

Net change in fund balances - total governmental funds 1,338,338

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	1,885,456
Gain/(Loss) on Disposal of Assets	(33,365)
Depreciation expense	(1,420,190)
	<u>431,901</u>

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

Interfund Transfers	
Deferred Revenues - Other	(5,232)
Transfer to Fiduciary	(14,406)
Deferred Taxes	78,496
	<u>58,858</u>

Bond proceeds proved 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	
New bonds	(3,640,865)
Capital lease obligation principal payments	386,120
General obligation bond principal payments	471,828
	<u>(2,782,917)</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	(62,689)
	<u>(62,689)</u>

Change in net assets of governmental activities (1,016,509)

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

**CITY OF ROCKLAND**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2012**

*Exhibit E*

	<i>Wastewater Enterprise</i>
<i>Assets</i>	
<b>Current Assets:</b>	
Cash and Equivalents	150
Investments	1,485
Invested with General Fund	1,121,480
Total Cash and Investments	<u>1,123,115</u>
Receivables	
User Fees, net	624,804
Accounts	656
Due From Other Funds	<u>597,969</u>
<b>Total Current Assets</b>	<u>2,346,544</u>
<b>Noncurrent Assets:</b>	
Capital Assets, net	<u>13,755,920</u>
<b>Total Noncurrent Assets</b>	<u>13,755,920</u>
<b>Total Assets</b>	<u><u>16,102,464</u></u>
 <i>Liabilities and Fund Equity</i>	
<b>Liabilities</b>	
Retainage Payable	1,000
Accrued Compensated Absences	107,422
Accrued Interest Payable	90,032
Due to Other Funds	154,475
Bonds and Notes Payable	<u>504,767</u>
<b>Total Current Liabilities</b>	<u>857,696</u>
<b>Noncurrent Liabilities:</b>	
Bonds and Notes Payable	<u>6,368,434</u>
<b>Total Noncurrent Liabilities</b>	<u>6,368,434</u>
<b>Total Liabilities</b>	<u>7,226,130</u>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	6,882,719
Retained Earnings	
Reserved	1,285,928
Unreserved	<u>707,687</u>
<b>Total Net Assets</b>	<u>8,876,334</u>
<b>Total Liabilities and Net Assets</b>	<u><u>16,102,464</u></u>

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, 2012**

*Exhibit F*

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Operating Revenues:	
Industrial	2,242,041
Residential	715,213
Commercial	513,314
Chemical Surcharge	51,104
Sewer Reserve Capacity Fee	18,992
Interest - Late Penalties	8,679
	<hr/>
Total Operating Revenues:	3,549,343
	<hr/>
Operating Expenditures:	
Personnel	792,234
Contracted Services	1,036,788
Commodities	311,014
Equipment Repairs & Replacement	230,130
Capital Improvements Programs	75,803
Lease Payments	2,346
Depreciation and Amortization	685,600
	<hr/>
Total Operating Expenditures	3,133,915
	<hr/>
Net Operating Income	415,428
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Revenue	40
Change in Fair Value	17
USDA Grant Funds	560,832
Insurance Claim	19,011
Accident Repair	(11,224)
Nonutility Income, net of expense	18,174
Transfer from/(to) other funds	(150,000)
Interest Expense	(200,771)
	<hr/>
Total Nonoperating Revenue (Expenses)	236,079
	<hr/>
<i>Change in Net Assets</i>	651,507
	<hr/>
<i>Total Net Assets - Beginning</i>	8,224,827
	<hr/>
<i>Total Net Assets - Ending</i>	<u><u>8,876,334</u></u>

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, 2012**

*Exhibit G*

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	3,549,343
Payments to Suppliers	(1,656,081)
Payments to Employees	(792,234)
Other Receipts (Payments)	436,793
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>1,537,821</b>
	<hr/>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Purchases of Capital Assets	(717,573)
Principal Paid on Capital Debt	(614,124)
Interest Paid on Capital Debt	(200,771)
	<hr/>
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(1,532,468)</b>
	<hr/>
<b><i>Cash Flows from Investing Activities</i></b>	
Purchase of Investments	(875,525)
Interest and Dividends	57
	<hr/>
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>(875,468)</b>
	<hr/>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>(870,115)</b>
	<hr/>
<b><i>Balances - beginning of the year</i></b>	<b>1,993,230</b>
	<hr/>
<b><i>Balances - end of the year</i></b>	<b>1,123,115</b>
	<hr/> <hr/>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Net Operating Income (Loss)	415,428
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	685,600
(Increase) Decrease in Accounts Receivable	280,645
(Increase) Decrease in Due To/From Other Governments	558,014
Increase (Decrease) in Accrued Wages Payable	(8,770)
Increase (Decrease) in Accrued Interest Payable	64,733
Increase (Decrease) in Compensated Absences Payable	9,575
Increase (Decrease) in Accounts Payable	(467,404)
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>1,537,821</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, 2012**

*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	58,603	6,652	65,255
<b>Total Assets</b>	<b>58,603</b>	<b>6,652</b>	<b>65,255</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds	13,000	1,406	14,406
Total Liabilities	13,000	1,406	14,406
<i>Net Assets</i>			
Net Assets			
Reserved for Endowment Unreserved	27,000	5,000	32,000
Designated for Subsequent Years' Expenditures	18,603	246	18,849
Total Net Assets	45,603	5,246	50,849
<b>Total Liabilities and Net Assets</b>	<b>58,603</b>	<b>6,652</b>	<b>65,255</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, 2012**

*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)	(539)	(61)	(600)
Investment Income	1,325	150	1,475
Total Additions	786	89	875
<u>Reductions</u>			
Churches			-
Scholarships	3,000		3,000
Total Reductions	3,000	-	3,000
Changes in Net Assets	(2,214)	89	(2,125)
Net Assets - July 1	47,817	5,157	52,974
<b>Net Assets - June 30</b>	<b>45,603</b>	<b>5,246</b>	<b>50,849</b>

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 2012 is \$1,152,290. This figure has not been included as part of the City's financial statements.

**B. 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 non-fiduciary activities of the City. Fiduciary activities, whose resources are not available to finance the City's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed 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 or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *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 contributions 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*.

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

**B. Government-wide and Fund Financial Statements (Continued)**

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

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

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when 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. For this purpose, 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges, and intergovernmental revenues are all considered to be susceptible to accrual. Special assessments are recorded as revenues in the year the assessments become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the City.

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 Federal/State Funds are used to account for federal/state grants received.

The Capital Improvement Reserves are used for capital improvement accounts established by the council.

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.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

***D. Assets, Liabilities, and Net Assets or Fund 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.

***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, \$1,062,014 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 12, 2011 on property values assessed on April 1. Taxes were due in two installments due on September 23 and March 2, with interest at 7.0% beginning September 24 and March 3. 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 \$5,000 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.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**D. Assets, Liabilities, and Net Assets or Fund Equity (Continued)**

**4. Capital Assets (Continued)**

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 are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	18-77
Equipment	3-20

**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, holiday leave and comp time 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.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**7. Fund Balances/Net Assets**

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the City classifies governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through council approval and does not lapse at year-end.

*Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balances may be assigned by the City Council.

*Unassigned* – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The City considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The City's fund balance policy tries to maintain an unassigned fund balance approximating 7.5% of operating expenditures.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**7. Fund Balances/Net Assets (Continued)**

Fund Balances

The City has identified June 30, 2012 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Federal/ State Programs</i>	<i>Capital Improvement Projects</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u>Nonspendable</u>					
Library Trust Funds Principal				125,381	125,381
	-	-	-	125,381	125,381
<u>Restricted</u>					
Federal/State Programs		738,492			738,492
Library Trust Funds Expendable				323,895	323,895
RCHP Scholarship				15,964	15,964
Berliawsky Park				4,144	4,144
Other Special Revenues				19,108	19,108
Elizabeth Tyrell				26,316	26,316
Pump Station/CSO Project				206,002	206,002
PW Big Dig Project				361,861	361,861
Capital Improvements Program				979,456	979,456
	-	738,492	-	1,936,746	2,675,238
<u>Committed</u>					
General Reserves	983,555				983,555
Federal/State Programs		199,953			199,953
Tree Planting	18,000				18,000
Coast Guard				1,723	1,723
Veterans Memorial				3,561	3,561
Capital Improvement Program				27,941	27,941
Capital Reserve Funds			1,906,135		1,906,135
	1,001,555	199,953	1,906,135	33,225	3,140,868
<u>Assigned</u>					
Emergency Medical	100,087				100,087
Local Road Assistance	41,359				41,359
Federal/State Programs		9,990			9,990
Shore Village Museum				870	870
Police DARE				1,846	1,846
Skateboard Park Project				1,374	1,374
Odor Study				2,098	2,098
General Fund Encumbered Funds	163,335				163,335
	304,781	9,990	-	6,188	320,959
<u>Unassigned</u>					
General Fund	1,331,517				1,331,517
Federal/State Programs		(456)			(456)
	1,331,517	(456)	-	-	1,331,061
<u>Total Fund Balance</u>	2,637,853	947,979	1,906,135	2,101,540	7,593,507

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**7. Fund Balances/Net Assets (Continued)**

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.

Net assets are required to be classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

*Invested in capital assets, net of related debt* – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

*Restricted* – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

**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.

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,

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Budgetary Information (Continued)**

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 \$163,335.

**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. Deposits and Investments**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the City in the amount of the City's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Corporation (FDIC).

One or more of the financial institutions holding the City's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. Also through December 31, 2012, IOLTA accounts and NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the City's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the City and thus no custodial risk exists.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Deposits and Investments (Continued)**

At year-end, the government's carrying amount of deposits was \$2,542,899 and the bank balance was \$3,649,051. 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 Balance</i>	<i>Category</i>		
		<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>3,649,051</u>	<u>302,550</u>	<u>3,346,501</u>	-

**Investments**

At June 30, 2012, the City's investments, maturities and credit ratings are as follows:

Type	June 30, 2012						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
<b>General City:</b>							
Corporate Bonds	102,174	102,174				AAA	Aaa
Corporate Bonds	100,936	100,936				AA+	Aa1
Corporate Bonds	100,926	100,926				A	A2
Corporate Bonds	50,463	50,463				A	B2
Corporate Bonds	103,132		103,132			A-	Baaa1
Corporate Bonds	92,812			92,812		BB	Ba3
US Gov't Agency Obligations	366,485		366,485			AAA	Aaa
US Gov't Agency Obligations	632,596	218,872	413,724			AAA	-
US Gov't Agency Obligations	113,554		113,554			AA	Aa2
US Gov't Agency Obligations	258,889	258,889				AA-	Aa2
Mutual Funds	<u>1,116,450</u>	<u>1,116,450</u>				Not rated	Not rated
<b>Total</b>	<u>3,038,417</u>	<u>1,948,710</u>	<u>996,895</u>	<u>92,812</u>	-		

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Deposits and Investments (Continued)**

**Summary of Deposits and Investment Balances**

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2012:

Deposits and Cash on Hand	\$ 2,542,899
Investments	\$ 3,038,417
	<u>\$ 5,581,316</u>

	Government-wide Statement of Net Assets	Business-Type Statement of Net Assets	Fiduciary Statement of Net Assets	Totals
Cash and Cash Equivalents	\$ 2,542,749	\$ 150	\$ -	\$ 2,542,899
Investments	\$ 2,971,677	\$ 1,485	\$ 65,255	\$ 3,038,417
	<u>\$ 5,514,426</u>	<u>\$ 1,635</u>	<u>\$ 65,255</u>	<u>\$ 5,581,316</u>

**C. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value	772,795,700
Tax Rate (per \$1,000)	<u>18.78</u>
Commitment	<u>14,513,103</u>
Appropriations	18,244,257
Less:	
State Municipal Revenue Sharing	817,944
Estimated Revenues	2,660,700
BETE Reimbursement	119,459
Rounding	(5)
Homestead Reimbursement	<u>133,056</u>
	<u>3,731,154</u>
Net Assessment for Commitment	<u>14,513,103</u>

Supplemental taxes totaling \$9,548 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$911,220, which represents tax collection of 93.4% of current year commitment. Unpaid liens at June 30 totaled \$275,491.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2012, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	1,466,977	3,221,980
Special Revenue Funds:		
Federal/State Funds	310,258	186,357
Shore Village Museum		4,485
Police DARE		2,459
RCHP Scholarship		5,425
Elizabeth Tyrell	26,316	
Odor Study	2,098	
Veterans Memorial	534	
Middle Country Public Library	2,500	
Harbor Trail	7,408	
Green Downtown Trail	9,000	-
YMCA General Assistance Grant	200	
Capital Project Funds		
Pump Station/CSO Project	206,002	
Capital Improvement Projects	317,712	429,198
Public Works Big Dig		317,712
Capital Reserve Funds	771,284	439,545
Permanent Funds		63,696
Fiduciary Funds		14,406
Wastewater Enterprise Fund	1,719,449	154,475
Totals	<u>4,839,738</u>	<u>4,839,738</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.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	761,671	80,000		841,671
Construction Work in Process	536,185	874,122		1,410,307
	<u>1,297,856</u>	<u>954,122</u>	-	<u>2,251,978</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,851,459	73,500		5,924,959
Equipment	7,207,697	796,707	(251,156)	7,753,248
Infrastructure	15,072,950	61,127		15,134,077
	<u>28,132,106</u>	<u>931,334</u>	<u>(251,156)</u>	<u>28,812,284</u>
<i>Less accumulated depreciation for:</i>				
Buildings	1,918,786	147,125		2,065,911
Equipment	4,272,758	613,665	(217,792)	4,668,631
Infrastructure	9,008,739	659,401		9,668,140
	<u>15,200,283</u>	<u>1,420,191</u>	<u>(217,792)</u>	<u>16,402,682</u>
<i>Net capital assets being depreciated</i>	<u>12,931,823</u>	<u>(488,857)</u>	<u>(33,364)</u>	<u>12,409,602</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, net</b>	<u><u>14,229,679</u></u>	<u><u>465,265</u></u>	<u><u>(33,364)</u></u>	<u><u>14,661,580</u></u>

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

Governmental Activities

General Government	72,837
Public Safety	283,369
Public Works, including general infrastructure assets	883,869
Culture and Recreation	<u>180,116</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u><u>1,420,191</u></u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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>
<b><i>Business-type Activities:</i></b>				
<i>Capital assets not being depreciated:</i>				
Land	1,102			1,102
Construction Work in Process	3,059,361	670,489		3,729,850
<i>Capital assets being depreciated</i>				
Buildings	1,875,750			1,875,750
Equipment	635,007			635,007
Infrastructure	20,413,040	47,084		20,460,124
<i>Total capital assets being depreciated</i>	22,923,797	47,084	-	22,970,881
<i>Less accumulated depreciation for:</i>				
Buildings	510,144	75,030		585,174
Equipment	566,569	28,235		594,804
Infrastructure	11,183,600	582,335		11,765,935
<i>Total accumulated depreciation</i>	12,260,313	685,600	-	12,945,913
<i>Net capital assets being depreciated</i>	10,663,484	(638,516)	-	10,024,968
<b><i>Business-type Activities:</i></b>				
<b><i>Capital Assets, net</i></b>	<b>10,664,586</b>	<b>31,973</b>	<b>-</b>	<b>13,755,920</b>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 June 30,</i>	<i>Minimum Lease Payment</i>
2013	430,695
2014	349,348
2015	132,175
2016	<u>75,719</u>
Total Minimum Lease Payments	987,937
Less: Amount Representing Interest	<u>(55,937)</u>
Present Value of Future Minimum Lease Payments	<u><u>932,000</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 General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
1995 City Hall Bonds	10/1/2015	5.2%-6.0%	100,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	114,946
1999 General Obligation Bonds	11/1/2014	4.039%-5.239%	174,600
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	905,365
2006 Fire Truck	11/1/2021	1.85 - 6.0%	400,000
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	881,390
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	795,599
2008 Fire Truck	2/5/2023	4.440%	250,026
2010 Key Bank CIP Bond	11/4/2012	1.920%	287,000
2010 Key Bank CIP Bond	10/21/2015	1.920%	347,920
2012 Library Efficiency Upgrades	6/25/2017	2.220%	93,126
2012 Recreation Center Water Intrusion	9/1/2023	1.870%	675,000
2012 Captial Purchases Loan	11/25/3088	2.290%	434,238
2012 Public Works Big Dig	9/7/2040	2.750%	<u>2,438,500</u>
			<u><u>7,897,710</u></u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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%	23,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	8,255
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	2,630,777
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	1,027,207
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	933,963
2012 PCF Project	8/11/2040	2.150%	<u>2,250,000</u>
Total Proprietary Debt			<u>6,873,202</u>
Total Debt			<u>14,770,912</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$4,501,659 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
2013	1,092,201	693,311	1,785,512
2014	915,828	692,821	1,608,649
2015	846,634	676,732	1,523,366
2016	780,134	677,034	1,457,168
2017	662,583	677,933	1,340,516
2018-2022	2,307,225	2,217,367	4,524,592
2023-2027	1,348,860	1,434,076	2,782,936
2028-2032	958,875	1,010,570	1,969,445
2033-2037	695,836	704,015	1,399,851
2038-2041	504,088	376,448	880,536
Total	<u>10,112,264</u>	<u>9,160,307</u>	<u>19,272,571</u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012:

	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2011</i>	4,728,673	5,237,325	9,965,998
Debt Issued	3,640,866	2,250,000	5,890,866
Debt Retired	(471,828)	(614,124)	(1,085,952)
<i>Long-term Debt payable June 30, 2012</i>	<u>7,897,711</u>	<u>6,873,201</u>	<u>14,770,912</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, 2012</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
Regional School Unit #13	4,531,750	35.17%	1,593,816
Knox County	-	10.92%	-
Totals	<u>4,531,750</u>		<u>1,593,816</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, 2012**

**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	-	14,403
Haines Charity	57,581	201,517
Keywood Library	-	79,931
Leach Library	50,000	16,035
Cleveland/Bostick Library	10,000	422
Flower	1,000	5,794
Monroe Highway Library	200 6,600	5,319 474
Total	<u>125,381</u>	<u>323,895</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 Public Employees 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, 2012**

**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 Public Employees Retirement System consolidated Plan for Participating Districts (Consolidated Plan) which is a cost sharing multiple-employer defined benefit pension plans.

The Maine Public Employees 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 Public Employees 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, 2010, 2011 and 2012, were \$63,214, \$60,229 and \$61,243 respectively, which were paid in full each year.

MPERS 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 4.4% for regular employees, 8.3% for fire and police employees, and 8.3% 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 Public Employees Retirement System Board of Trustees. The City's contributions to the Consolidated Plan for the years ended June 30, 2010, 2011 and 2012, were \$140,770, \$184,124 and \$239,266 respectively, which were paid in full each year.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**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 2012 was \$26,880.

The City participates in the Maine Municipal Employees Health Trust for purposes of employee health benefits. Premiums paid for active employees contain an imputed subsidy for the benefit of retired employees. In accordance with Governmental Accounting Standards Board (GASB) Statement number 45, the City is required to disclose the Actuarial accrued liability and Annual Required Contribution (ARC) for the fiscal year ended June 30, 2012. These amounts are actuarially determined in accordance with the parameters of GASB Statement number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is recorded as an expense on the government-wide financial statements and is \$62,199 as of June 30, 2012. The Actuarial accrued liability at June 30, 2012 is as follows:

Active Employees	\$327,465
Retirees and Spouses	<u>\$460,221</u>
Total	<u>\$787,686</u>

**CITY OF ROCKLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit J*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	15,500,234	15,500,234	15,455,552	(44,682)
Intergovernmental Revenues	298,665	298,665	335,609	36,944
Departmental Revenues	877,603	877,603	869,317	(8,286)
Other Local Sources	429,134	429,134	455,905	26,771
<b>Total Revenues</b>	<b>17,105,636</b>	<b>17,105,636</b>	<b>17,116,383</b>	<b>10,747</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,474,513	1,474,513	1,393,589	80,924
Public Safety	4,313,385	4,313,385	4,257,012	56,373
Public Works	1,577,316	1,577,316	1,505,427	71,889
Health and Welfare	77,264	77,264	126,652	(49,388)
Culture and Recreation	1,304,229	1,304,229	1,267,744	36,485
Unclassified	417,888	417,888	417,342	546
Debt Service	932,488	932,488	930,780	1,708
Assessments	8,013,605	8,013,605	7,964,130	49,475
<b>Total Expenditures</b>	<b>18,110,688</b>	<b>18,110,688</b>	<b>17,862,676</b>	<b>248,012</b>
<b>Excess Revenues Over Expenditures</b>	<b>(1,005,052)</b>	<b>(1,005,052)</b>	<b>(746,293)</b>	<b>258,759</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	1,262,237	1,262,237	1,170,879	(91,358)
Transfers to Other Funds	(257,185)	(257,185)	(258,494)	(1,309)
<b>Total Other Financing Sources</b>	<b>1,005,052</b>	<b>1,005,052</b>	<b>912,385</b>	<b>(92,667)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>166,092</b>	<b>166,092</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>1,165,425</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>1,331,517</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			163,335	
<b>Ending Fund Balances - GAAP Basis</b>			<b>1,494,852</b>	

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	14,513,098	14,444,151	(68,947)
Auto Excise	801,136	835,139	34,003
Interest and Lien Charges	136,000	108,977	(27,023)
Payment in Lieu of Taxes	50,000	67,285	17,285
	<u>15,500,234</u>	<u>15,455,552</u>	<u>(44,682)</u>
Intergovernmental Revenues			
Welfare Reimbursement	12,500	37,579	25,079
Veterans Reimbursement	8,000	9,723	1,723
Tree Growth	3,300	12,410	9,110
Homestead Reimbursement	133,056	132,941	(115)
BETE Reimbursement	119,459	119,485	26
Police Grants	22,000	22,948	948
Snowmobile Reimbursement	350	523	173
	<u>298,665</u>	<u>335,609</u>	<u>36,944</u>
Departmental Revenues			
Police	168,226	152,184	(16,042)
Fire	13,911	15,983	2,072
Assessment	200	160	(40)
Finance	-	1,411	1,411
Legal	1,000	1,343	343
Code Enforcement	63,900	65,782	1,882
Public Works	103,850	109,828	5,978
Fish Pier	133,300	130,449	(2,851)
Fish Pier Insurance Proceeds	43,616	43,616	-
Harbor and Waterfront	181,650	193,605	11,955
Library	51,200	50,465	(735)
Recreation	53,000	43,236	(9,764)
City Clerk	49,250	57,255	8,005
Community Development	14,500	4,000	(10,500)
	<u>877,603</u>	<u>869,317</u>	<u>(8,286)</u>

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other Local Sources			
Interest on Investments	17,251	20,645	3,394
Interest on Accounts Receivable	5,000	414	(4,586)
Motor Vehicle Registration Fees	171,070	189,716	18,646
Camden and Rockport Water	12,000	12,761	761
Cable Franchise Fee	71,500	71,878	378
Photocopies	200	212	12
Workers Compensation Dividend		7,719	7,719
Administration Fee from Sewer	148,313	148,313	-
City Lease Revenue	3,600	4,200	600
Other	200	47	(153)
	<u>429,134</u>	<u>455,905</u>	<u>26,771</u>
Transfers and Other Sources			
Municipal Revenue Sharing	817,944	726,586	(91,358)
Emergency Medical	249,756	249,756	-
Library Trust Fund	10,233	10,233	-
Transfer Station Fund	87,304	87,304	-
TIF Reserve	12,000	12,000	-
Fisher TIF Reserve	5,000	5,000	-
Donation of Land	80,000	80,000	-
	<u>1,262,237</u>	<u>1,170,879</u>	<u>(91,358)</u>
Total Revenues and Transfers	18,367,873	<u><b>18,287,262</b></u>	<u><b>(80,611)</b></u>
Beginning Fund Balance Used	<u>-</u>		
<b>Total</b>	<u><b>18,367,873</b></u>		

CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2012

	Encumbered from 2011	Budget	Actual	Encumbered to 2013	(Over) Under Budget
General Government					
Legislative		4,538	4,464		74
Executive		158,014	107,827		50,187
Assessment		161,144	153,589		7,555
Finance		543,537	534,788		8,749
Legal		110,267	107,880		2,387
City Clerk		188,182	200,309		(12,127)
General		76,080	80,422		(4,342)
City Hall		53,748	48,038		5,710
Community Development		158,919	139,261		19,658
Engineering	4,000	20,084	21,011		3,073
	4,000	1,474,513	1,397,589	-	80,924
Public Safety					
Police Department		1,914,102	1,848,976		65,126
Fire Department		1,425,821	1,431,026		(5,205)
Dispatch		177,131	177,131		-
Lights and Hydrants		593,894	599,006		(5,112)
Code Enforcement		202,437	200,873		1,564
	-	4,313,385	4,257,012	-	56,373
Public Works					
Public Works	38,000	1,577,316	1,543,427		71,889
	38,000	1,577,316	1,543,427	-	71,889
Health and Welfare					
Health		32,000	32,000		-
Welfare		45,264	94,652		(49,388)
	-	77,264	126,652	-	(49,388)
Culture and Recreation					
Public Library	2,861	601,473	582,059	9,000	13,275
Harbor and Waterfront		164,290	162,050		2,240
Municipal Fish Pier		163,796	141,867		21,929
Recreation		374,670	375,629		(959)
	2,861	1,304,229	1,261,605	9,000	36,485

**CITY OF ROCKLAND  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Encumbered from 2011	Budget	Actual	Encumbered to 2013	(Over) Under Budget
Unclassified					
Fringe Benefits	23,673	120,100	161,530		(17,757)
Other Unclassified		179,524	161,222		18,302
Fisher TIF Payment		38,264	38,263		1
343 Park Street Land Donation TIF Agreements	38,561	80,000	80,000	38,561	-
		-	-		-
City CIP Bond Issues	62,234	417,888	441,015	38,561	546
Sewers & Lindsey Brook	115,774			115,774	-
	115,774	-	-	115,774	-
Debt Service					
TAN Interest		2,500	-		2,500
Principal on Long-Term Debt		450,200	450,086		114
Interest on Long-Term Debt		142,868	143,656		(788)
Capital Leases		336,920	337,038		(118)
	-	932,488	930,780	-	1,708
Assessments					
School District		7,231,325	7,231,325		-
County Tax		691,770	691,770		-
Overlay		90,510	41,035		49,475
	-	8,013,605	7,964,130	-	49,475
Operating Transfer Out					
Tillson Redevelopment Reserve		202,670	202,670		-
Fire Building Reserve		13,911	13,911		-
Fisher TIF Reserve		12,755	12,755		-
Coast Guard		1,000	1,000		-
Parks Reserve		1,309	1,309		-
CIP Funds		4,916	4,916		(1,309)
Port Development Reserve		2,600	2,600		-
Fish Pier Improvements Reserve		7,500	7,500		-
Grants		11,833	11,833		-
	-	257,185	258,494	-	(1,309)
<b>Total Appropriations</b>	<b>222,869</b>	<b>18,367,873</b>	<b>18,180,704</b>	<b>163,335</b>	<b>246,703</b>

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit A-3*

Unassigned Fund Balance		
July 1, 2011		1,165,425
 Additions		
Budget Summary		
Revenue Surplus (Deficit)(Exhibit A-1)	(80,611)	
 Unexpended Balance of		
Appropriations (Exhibit A-2)	246,703	
	<hr/>	
Budget Surplus		166,092
		<hr/>
		1,331,517
 Deductions		
Beginning Fund Balance Used		-
		<hr/>
 Unassigned Fund Balance		
June 30, 2012		1,331,517
		<hr/> <hr/>

**CITY OF ROCKLAND  
ALL GENERAL RESERVES/FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Emergency Medical</i>	<i>Transfer Station</i>	<i>Tree Planting Fund</i>	<i>Local Road Assistance</i>	<i>Total</i>
Cash and Equivalents						
Investments	1,117,203	167,970			41,359	1,326,532
Receivables (Net of Allowances)						
User Fees		323,333	87,272			410,605
Other		3,130				3,130
Due from Other Funds	261,626	-	10,697	18,000		290,323
<b>Total Assets</b>	<b>1,378,829</b>	<b>494,433</b>	<b>97,969</b>	<b>18,000</b>	<b>41,359</b>	<b>2,030,590</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Accounts Payable	-	-				-
Deferred Revenue		394				394
Due to Other Funds	395,274	393,952	97,969			887,195
<b>Total Liabilities</b>	<b>395,274</b>	<b>394,346</b>	<b>97,969</b>	<b>-</b>	<b>-</b>	<b>887,589</b>
Fund Balances						
Committed	983,555			18,000		1,001,555
Assigned		100,087			41,359	141,446
<b>Total Fund Balances</b>	<b>983,555</b>	<b>100,087</b>	<b>-</b>	<b>18,000</b>	<b>41,359</b>	<b>1,143,001</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,378,829</b>	<b>494,433</b>	<b>97,969</b>	<b>18,000</b>	<b>41,359</b>	<b>2,030,590</b>

**CITY OF ROCKLAND  
ALL GENERAL RESERVE/FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	General Reserves (Exhibit A-6)	Emergency Medical (Exhibit A-7)	Transfer Station (Exhibit A-8)	Tree Planting Fund	Municipal Revenue Sharing	Local Road Assistance	Total
Revenues							
Intergovernmental Revenues					726,586		726,586
Charges for Services		562,557	1,699,149				2,261,706
Interest	30,114	4,570	-			1,126	35,810
Fair Value Increases (Decreases)	10,325	1,931	-			475	12,731
Other Local Sources	23,791	1,424	13,886				39,101
<b>Total Revenues</b>	<b>64,230</b>	<b>570,482</b>	<b>1,713,035</b>	<b>-</b>	<b>726,586</b>	<b>1,601</b>	<b>3,075,934</b>
Expenditures							
Public Safety	3,382	254,350					257,732
Public Works	955		1,393,332				1,394,287
Health & Welfare	6,645						6,645
Cultural & Recreation	4,700						4,700
Other	32,866						32,866
<b>Total Expenditures</b>	<b>48,548</b>	<b>254,350</b>	<b>1,393,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,696,230</b>
Excess of Revenues Over (Under) Expenditures	15,682	316,132	319,703	-	726,586	1,601	1,379,704
Other Financing Sources (Uses)							
Transfers from Other Funds	284,269			18,000			302,269
Transfers to Other Funds	(199,900)	(306,006)	(319,703)		(726,586)		(1,552,195)
<b>Total Other Financing Sources (Uses)</b>	<b>84,369</b>	<b>(306,006)</b>	<b>(319,703)</b>	<b>18,000</b>	<b>(726,586)</b>	<b>-</b>	<b>(1,249,926)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	100,051	10,126	-	18,000	-	1,601	129,778
Fund Balance - July 1	883,504	89,961	-	-	-	39,758	1,013,223
<b>Fund Balance - June 30</b>	<b>983,555</b>	<b>100,087</b>	<b>-</b>	<b>18,000</b>	<b>-</b>	<b>41,359</b>	<b>1,143,001</b>

**CITY OF ROCKLAND  
GENERAL RESERVE FUNDS  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

<i>Reserve Fund</i>	<i>Fund Balance July 1</i>	<i>New Funds</i>	<i>Transfers From (To) Other Funds</i>	<i>Interest/ Dividends</i>	<i>Increase (Decrease) In Fair Value</i>	<i>Expenditures</i>	<i>Fund Balance June 30</i>
Sewer Debt Service	27,254			10,152	4,289		41,695
Samoset/Glen Cove I & I	3,514			115	48		3,677
Samoset Debt Service	(7)			(1)	(1)		(9)
Johnson Park	810			736	(46)		1,500
Custom House Parking Lot	141,269	12,342		3,999	1,694	(338)	158,966
Police Forfeiture	38,408	4,293		1,095	554	(3,382)	40,968
Parks	16,033		1,344	269	150	(4,700)	13,096
Merritt Park Playground	6,177			227	323		6,727
Fish Pier Maintenance	2,996			85	36		3,117
Fish Pier Improvements	76,283		7,500	2,052	576		86,411
Police Trading Cards	2,207			61	18	(617)	1,669
Pumping/Chemicals Reserve	465			831	22		1,318
Sewer Rate Stabilization Reserve	413,085		60,000	8,602	1,924		483,611
Skatepark Helmet Reserve	1,291			37	15		1,343
Traffic Improvements Reserve	35,849			1,015	429		37,293
Fuel Assistance Reserve	25,156	7,156		839	294	(6,645)	26,800
TIF Tillson Redevelopment Reserve	56,970		7,770			(32,866)	31,874
Police Reserve	23,384						23,384
Fisher TIF Reserve	12,360		7,755				20,115
<b>Total</b>	<b>883,504</b>	<b>23,791</b>	<b>84,369</b>	<b>30,114</b>	<b>10,325</b>	<b>(48,548)</b>	<b>983,555</b>

**CITY OF ROCKLAND**  
**EMERGENCY MEDICAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit A-7*

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
User Fees	531,969	466,162	(65,807)
Owls Head EMS Service	70,745	70,745	-
Aid to Outside Towns	35,000	25,650	(9,350)
Interest		4,570	4,570
Change in Fair Value		1,931	1,931
Donations	50	-	(50)
All Other		1,424	1,424
	<u>637,764</u>	<u>570,482</u>	<u>(67,282)</u>
Total Revenues			
Expenditures			
Personal Services	181,514	152,206	29,308
Contracted Services	113,044	64,531	48,513
Commodities	33,200	31,324	1,876
Capital Outlay	4,000	6,289	(2,289)
	<u>331,758</u>	<u>254,350</u>	<u>77,408</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>306,006</u>	<u>316,132</u>	<u>10,126</u>
Other Financing Sources (Uses)			
Transfers to Other Funds	(306,006)	(306,006)	-
Use of Surplus	-	-	-
	<u>(306,006)</u>	<u>(306,006)</u>	<u>-</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other			
Sources Over (Under) Expenditures	<u>-</u>	10,126	<u>10,126</u>
Fund Balance - July 1		<u>89,961</u>	
Fund Balance - June 30		<u><u>100,087</u></u>	

**CITY OF ROCKLAND  
TRANSFER STATION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit A-8*

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
<b>Revenues</b>			
Landfill Revenue	1,252,750	960,660	(292,090)
MSW Tipping Fee	420,717	387,221	(33,496)
Perc Performance Credit	146,203	141,532	(4,671)
Solid Waste Stickers	143,097	85,311	(57,786)
Cardboard Disposal	27,891	28,738	847
White Goods and Metals	21,205	40,791	19,586
Plastics	3,227	14,931	11,704
Pallet Fees	6,250	2,613	(3,637)
Mixed Paper	8,833	13,089	4,256
Universal Waste	6,000	6,747	747
Payt Bag	15,520	9,529	(5,991)
Metal Can Bundles	1,937	5,388	3,451
Tires	2,500	2,599	99
All Other	9,120	13,886	4,766
<b>Total Revenues</b>	<b>2,065,250</b>	<b>1,713,035</b>	<b>(352,215)</b>
<b>Expenditures</b>			
Personal Services	329,549	320,625	8,924
Contracted Services	872,528	818,046	54,482
Commodities	170,000	128,634	41,366
Capital Outlay	5,000	3,148	1,852
Principal and Interest	122,879	122,879	-
<b>Total Expenditures</b>	<b>1,499,956</b>	<b>1,393,332</b>	<b>106,624</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>565,294</b>	<b>319,703</b>	<b>(245,591)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds			-
Transfers to Other Funds	(565,294)	(319,703)	245,591
<b>Total Other Financing Sources (Uses)</b>	<b>(565,294)</b>	<b>(319,703)</b>	<b>245,591</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>			
<b>Fund Balance - June 30</b>		<b>-</b>	

**CITY OF ROCKLAND**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**

*Exhibit B-1*

<i>Assets</i>	<i>Federal/State Programs (Exhibit B-2)</i>	<i>All Other (Exhibit B-3)</i>	<i>Total</i>
Cash and Equivalents	1,131	6,124	7,255
Investments	99,195	35,193	134,388
Receivables (Net of Allowances)			
User Fees			-
Loans	528,782		528,782
Due from Other Governments	194,970		194,970
Due from Other Funds	310,258	48,056	358,314
<b>Total Assets</b>	<b>1,134,336</b>	<b>89,373</b>	<b>1,223,709</b>
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable	-		-
Due to Other Funds	186,357	12,369	198,726
<b>Total Liabilities</b>	<b>186,357</b>	<b>12,369</b>	<b>198,726</b>
Fund Balances			
Restricted	738,492	65,532	804,024
Committed	199,953	5,284	205,237
Assigned	9,990	6,188	16,178
Unassigned	(456)	-	(456)
<b>Total Fund Balances</b>	<b>947,979</b>	<b>77,004</b>	<b>1,024,983</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,134,336</b>	<b>89,373</b>	<b>1,223,709</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

Assets	Community Business Development	CDBG Microloans Grant	CDBG Home Repair Network Grants	CDBG Downtown Revitalization	CDBG Comm. Enterprise Downtown Fascade	ARRA Energy Planning Grant	CDBG Lindsay Brook Public Infrastructure	Comm. For Me's Future Grant	Emergency Mngt. Perf. Grant	SHIP Floats & Pilings Grant	Recycling Capital Investment Grant
Cash			1,131								
Investments	97,276	1,919							5,307		
Due from Other Governments			42,527	103,754							
Loans Receivable	450,482	78,300									
Due from Other Funds	8,927	119,734			1,900	3,944	17,094	115,300	15,860	8,333	1,064
<b>Total Assets</b>	<b>556,685</b>	<b>199,953</b>	<b>43,658</b>	<b>103,754</b>	<b>1,900</b>	<b>3,944</b>	<b>17,094</b>	<b>115,300</b>	<b>21,167</b>	<b>8,333</b>	<b>1,064</b>
<b>Liabilities and Fund Balances</b>											
Liabilities											
Accounts Payable											
Due to Other Funds			43,658	103,754							
Total Liabilities	-	-	43,658	103,754	-	-	-	-	-	-	-
Fund Balances											
Non-Spendable											
Restricted	556,685	199,953			1,900	3,944	17,094	115,300	21,167	8,333	1,064
Committed											
Assigned											
Unassigned											
Total Fund Balances	556,685	199,953	-	-	1,900	3,944	17,094	115,300	21,167	8,333	1,064
<b>Total Liabilities and Fund Balances</b>	<b>556,685</b>	<b>199,953</b>	<b>43,658</b>	<b>103,754</b>	<b>1,900</b>	<b>3,944</b>	<b>17,094</b>	<b>115,300</b>	<b>21,167</b>	<b>8,333</b>	<b>1,064</b>

CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS  
COMBINING BALANCE SHEET  
JUNE 30, 2012

Assets	2010 Quality Community	2010 Project Canopy Grant	MDOT Gateway Round 1	MDOT Gateway Round 2	Main Street Downtown	Police N.A.D.D.I. Grant	Dept. of Justice Burnes Grant	Small Community Grant Program	Wellness Grant	Totals
Cash										1,131
Investments										99,195
Due from Other Governments	4,214	107	21,969	809	16,283					194,970
Loans Receivable										528,782
Due from Other Funds	8,112					855	479	8,150	506	310,258
<b>Total Assets</b>	<b>12,326</b>	<b>107</b>	<b>21,969</b>	<b>809</b>	<b>16,283</b>	<b>855</b>	<b>479</b>	<b>8,150</b>	<b>506</b>	<b>1,134,336</b>
<i>Liabilities and Fund Balances</i>										
Liabilities										
Accounts Payable										-
Due to Other Funds		107	22,425	130	16,283					186,357
Total Liabilities	-	107	22,425	130	16,283	-	-	-	-	186,357
Fund Balances										
Non-Spendable										-
Restricted	12,326			679						738,492
Committed										199,953
Assigned			(456)			855	479	8,150	506	9,990
Unassigned										(456)
Total Fund Balances	12,326	-	(456)	679	-	855	479	8,150	506	947,979
<b>Total Liabilities and Fund Balances</b>	<b>12,326</b>	<b>107</b>	<b>21,969</b>	<b>809</b>	<b>16,283</b>	<b>855</b>	<b>479</b>	<b>8,150</b>	<b>506</b>	<b>1,134,336</b>

CITY OF ROCKLAND  
 SPECIAL REVENUE FUNDS - ALL OTHER  
 COMBINING BALANCE SHEET  
 JUNE 30, 2012

Assets	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Berliansky Park	Elizabeth Tyrell Trust	Odor Study	Middle Country Public Library	Harbor Trail	Green Downtown Trail	YMCA Gen. Assis. Grant	Coast Guard	Veterans Memorial	Total
Cash and Equivalents	5,355	4,305	1,374	21,389	4,144	26,316	2,098	2,500	7,408	9,000	200	1,723	3,027	6,124
Investments													534	35,193
Due from Other Funds														48,056
<b>Total Assets</b>	<b>5,355</b>	<b>4,305</b>	<b>1,374</b>	<b>21,389</b>	<b>4,144</b>	<b>26,316</b>	<b>2,098</b>	<b>2,500</b>	<b>7,408</b>	<b>9,000</b>	<b>200</b>	<b>1,723</b>	<b>3,561</b>	<b>89,373</b>
<i>Liabilities and Fund Balances</i>														
Liabilities	4,485	2,459		5,425										12,369
Due to Other Funds														
Total Liabilities	4,485	2,459	-	5,425	-	-	-	-	-	-	-	-	-	12,369
<i>Fund Balances</i>														
Restricted				15,964	4,144	26,316		2,500	7,408	9,000	200			65,532
Committed	870	1,846	1,374				2,098					1,723	3,561	5,284
Assigned														6,188
Total Fund Balances	870	1,846	1,374	15,964	4,144	26,316	2,098	2,500	7,408	9,000	200	1,723	3,561	77,004
<b>Total Liabilities and Fund Balances</b>	<b>5,355</b>	<b>4,305</b>	<b>1,374</b>	<b>21,389</b>	<b>4,144</b>	<b>26,316</b>	<b>2,098</b>	<b>2,500</b>	<b>7,408</b>	<b>9,000</b>	<b>200</b>	<b>1,723</b>	<b>3,561</b>	<b>89,373</b>

**CITY OF ROCKLAND**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit B-4*

	<i>Federal/State Programs (Exhibit B-5)</i>	<i>All Other (Exhibit B-6)</i>	<i>Total</i>
<b>Revenues</b>			
Intergovernmental Revenues	1,449,425		1,449,425
Interest	2,698	855	3,553
Fair Value Increases (Decreases)	1,140	(124)	1,016
Other Local Sources	25,413	30,362	55,775
<b>Total Revenues</b>	<b>1,478,676</b>	<b>31,093</b>	<b>1,509,769</b>
<b>Expenditures</b>			
General Government	3,400		3,400
Public Safety	79,760	692	80,452
Public Works	625,478		625,478
Cultural & Recreation	13,320	14,194	27,514
Health & Welfare		500	500
Capital Improvement	950,442		950,442
Other	8,889	4,283	13,172
<b>Total Expenditures</b>	<b>1,681,289</b>	<b>19,669</b>	<b>1,700,958</b>
Excess of Revenues Over (Under) Expenditures	(202,613)	11,424	(191,189)
<b>Other Financing Sources (Uses)</b>			
Transfers from Other Funds	377,040	1,000	378,040
Transfers to Other Funds	(35)	-	(35)
<b>Total Other Financing Sources (Uses)</b>	<b>377,005</b>	<b>1,000</b>	<b>378,005</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	174,392	12,424	186,816
Fund Balance - July 1	773,587	64,580	838,167
<b>Fund Balance - June 30</b>	<b>947,979</b>	<b>77,004</b>	<b>1,024,983</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, 2012

Exhibit B-5  
Page 1 of 3

	Community Business Development	CDBG Microloans Grant	2011 CDBG Home Repair Network Grant	2010 CDBG Home Repair Network Grant	CDBG Multi- Unit Housing Assistant Grant	CDBG Downtown Revitalization	CDBG Comm. Enterprise Downtown Fuscade	ARRA Energy Planning Grant	CDBG Lindsay Brook Public Infrastructure
Revenues									
Microloan Payments	14,045	5,153							432,000
Intergovernmental Revenues			549,338	247,378	3,000	102,118			
Interest	2,646	52							
Fair Value Increases(Decreases)	1,118	22							
Local Sources					2,981				
<b>Total Revenues</b>	<b>17,809</b>	<b>5,227</b>	<b>549,338</b>	<b>247,378</b>	<b>3,000</b>	<b>105,099</b>	<b>-</b>	<b>-</b>	<b>432,000</b>
Expenditures									
New Loans		8,889							5,000
Administration					3,000	11,918	33,100		27,377
Professional Services								3,400	491,529
Contractors						105,708			
Capital Improvement			549,338	247,378					
Equipment									
Other									
<b>Total Expenditures</b>	<b>-</b>	<b>8,889</b>	<b>549,338</b>	<b>247,378</b>	<b>3,000</b>	<b>117,626</b>	<b>33,100</b>	<b>3,400</b>	<b>523,906</b>
Excess of Revenues Over (Under) Expenditures	17,809	(3,662)	-	-	-	(12,527)	(33,100)	(3,400)	(91,906)
Other Financing Sources (Uses) Transfers from Other Funds Transfers to Other Funds									109,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,000</b>	<b>-</b>	<b>109,000</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	17,809	(3,662)	-	-	-	(12,527)	1,900	(3,400)	17,094
Fund Balance - July 1	538,876	203,615	-	-	-	12,527	-	7,344	-
<b>Fund Balance - June 30</b>	<b>556,685</b>	<b>199,953</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,900</b>	<b>3,944</b>	<b>17,094</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, 2012**

	Comm. For Me's Future Grant	Emergency Mngt. Perf. Grant	SHIP Floats & Pilings Grant	Recycling Capital Investment Grant	Gas Collection Grant	Sandy Beach Project	2010 Quality Community	2010 Project Canopy Grant	MDOT Gateway Round 1
Revenues									
Microloan Payments									
Intergovernmental Revenues		36,731		25,000	4,926		4,673	107	22,381
Interest									
Fair Value Increases(Decreases)									
Local Sources									
<b>Total Revenues</b>	-	36,731	-	25,000	4,926	-	4,673	107	22,381
Expenditures									
New Loans									
Administration		19,668							
Professional Services		49,203		43,936	13,729	1,186	14,050	107	22,837
Contractors									
Capital Improvement									
Equipment									
Other									
<b>Total Expenditures</b>	-	68,871	-	43,936	13,729	1,186	14,050	107	22,837
Excess of Revenues Over (Under) Expenditures	-	(32,140)	-	(18,936)	(8,803)	(1,186)	(9,377)	-	(456)
Other Financing Sources (Uses)									
Transfers from Other Funds	115,300	53,307	8,333	20,000			32,600		
Transfers to Other Funds									
<b>Total Other Financing Sources (Uses)</b>	115,300	53,307	8,333	20,000	-	-	32,600	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	115,300	21,167	8,333	1,064	(8,803)	(1,186)	23,223	-	(456)
Fund Balance - July 1	-	-	-	-	8,803	1,186	(10,897)	-	-
<b>Fund Balance - June 30</b>	<b>115,300</b>	<b>21,167</b>	<b>8,333</b>	<b>1,064</b>	<b>-</b>	<b>-</b>	<b>12,326</b>	<b>-</b>	<b>(456)</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, 2012**

	MDOT Gateway Round 2	Main Street Downtown	Police N.A.D.D.I. Grant	Dept. of Justice Burnes Grant	Small Community Grant Program	Wellness Grant	Green Downtown	Fish Pier Freezer Relocation	Total
Revenues									
Microloan Payments									19,198
Intergovernmental Revenues	1,372			10,581				9,820	1,449,425
Interest									2,698
Fair Value Increases(Decreases)		3,234							1,140
Local Sources									6,215
<b>Total Revenues</b>	<b>1,372</b>	<b>3,234</b>	<b>-</b>	<b>10,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,820</b>	<b>1,478,676</b>
Expenditures									
New Loans									8,889
Administration				1,065					73,751
Professional Services				3,032					30,409
Contractors	693	3,234	111				1,800	13,320	764,843
Capital Improvement									796,716
Equipment				6,681					-
Other									6,681
<b>Total Expenditures</b>	<b>693</b>	<b>3,234</b>	<b>111</b>	<b>10,778</b>	<b>-</b>	<b>-</b>	<b>1,800</b>	<b>13,320</b>	<b>1,681,289</b>
Excess of Revenues Over (Under) Expenditures	679	-	(111)	(197)	-	-	(1,800)	(3,500)	(202,613)
Other Financing Sources (Uses)									
Transfers from Other Funds								3,500	377,040
Transfers to Other Funds							(35)		(35)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35)</b>	<b>3,500</b>	<b>377,005</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	679	-	(111)	(197)	-	-	(1,835)	-	174,392
Fund Balance - July 1	-	-	966	676	8,150	506	1,835	-	773,587
<b>Fund Balance - June 30</b>	<b>679</b>	<b>-</b>	<b>855</b>	<b>479</b>	<b>8,150</b>	<b>506</b>	<b>-</b>	<b>-</b>	<b>947,979</b>

**CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Berlowsky Park	Elizabeth Tyrell Trust	Odor Study
<b>Revenues</b>							
Intergovernmental Revenues		341					
Other Local Sources	146	117	4	484	94		
Interest	61	50		(197)	(38)		
Fair Value Increases (Decreases)							
<b>Total Revenues</b>	207	508	4	287	56	-	-
<b>Expenditures</b>							
Public Safety Programs		692					
Repairs and Maintenance			2,482				
Contractors							
Scholarships				2,000			
Supplies/Materials							
Insurance							
Miscellaneous							721
<b>Total Expenditures</b>	-	692	2,482	2,000	-	-	721
<b>Excess of Revenues Over (Under) Expenditures</b>	207	(184)	(2,478)	(1,713)	56	-	(721)
<b>Other Financing Sources (Uses)</b>							
Transfer from Other Funds							
Transfer to Other Funds							
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-	-	-
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	207	(184)	(2,478)	(1,713)	56	-	(721)
<b>Fund Balance (Deficit) - July 1</b>	663	2,030	3,852	17,677	4,088	26,316	2,819
<b>Fund Balance - June 30</b>	870	1,846	1,374	15,964	4,144	26,316	2,098

**CITY OF ROCKLAND  
SPECIAL REVENUE FUNDS - ALL OTHER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Tree Planting Fund</i>	<i>Middle Country Public Library</i>	<i>Harbor Trail</i>	<i>Green Downtown Trail</i>	<i>YMCA Gen. Assist. Grant</i>	<i>Coast Guard</i>	<i>Veterans Memorial</i>	<i>Total</i>
Revenues								
Intergovernmental Revenues								-
Other Local Sources		2,500	10,800	9,000	700	4,153	2,868	31,084
Interest						7	3	855
Fair Value Increases (Decreases)								(124)
<b>Total Revenues</b>	-	2,500	10,800	9,000	700	4,160	2,871	31,815
Expenditures								
Public Safety Programs								692
Repairs and Maintenance								3,419
Contractors			3,392					4,329
Scholarships								2,000
Supplies/Materials						8,320		8,320
Insurance					500			400
Miscellaneous								725
<b>Total Expenditures</b>	-	-	3,392	-	500	8,320	2,499	19,885
Excess of Revenues Over (Under) Expenditures	-	2,500	7,408	9,000	200	(4,160)	372	11,930
Other Financing Sources (Uses)								
Transfer from Other Funds	18,000					1,000		19,000
Transfer to Other Funds								-
<b>Total Other Financing Sources (Uses)</b>	18,000	-	-	-	-	1,000	-	19,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	18,000	2,500	7,408	9,000	200	(3,160)	372	30,930
Fund Balance (Deficit) - July 1	-	-	-	-	-	4,883	2,252	64,580
<b>Fund Balance - June 30</b>	18,000	2,500	7,408	9,000	200	1,723	2,624	95,510

**CITY OF ROCKLAND  
ALL CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

*Exhibit C-1*

<i>Assets</i>	<i>Pump Station/CSO Project</i>	<i>Capital Improvements Program</i>	<i>Public Works Big Dig Project</i>	<i>Capital Reserve Funds</i>	<i>Total</i>
Cash				608,077	1,048,760
Investments		403,587	37,096	966,319	1,006,615
Due from Loans		40,296			3,113,500
Due from Other Funds	206,002	675,000	2,438,500	771,284	1,294,998
<b>Total Assets</b>	<b>206,002</b>	<b>1,436,595</b>	<b>2,475,596</b>	<b>2,345,680</b>	<b>6,463,873</b>
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable		-	1,698,639		1,698,639
Retainage Payable			97,384		97,384
Due to Other Funds		429,198	317,712	439,545	1,186,455
<b>Total Liabilities</b>	<b>-</b>	<b>429,198</b>	<b>2,113,735</b>	<b>439,545</b>	<b>2,982,478</b>
<i>Fund Balances</i>					
Restricted	206,002	979,456	361,861		1,547,319
Committed		27,941		1,906,135	1,934,076
<b>Total Fund Balances</b>	<b>206,002</b>	<b>1,007,397</b>	<b>361,861</b>	<b>1,906,135</b>	<b>3,481,395</b>
<b>Total Liabilities and Fund Balances</b>	<b>206,002</b>	<b>1,436,595</b>	<b>2,475,596</b>	<b>2,345,680</b>	<b>6,463,873</b>

**CITY OF ROCKLAND  
 ALL CAPITAL PROJECT FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2012**

	Pump Station/CSO Project	Capital Improvements Program	Public Works Big Dig Project	Capital Reserve Funds	Total
Revenues					
Intergovernmental Revenue		25,500		94,920	25,500
Local Sources				16,004	94,920
Change in Fair Value		463		42,599	16,467
Interest		1,097			43,696
Total Revenues	-	27,060	-	153,523	180,583
Expenditures					
Capital Outlay		964,234	2,031,980		2,996,214
Equipment			44,659	20,526	20,526
Debt Service				8,618	44,659
Other					8,618
Total Expenditures	-	964,234	2,076,639	29,144	3,070,017
Excess of Revenues Over (Under) Expenditures	-	(937,174)	(2,076,639)	124,379	(2,889,434)
Other Financing Sources (Uses)					
Loan Proceeds		1,202,365	2,438,500		3,640,865
Transfers from Other Funds		61,166		318,910	380,076
Transfers to Other Funds		(162,307)		-	(162,307)
Total Other Financing Sources (Uses)	-	1,101,224	2,438,500	318,910	3,858,634
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	164,050	361,861	443,289	969,200
Fund Balance - July 1	206,002	843,347	-	1,462,846	2,512,195
<b>Fund Balance - June 30</b>	<b>206,002</b>	<b>1,007,397</b>	<b>361,861</b>	<b>1,906,135</b>	<b>3,481,395</b>

**CITY OF ROCKLAND  
CAPITAL IMPROVEMENTS FUND  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit C-3

	Balance July 1	Transfers	Revenues	Bond/Lease Proceeds	Total Available	Expenditures	Transfer From(To) Unreserved	Balance June 30
<i>City Projects</i>								
Road Construction	14,798				14,798			14,798
Drainage Projects	1,597				1,597			1,597
Lindsey Brook Rehab	278,177	(109,000)			169,177			169,177
Roads and Sidewalks	4,327				4,327			4,327
Recycling Facility Improvement	10,090				10,090	(4,393)		5,697
EM Generator	53,307	(53,307)			-			-
EMS Utility Vehicle	85,871		1,560		87,431		(87,431)	-
Ambulance	-	56,250			56,250	(149,193)	87,431	(5,512)
Sign Van	8,000				8,000			8,000
Monitoring Well Landfill	8,681				8,681			8,681
Fire/EMS Command Vehicle	409				409			409
FD Fire Hose Upgrade/Replacement	2,229				2,229			2,229
Harbor & Waterfront Wreck Removal	14,893				14,893	(5,000)		9,893
Solid Waste Gas Collection System	26,278				26,278	(3,918)		22,360
Solid Waste Loader	-			137,000	137,000	(135,500)		1,500
Solid Waste Hydrogen Peroxide Storage and Distribution	43,000				43,000	(5,800)		37,200
Solid Waste Baler Conveyor Belt Replacement	19,000				19,000	(21,582)	2,582	-
Solid Waste New Gate House	-			15,000	15,000			15,000
Fire Rescue Pumper	1,019				1,019			1,019
Police Upgrade Radar Units	769				769			769
Police Motor Cycle	520				520		(520)	-
PW Facility	(4,916)	4,916			-			-
PW 1 Ton Dump Truck	4,713				4,713		(4,713)	-
PW 8500 Series w/plow	-			135,000	135,000	(146,143)	11,143	-
PW Backhoe with Plow Scoop	-			110,000	110,000	(92,969)	(17,031)	-
PW Reline Sewer Upper Pleasant	156,792				156,792	(72,401)		84,391
PW Replace 12" Drain Park Street	8,456				8,456	(4,992)		3,464
PW Replace Thomaston Meadow Rd. Bridge	59,570				59,570	(4,778)		54,792
PW Replace Thomaston St. Marsh Brook Culvert	21,526		25,500		47,026	(23,666)		23,360
Finance Munis Software	-			16,100	16,100	(7,500)		8,600
Phone System Upgrade	-			21,139	21,139	(22,821)	1,682	-
Library Roof Replacement	615				615		(615)	-
Library Copier/Printer	1,105				1,105		(1,105)	-
Library Gutters	(16,600)				(16,600)			(16,600)
Library Lighting & Insulation Project	-			93,126	93,126	(73,602)		19,524
Recreation Center	12,543			675,000	687,543	(189,976)		497,567
Municipal Fish Pier Underground Elec.	7,214				7,214			7,214
<b>City Committed Balances</b>	<b>823,983</b>	<b>(101,141)</b>	<b>27,060</b>	<b>1,202,365</b>	<b>1,952,267</b>	<b>(964,234)</b>	<b>(8,577)</b>	<b>979,456</b>
<b>Total Committed Balances</b>	<b>823,983</b>	<b>(101,141)</b>		<b>1,202,365</b>	<b>1,952,267</b>	<b>(964,234)</b>	<b>(8,577)</b>	<b>979,456</b>
<b>Unassigned</b>	<b>19,364</b>				<b>19,364</b>		<b>8,577</b>	<b>27,941</b>
<b>Total CIP</b>	<b>843,347</b>	<b>(101,141)</b>	<b>-</b>	<b>1,202,365</b>	<b>1,971,631</b>	<b>(964,234)</b>	<b>-</b>	<b>1,007,397</b>

CITY OF ROCKLAND  
 CAPITAL RESERVE FUNDS  
 SCHEDULE OF ACTIVITY  
 FOR THE YEAR ENDED JUNE 30, 2012

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	158,808			362	153		159,323
Sewer Equipment	118			44	19		181
Industrial Park Land Sales	79,877			2,261	955		83,093
City Land Sales	11,308	94,920		1,328	3,871	(8,618)	102,809
Audio Visual Reserve	4,848			183	77		5,108
Ground Cover Reserve	16,479			467	197		17,143
Recreation Reserve	309			75	32		416
Sewer Renewal and Replacement Reserve	426,700		90,000	19,610	3,457		539,767
Civil War Artifacts Reserve	18,752			523	221		19,496
Emergency Medical Reserve	18,247			517	218		18,982
Landfill Closure Reserve	297,212			8,412	3,554		309,178
Ladder Truck Reserve	12,816			363	153		13,332
Landfill Perpetual Care Reserve	169,551		192,399	1,863	787		364,600
Sewer CIP Reserve	9,320			3,471	1,467		14,258
Fire Department Building Reserve	45,436		13,911	625	264		60,236
Transfer Station Capital Equipment Reserve	193,065		20,000	2,495	579	(20,526)	195,613
Port Development Reserve	-		2,600				2,600
<b>Total</b>	<b>1,462,846</b>	<b>94,920</b>	<b>318,910</b>	<b>42,599</b>	<b>16,004</b>	<b>(29,144)</b>	<b>1,906,135</b>

**CITY OF ROCKLAND  
PERMANENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2012**

*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	5,348	178,113				183,461
Investments	52,928	90,019	79,931	66,035	29,809	318,722
Due From Other Funds		10,789				-
Loans Receivable						10,789
<b>Total Assets</b>	<b>58,276</b>	<b>278,921</b>	<b>79,931</b>	<b>66,035</b>	<b>29,809</b>	<b>512,972</b>
<i>Liabilities and Fund Balances</i>						
<i>Liabilities</i>						
Due to Other Funds	43,873	19,823			-	63,696
Total Liabilities	43,873	19,823	-	-	-	63,696
<i>Fund Balances (Deficit)</i>						
Non-Spendable		57,581		50,000	17,800	125,381
Restricted	14,403	201,517	79,931	16,035	12,009	323,895
Unassigned						-
Total Fund Balances	14,403	259,098	79,931	66,035	29,809	449,276
<b>Total Liabilities and Fund Balances</b>	<b>58,276</b>	<b>278,921</b>	<b>79,931</b>	<b>66,035</b>	<b>29,809</b>	<b>512,972</b>

**CITY OF ROCKLAND  
 PERMANENT FUNDS  
 COMBINING BALANCE SHEET -ALL OTHER  
 JUNE 30, 2012**

*Exhibit D-2*

<i>Assets</i>	<i>Cleveland/ Bostick Library</i>	<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
Investments	10,422	6,794	5,519	7,074	29,809
Due from Other Funds					
Loans Receivable					
<b>Total Assets</b>	<b>10,422</b>	<b>6,794</b>	<b>5,519</b>	<b>7,074</b>	<b>29,809</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds					
Total Liabilities	-			-	
Fund Balances					
Non-Spendable	10,000	1,000	200	6,600	17,800
Restricted	422	5,794	5,319	474	12,009
Total Fund Balances	10,422	6,794	5,519	7,074	29,809
<b>Total Liabilities and Fund Balances</b>	<b>10,422</b>	<b>6,794</b>	<b>5,519</b>	<b>7,074</b>	<b>29,809</b>

CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL PERMANENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2012

	Cemetery	Haines Charity	Keywood Library	Leach Library	All Other (Exhibit D-4)	Total
Revenues						
Local Sources		236				236
Investment Income	1,861	6,063	1,976	1,527	703	12,130
Fair Value Increases (Decreases)	1,481	(2,464)	(803)	(621)	(285)	(2,692)
Total Revenues	3,342	3,835	1,173	906	418	9,674
Expenditures						
Charity		9,582				9,582
Capital Improvements	25,873					25,873
Total Expenditures	25,873	9,582				35,455
Excess of Revenues Over (Under) Expenditures	(22,531)	(5,747)	1,173	906	418	(25,781)
Other Financing Sources (Uses)						
Transfer From Other Funds						-
Transfer to Other Funds	(18,000)		(7,489)	(1,501)	(1,243)	(28,233)
Total Other Financing Sources (Uses)	(18,000)	-	(7,489)	(1,501)	(1,243)	(28,233)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(40,531)	(5,747)	(6,316)	(595)	(825)	(54,014)
Fund Balance - July 1	54,934	264,845	86,247	66,630	30,634	503,290
<b>Fund Balance - June 30</b>	<b>14,403</b>	<b>259,098</b>	<b>79,931</b>	<b>66,035</b>	<b>29,809</b>	<b>449,276</b>

**CITY OF ROCKLAND  
 PERMANENT FUNDS  
 STATEMENT OF ACTIVITY - ALL OTHER  
 FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit D-4*

	<u>Cleveland/ Bostick Library</u>	<u>Flower</u>	<u>Monroe Highway</u>	<u>Other Library</u>	<u>Total</u>
Revenues					
Investment Income	251	154	125	173	703
Fair Value Increases (Decreases)	(102)	(62)	(51)	(70)	(285)
Total Revenues	149	92	74	103	418
Expenditures					
Abatements					-
Cemetery Care					-
Total Expenditures					-
Excess of Revenues Over (Under) Expenditures	149	92	74	103	418
Other Financing Sources (Uses) Transfer to Other Funds	(657)			(586)	(1,243)
Total Other Financing Sources (Uses)	(657)			(586)	(1,243)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(508)	92	74	(483)	(825)
Fund Balance - July 1	10,930	6,702	5,445	7,557	30,634
<b>Fund Balance - June 30</b>	<b>10,422</b>	<b>6,794</b>	<b>5,519</b>	<b>7,074</b>	<b>29,809</b>

**CITY OF ROCKLAND  
WASTEWATER ENTERPRISE CAPITAL IMPROVEMENTS  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Balance July 1</i>	<i>Transfers</i>	<i>Revenues</i>	<i>Total Available</i>	<i>Expenditures</i>	<i>Transfer From(To) Unreserved</i>	<i>Balance June 30</i>
<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 Reline Sewer Pipe	55,500			55,500			55,500
WWTP 50% Aeration Cover	33,830			33,830			33,830
	207,210	-	-	207,210	-	-	207,210
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***

May 22, 2013

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

We have audited the financial statements of the governmental activities, the 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, 2012, which collectively comprise the City of Rockland, Maine's basic financial statements and have issued our report thereon dated May 22, 2013. 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***

Management of the City of Rockland, Maine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Rockland, Maine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Rockland, Maine's 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as defined previously: 2012-01 through 2012-08.

## 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and can be found in the Schedule of Findings and Questioned Costs as #2012-9 and #2012-10.

This report is intended solely for the information and use of management, Members of the City Council, others within the entity 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

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133***

May 22, 2013

Members of the City Council  
City of Rockland  
Bar Harbor, ME 04609

***Compliance***

We have audited the City of Rockland, Maine's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City of Rockland, Maine's major federal programs for the year ended June 30, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-09 through 2012-10.

### *Internal Control over Compliance*

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 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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. 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, Members of the City Council, others within the entity, 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

**SCHEDULE I**  
**CITY OF ROCKLAND**  
*Summary Schedule of Prior Audit Findings*  
*For the Year Ended June 30, 2012*

***Auditor's  
Reference  
Number***

**2011-01 RECONCILIATION OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE**

*Criteria:* Accounts Payable and Accounts Receivable need to be reconciled on a monthly basis to ensure accurate financial records.

*Condition:* Accounts payable and accounts receivable were reviewed for the year and accounts were summarized, however, at audit time, they were not finalized.

*Effect:* Failure to finalize monthly reconciliations allows errors and adjustments to go uncorrected, and inaccurate and incomplete financial records. Additional time was spent looking up and making the entries necessary to balance the accounts with supporting subsidiary ledgers.

*Recommendation:* We recommend that the City's accounts payable and accounts receivable be reconciled on a monthly basis and all adjustments necessary be made timely. We recommend that management monitor this situation to ensure that reconciliations are finalized in a timely manner.

*Management's Response:* The accounts payable reconciliation was complete before year end but the necessary journal entries were not done. The accounts payable reconciliation is now being done on a monthly basis and in the hands of the finance director by the 15<sup>th</sup> of each month. The finance director will make any necessary adjustments on a monthly basis. The accounts receivable reconciliation was complete after year end. The finance director continues to work with employee in training on the reconciliation process. The goal is to have it reconciled by year end and continue on a monthly schedule like the accounts payable reconciliation.

*Current Year Condition:* Accounts Payable as been reconciled but Accounts Receivable remain an area that needs improvement.

**2011-02 RECONCILIATION OF CAPITAL IMPROVEMENT PROJECTS**

*Criteria:* The City has a separate fund to account for capital improvement projects. There are several different funding sources for these projects, which should be reflected in the capital improvement fund. Expenditures should be posted in only one fund.

*Condition:* Expenditures for the capital projects were posted in several funds. There were several transfers from reserves not recorded in the capital improvement fund. Accounts receivable from the grant was not recorded.

*Effect:* Inaccurate and incomplete financial records and additional time required to determine the total funding and costs for each project.

*Recommendation:* We recommend that the City post all funding sources and expenditures in the capital improvement fund and that projects be tracked monthly to monitor balances timely.

*Management's Response:* The finance department will post all activity in one fund once the approval from council has been obtained.

*Current Year Condition:* This remains a finding for fiscal year 2012.

**SCHEDULE II**  
**CITY OF ROCKLAND, MAINE**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended June 30, 2012*

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. Two 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:
  - USDA Cluster, CFDA #10.760.
  - CDBG Cluster, 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*

**2012-01 RECONCILIATION OF ACCOUNTS RECEIVABLE**

*Criteria:* Accounts Receivable need to be reconciled on a monthly basis to ensure accurate financial records.

*Condition:* Some accounts receivable reconciliations were attempted during the year but were not completed for June 30, 2012 balances. Accounts receivable reconciliations were done 6 to 8 months after year end and throughout the audit fieldwork.

*Effect:* Failure to finalize monthly reconciliations allows errors and adjustments to go uncorrected, and inaccurate and incomplete financial records. Additional time was spent reviewing reconciliations and waiting for them to be completed.

*Recommendation:* We recommend that the City's accounts receivable be reconciled on a monthly basis and all adjustments necessary be made timely. We recommend that management monitor this situation to ensure that reconciliations are finalized in a timely manner.

*Recommendation:* We recommend that the City request monthly statements to include any duplicate billing additions and payments. We also recommend that a reconciliation of receipts posted by the city to those of the billing company be done monthly and that any variances be followed up timely to prevent future problems with unidentified receipts.

*Management's Response:* The finance department will request more reports from the billing company to be able to recognize any duplicate billings or other issues that may arise. Variances in receipts will be followed up on a monthly basis instead of waiting to see if the billing company posts the receipt in future reports.

*Current Year Condition:* Emergency medical receipts are being reconciled from the city general ledger to the outside service receipts posted. There remains a variance with previous accounts receivable that were not addressed during the current fiscal year.

## **2011-06 FINANCIAL STATEMENT PREPARATION**

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

*Condition:* 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 approved the auditors to prepare the financial statements.

*Effect:* The auditor prepared financial statements are deemed to be a material weakness.

*Recommendation:* The board and management understand and take responsibility for the financial statements.

*Management's Response:* Management concurs with the finding.

*Current Year Condition:* This finding remains during fiscal year 2012.

**SCHEDULE II**  
**CITY OF ROCKLAND, MAINE**  
*Schedule of Findings and Questioned Costs*  
*For the Year Ended June 30, 2012*

**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. Two 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:

USDA Cluster, CFDA #10.760.
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**

**2012-01 RECONCILIATION OF ACCOUNTS RECEIVABLE**

*Criteria:* Accounts Receivable need to be reconciled on a monthly basis to ensure accurate financial records.

*Condition:* Some accounts receivable reconciliations were attempted during the year but were not completed for June 30, 2012 balances. Accounts receivable reconciliations were done 6 to 8 months after year end and throughout the audit fieldwork.

*Effect:* Failure to finalize monthly reconciliations allows errors and adjustments to go uncorrected, and inaccurate and incomplete financial records. Additional time was spent reviewing reconciliations and waiting for them to be completed.

*Recommendation:* We recommend that the City's accounts receivable be reconciled on a monthly basis and all adjustments necessary be made timely. We recommend that management monitor this situation to ensure that reconciliations are finalized in a timely manner.

*Management's Response:* Management has cross trained employees in this area, currently reconciliations are being done monthly. The Finance Director is reviewing the reconciliations each month to make sure it balances to the general ledger.

#### **2012-02 RECONCILIATION OF CAPITAL IMPROVEMENT PROJECTS**

*Criteria:* The City has a separate fund to account for capital improvement projects. There are several different funding sources for these projects, which should be reflected in the capital improvement fund.

*Condition:* There were several transfers not recorded in the capital improvement fund. There were also various projects that ended and required additional transfers to correct balances.

*Effect:* Inaccurate and incomplete financial records and additional time required to determine the ending balances for the capital projects.

*Recommendation:* We recommend that the City post all funding sources and expenditures in the capital improvement fund and that projects be tracked monthly to monitor balances timely.

*Management's Response:* Management concurs with the finding and will make sure entries are being done to transfer monies from one account to another. Negative balances have always been taken care of during the audit process as some projects are allowed to be over expended if it can be covered but another project that was under spent.

#### **2012-03 CAPITAL PROJECT EXPENDITURES – LIBRARY GUTTERS**

*Criteria:* The City has a separate fund to account for capital improvement projects. Funding for these projects are approved before expenditures made.

*Condition:* The City spent money for library gutters without a funding source. The project was originally part of a 2010 bond that was voted down.

*Effect:* The City spent the money for the library gutters and still has not voted on how this project will be funded. The project is being carried at a deficit.

*Recommendation:* We recommend that the City approve all funding sources for projects before expenditures are made.

*Management's Response:* Management concurs with the finding. The procedure for projects has changed since 2010. All projects are now run through the finance office to make sure funding is in place.

#### **2012-04 CAPITAL PROJECT EXPENDITURES - AMBULANCE**

*Criteria:* The City has a separate fund to account for capital improvement projects. Funding for these projects are approved before expenditures made.

*Condition:* The City spent money for an ambulance without having all the funding to pay for the project. Transfers from reserves in the amount of \$149,193 were budgeted but only \$56,250 was available to transfer from the ems fund. Of the \$92,943 balance remaining, \$87,431 was taken from the beginning balance of ems utility vehicle project, leaving a deficit of \$(5,512) on June 30, 2012. The deficit balance will need to be funded in fiscal year 2013.

*Condition:* During the course of our test work, we selected 43 expenditures for testing and noted 1 instance in which the legal bill was requested for reimbursement on both the pcf project and the big dig project.

*Questioned Costs:* \$3,494.

*Effect:* The City was reimbursed twice for the same expenditure.

*Recommendation:* We recommend the City establish a procedure to ensure that expenditures are reimbursed from the correct project and only reimbursed once.

*Management's Response:* Management concurs with the finding and will make sure that the proper invoices are expensed correctly.

## **2012-10**

Major Program: USDA Cluster, CDBG Cluster

CFDA#10.760, 14.228

Federal Agency: Department of Agriculture, Housing and Urban Development

*Criteria:* Per OMB A-133, the single audit report for fiscal year 2011 must be submitted by March 31, 2012 and the current single audit report must be submitted by March 31, 2013.

*Condition:* The single audit report for June 30, 2011 and 2012 was not submitted before the deadline.

*Questioned Costs:* There are no questioned costs identified.

*Effect:* The City cannot be considered a low-risk auditee.

*Recommendation:* We recommend the City implement recommendations given for all other findings in order to make the City's internal control more effective and the audit process more efficient in order to meet the filing deadline.

*Management's Response:* Management concurs with the condition. Management believes an earlier start date for audit would prevent this in the future.

## **2012-07 EMERGENCY MEDICAL FUND**

*Criteria:* Emergency medical accounts receivable prior variances and issues should be followed up on and current outstanding balances should be reviewed.

*Condition:* During the previous fiscal year the City changed billing providers and during the transition, there were issues with old accounts receivables. Some previous accounts receivable were added by the new billing company, but not all of them. The issues found were not followed up on and corrected and remain outstanding. Receipts for the current year were accounted for with the exception of receipts for old balances outstanding. They were corrected during the audit and new balances calculated. Current old outstanding balances receivable are not being actively pursued now and should be reviewed.

*Effect:* Inaccurate and incomplete financial records.

*Recommendation:* We recommend that the City follow up on prior issues with the billing company and correct problems with duplicate balances included in the aged trial balance. We also recommend that the City request monthly statements from the billing company and follow up on reports if not provided timely and that management provide a reconciliation of outstanding items monthly to the billing company in order to ensure timely answers are provided. Management should review the large list of old outstanding balances due and determine a course of action to eliminate them.

*Management's Response:* Finance reconciles the cash collected by the city is correctly posted by the billing company. The procedure has been to resend any items that vary from billing company to the city books, finance will follow up on a more regular basis to correct issues.

## **2012-08 FINANCIAL STATEMENT PREPARATION**

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

*Condition:* 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 approved the auditors to prepare the financial statements.

*Effect:* The auditor prepared financial statements are deemed to be a material weakness.

*Recommendation:* The board and management understand and take responsibility for the financial statements.

*Management's Response:* Management concurs with the finding.

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

#### **2012-09**

Major Program: USDA Loans for Wastewater Projects  
CFDA#10.760  
Federal Agency: Department of Agriculture

*Criteria:* Per OMB A-133, cash reimbursement requests should not be include for the same expenditures.

*Condition:* During the course of our test work, we selected 43 expenditures for testing and noted 1 instance in which the legal bill was requested for reimbursement on both the pcf project and the big dig project.

*Questioned Costs:* \$3,494.

*Effect:* The City was reimbursed twice for the same expenditure.

*Recommendation:* We recommend the City establish a procedure to ensure that expenditures are reimbursed from the correct project and only reimbursed once.

*Management's Response:* Management concurs with the finding and will make sure that the proper invoices are expensed correctly.

## **2012-10**

Major Program: USDA Cluster  
CFDA#10.760  
Federal Agency: Department of Agriculture

*Criteria:* Per OMB A-133, the single audit report for fiscal year 2011 must be submitted by March 31, 2012 and the current single audit report must be submitted by March 31, 2013.

*Condition:* The single audit report for June 30, 2011 and 2012 was not submitted before the deadline.

*Questioned Costs:* There are no questioned costs identified.

*Effect:* The City cannot be considered a low-risk auditee.

*Recommendation:* We recommend the City implement recommendations given for all other findings in order to make the City's internal control more effective and the audit process more efficient in order to meet the filing deadline.

*Management's Response:* Management concurs with the condition. Management believes an earlier start date for audit would prevent this in the future.

CITY OF ROCKLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2012

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:							
2010 Home Repair Network Program	14.228	015-19A-05870126331	1,203,000		247,378	(247,378)	-
2011 Home Repair Network Program	14.228	015-19A-05870126331	1,105,000		549,338	(549,338)	-
2011 CDBG Multi Family Housing	14.228	015-19A-05870126631	300,000		3,000	(3,000)	-
CDBG Downtown Revitalization	14.228	015-19A-05870126631	600,000		55,317	(55,317)	-
CDBG Lindsay Brook Public Infrastructure	14.228	015-19A-05870126631	432,000		432,000	(432,000)	-
Total U.S. Department of Housing and Urban Development			3,640,000	-	1,287,033	(1,287,033)	-
U.S. Department of Transportation:							
Passed Through State Department of Transportation:							
2012 Seat Belt Enforcement and Education	20.609	013-16A-304D0126401	1,998		1,998	(1,998)	-
2011 HVE Impaired Driving Enforcement	20.600	013-16A-304D0126401	4,783		4,783	(4,783)	-
2010 HVE Impaired Driving Enforcement	20.600	013-16A-304D0126401	4,973		4,973	(4,973)	-
Total U.S. Department of Transportation			11,754	-	11,754	(11,754)	-
U.S. Department of Agriculture:							
Passed Through State Department of Conservation:							
Rural Development-Pollution Control Grant	10.760	---	750,000		560,832	(560,832)	-
2011 HVE Impaired Driving Enforcement	10.760	---	2,250,000		2,250,000	(2,250,000)	-
Rural Development-Big Dig	10.760	---	2,438,500		2,017,542	(2,017,542)	-
Project Canopy Grant	10.675	---	3,410		107	(107)	-
Total U.S. Department of Agriculture			5,441,910	-	4,828,481	(4,828,481)	-
U.S. Department of Justice:							
2010 Emergency Management Performance Grant	97.042	---	31,424		31,424	(31,424)	-
2011 Emergency Management Performance Grant	97.042	---	6,440		6,440	(6,440)	-
Underage Drinking Enforcement Grant	16.727	---	10,000		5,424	(5,424)	-
Byrnes Grant	16.804	---	39,491		3,032	(3,032)	-
Byrnes Grant	16.804	---	10,652		7,746	(7,746)	-
Byrnes Grant Passed Through the Town of Camden	16.738	---	7,034		3,975	(3,975)	-
Total U.S. Department of Justice			105,041	-	58,041	(58,041)	-
U.S. Department of Energy:							
ARRA Gas Collection Grant	81.128	---	35,211		13,729	(13,729)	-
ARRA Energy Planning Grant	81.128	---	9,180		3,400	(3,400)	-
Total U.S. Department of Energy			44,391	-	17,129	(17,129)	-
U.S. Department of Commerce							
NOAA Habitat Conservation	11.463	---	25,500		25,500	(25,500)	-
Total U.S. Department of Homeland Security			25,500	-	25,500	(25,500)	-
<b>Total</b>			<b>9,268,596</b>	<b>-</b>	<b>6,227,938</b>	<b>(6,227,938)</b>	<b>-</b>

**CITY OF ROCKLAND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**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.

**NOTE B – PASS-THROUGH AWARDS**

The City of Rockland, Maine receives certain federal awards in the form of pass-through awards from the State of Maine. Such amounts received as pass-through awards are specifically identified on the Schedule.

**NOTE C – MAJOR PROGRAMS**

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule denoted with an asterisk (\*) are determined by the independent auditor to be major programs.