

2011

City of Rockland Maine Financial Statements June 30, 2011

Rockland, Me.

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CITY OF ROCKLAND, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR
ENDED JUNE 30, 2011*

**CITY OF ROCKLAND
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2011**

TABLE OF CONTENTS		PAGE(S)
INDEPENDENT AUDITOR'S REPORT		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 8
BASIC FINANCIAL STATEMENTS		
EXHIBIT		
GOVERNMENTAL-WIDE FINANCIAL STATEMENTS		
A	Statement of Net Assets	9
B	Statement of Activities	10
FUND FINANCIAL STATEMENTS		
Governmental Funds Financial Statements		
C	Balance Sheet - Governmental Funds	11 - 12
D	Combined Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	13 - 14
Proprietary Fund Financial Statements		
E	Statement of Net Assets	15
F	Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
G	Statement of Cash Flows	17
Fiduciary Fund Financial Statements		
H	Statement of Net Assets	18
I	Statement of Changes in Net Assets	19
NOTES TO THE FINANCIAL STATEMENTS		20 - 38
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS		
J	Budgetary Comparison Schedule	39
OTHER SUPPLEMENTARY INFORMATION		
EXHIBIT		
GENERAL FUND		
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, 2011**

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

CAPITAL PROJECTS FUNDS

C-1 Combining Balance Sheet All Capital Project Funds	59
C-2 Statement of Revenues, Expenditures and Changes in Fund Balance - All Capital Project Funds	60 61
C-3 Capital Improvements Program - Schedule of Activity	62
C-4 Capital Reserve Funds - Schedule of Activity	

PERMANENT FUNDS

D-1 Combining Balance Sheet - All Permanent Funds	63
D-2 Combining Balance Sheet - All Other	64
D-3 Statement of Activity - All Permanent Funds	65
D-4 Statement of Activity - All Other Matters	66

ENTERPRISE FUNDS

E-1 Wastewater Capital Improvements Program - Schedule of Activity	67
--	----

**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	68 - 69
--	---------

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	70 - 71
--	---------

SCHEDULES

I Summary Schedule of Prior Audit Findings	72
II Schedule of Findings and Questioned Costs	73 - 76
III Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	78

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

April 2, 2012

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

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's major federal programs for the year ended June 30, 2011. 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, 2011.

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, 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 proved any assurance on them.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, C.P.A.

CITY OF ROCKLAND, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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, 2011. 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, 2011 by \$22,720,076 (presented as “net assets”). Of this amount, \$4,603,921 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Assets – The City's total net assets increased by \$1,022,792 (a 4.7% increase) for the fiscal year ended June 30, 2011. Net assets of governmental activities increased by \$249,544 (a 1.8% increase), while net assets of business-type activities showed an increase of \$773,248 (a 10.4% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2011, the City's governmental funds reported a combined ending fund balance of \$6,255,169 with \$1,165,425 being general unassigned fund balance. This unassigned fund balance represents approximately 6.7% of the total general fund expenditures for the year.

Long-term Debt:

The City's total long-term debt obligations decreased by \$1,065,510 (9.7%) during the current fiscal year. Governmental debt obligations decreased by \$624,030 and proprietary debt obligations decreased by \$441,480. New bond anticipation proceeds were recognized in the amount of \$44,659 for the public works sewer project and a new lease was issued for \$352,080 for capital improvement projects. 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

64.7% 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.

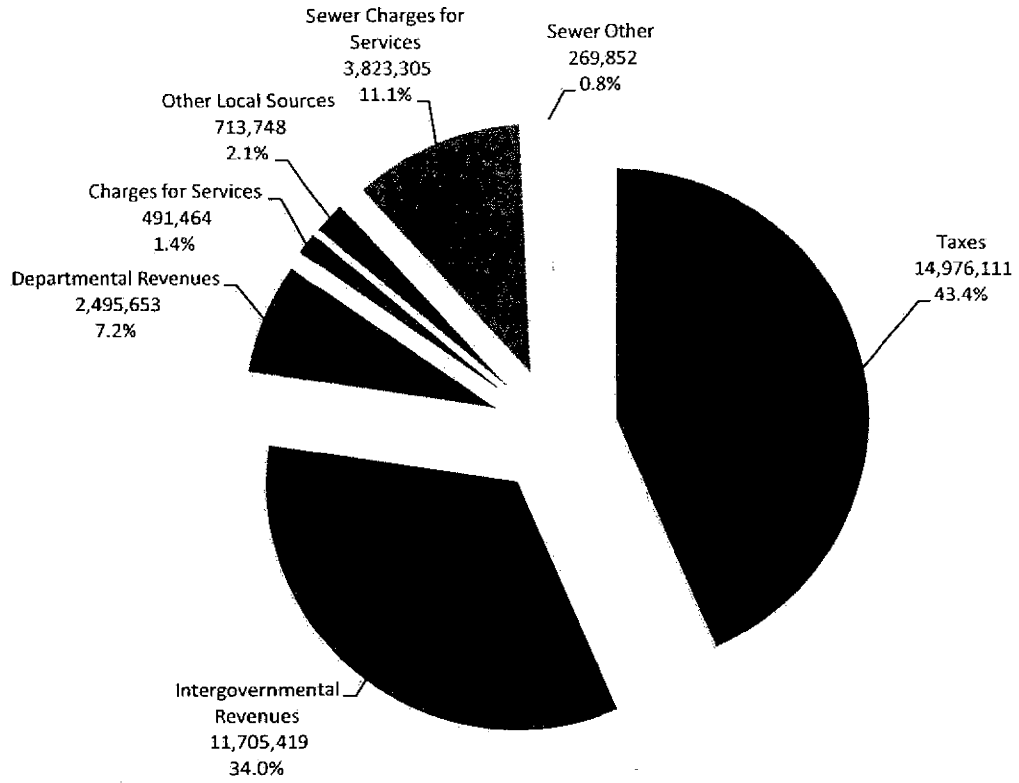
	Governmental Activities	Business-Type Activities	Total 2011	Total 2010
Current Assets	7,652,362	2,297,837	9,950,199	11,728,506
Capital Assets	14,229,679	13,723,946	27,953,625	27,062,633
Total Assets	21,882,041	16,021,783	37,903,824	38,791,139
Current Liabilities	2,385,719	3,085,755	5,471,474	5,693,272
Other Liabilities	5,001,073	4,711,201	9,712,274	10,627,817
Total Liabilities	7,386,792	7,796,956	15,183,748	16,321,089
Net Assets:				
Invested in Capital Assets	8,182,886	6,527,310	14,710,196	14,091,926
Restricted	2,146,810	1,259,149	3,405,959	1,716,754
Unrestricted	4,165,553	438,368	4,603,921	6,661,370
Total Net Assets	14,495,249	8,224,827	22,720,076	22,470,050
Total Liabilities and Net Assets	21,882,041	16,021,783	37,903,824	38,791,139

Changes in Net Assets

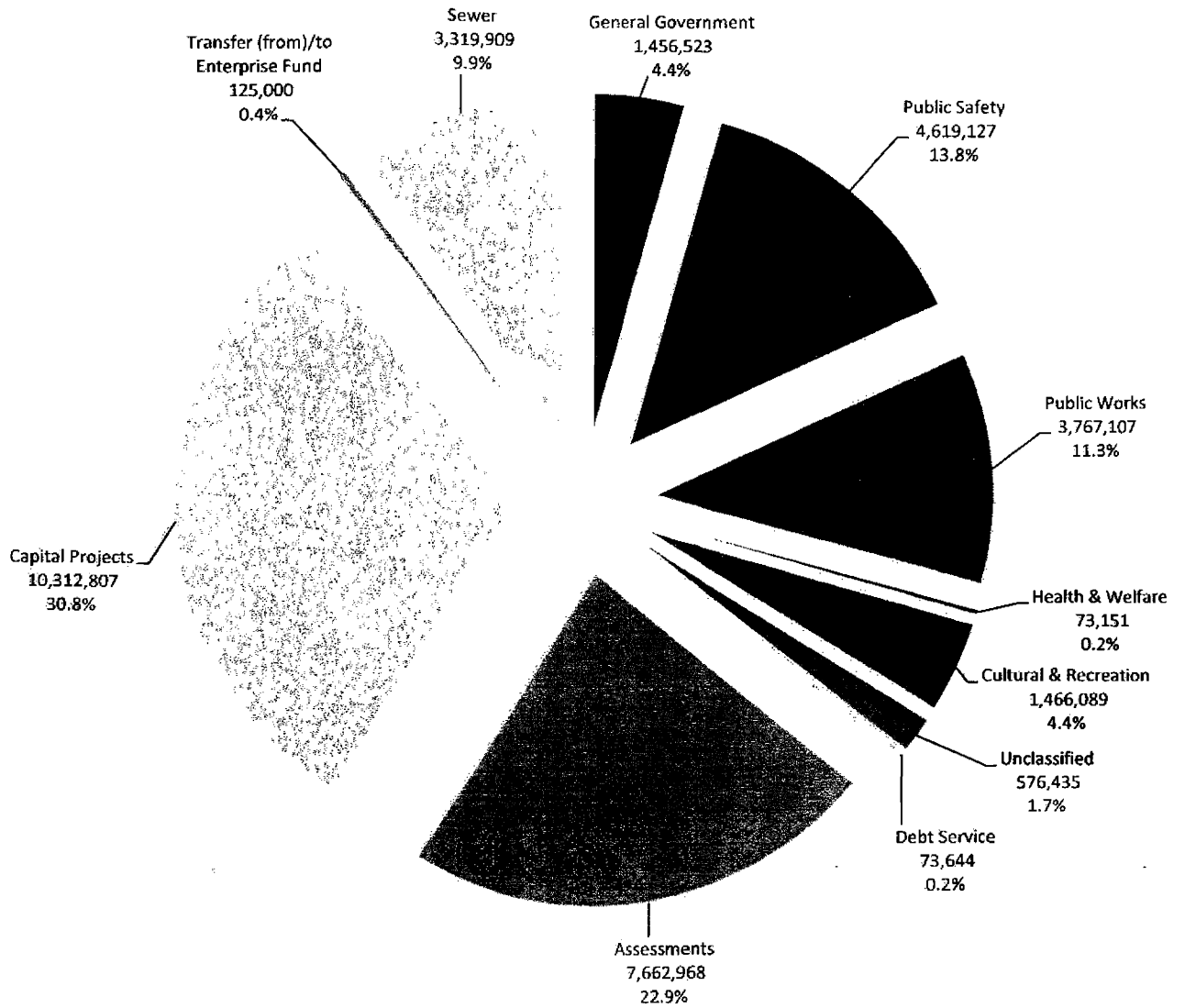
Approximately 43.4 percent of the City's total revenue came from property and excise taxes, approximately 34.0 percent came from State and Federal subsidies and grants, and approximately 22.6 percent came from services, investment earnings and other sources. Depreciation expense on the City's governmental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

	Governmental Activities	Business-Type Activities	Total 2011	Total 2010
Revenues:				
Taxes	14,976,111		14,976,111	14,083,005
Intergovernmental Revenues	11,705,419		11,705,419	3,183,375
Departmental Revenues	2,495,653		2,495,653	2,294,600
Charges for Services	491,464	3,823,305	4,314,769	3,874,409
Other Local Sources	713,748	269,852	983,600	1,622,829
Total	30,382,395	4,093,157	34,475,552	25,058,218
Expenses:				
General Government	1,456,523		1,456,523	1,364,865
Public Safety	4,619,127		4,619,127	4,347,759
Public Works	3,767,107	3,444,909	7,212,016	6,830,460
Health & Welfare	73,151		73,151	72,067
Cultural & Recreation	1,466,089		1,466,089	2,027,651
Unclassified	576,435		576,435	374,610
Debt Service	73,644		73,644	247,769
Assessments	7,662,968		7,662,968	7,163,187
Capital Projects	10,312,807		10,312,807	1,106,553
Transfer (from)/to Enterprise Fund	125,000	(125,000)	-	26,989
Total	30,132,851	3,319,909	33,452,760	23,561,910
Changes in Net Assets	249,544	773,248	1,022,792	1,496,308

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 \$6,255,169, a decrease of \$16,594 in comparison with the prior year. Approximately 18.4 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:

- \$(58,073) negative variance in property tax resulting from supplemental taxes of \$12,409 less a deferred property tax adjustment of (\$70,482).
- \$54,930 positive variance in public works revenue due to FEMA funds received.
- \$149,071 positive variance in motor vehicle registration fees due to the first year of recognition. The following year will be adjusted to reflect more accurate numbers.
- \$(130,736) negative variance in finance department due to the motor vehicle registration expenditure being budgeted for the first time. The overage is offset by the variance in the revenue line.
- \$(73,966) negative variance in the fish pier due to repairs necessary from damage done by a customer.
- \$(32,329) negative variance in fringe benefits due to an unbudgeted negotiated benefit.

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 \$55,414,221, net of accumulated depreciation of \$27,460,595, leaving a net book value of \$27,953,626. Current year additions include \$16,600 for library gutters, \$35,940 for city hall heating/cooling units, \$5,495 for library copier, \$15,980 for a police Harley Davidson, \$193,459 for public works equipment, \$57,850 for solid waste equipment, \$268,966 for public works infrastructure, \$26,879 for wastewater garage improvements, \$536,185 for governmental construction work in process and \$1,863,760 for wastewater construction work in process for the pcf project.

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, 2011

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,343,060	30,275	2,373,335
Investments	2,926,611	1,428	2,928,039
Receivables			
Taxes	1,105,623		1,105,623
Tax Liens	275,491		275,491
Accounts	275,178	162,670	437,848
User Fees, net	399,820	742,779	1,142,599
Loans	1,077,025		1,077,025
Tax Acquired Property	56,556	656	57,212
Prepaid Expenses	230,891		230,891
Due From Other Governments	310,730		310,730
Due to/from Other Funds	(1,348,623)	1,360,029	11,406
Capital Assets:			
Land	761,671	1,102	762,773
Other Capital Assets, Net of Depreciation	12,931,823	10,663,484	23,595,307
Construction Work In Process	536,185	3,059,360	3,595,545
Total Assets	21,882,041	16,021,783	37,903,824
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	302,407	431,447	733,854
Retainage Payable	3,029	36,957	39,986
Payroll Taxes / Deductions	737		737
Prepaid Taxes	19,196		19,196
Deposits Payable	18,403		18,403
Compensated Absences Payable	939,280	97,847	1,037,127
Accrued Salaries	56,947	8,770	65,717
Accrued Interest Payable		25,299	25,299
Long-term Liabilities:			
Due Within One Year	1,045,720	2,485,435	3,531,155
Due in More Than One Year	5,001,073	4,711,201	9,712,274
Total Liabilities	7,386,792	7,796,956	15,183,748
Net Assets			
Held for Postemployment Benefits	60,196		60,196
Investment in Capital Assets, net of Related Debt	8,182,886	6,527,310	14,710,196
Restricted Net Assets	2,146,810	1,259,149	3,405,959
Unrestricted	4,105,357	438,368	4,543,725
Total Net Assets	14,495,249	8,224,827	22,720,076
Total Liabilities and Net Assets	21,882,041	16,021,783	37,903,824

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

CITY OF ROCKLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

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>Operating Grants</u>	<u>Total Governmental Activities</u>	<u>Total Business-like Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities</u>						
General Government	1,456,523	161,617		(1,294,906)		(1,294,906)
Public Safety	4,619,127	684,153	2,400	(3,932,574)		(3,932,574)
Public Works	3,767,107	1,717,043		(2,050,064)		(2,050,064)
Health & Welfare	73,151		13,868	(59,283)		(59,283)
Cultural & Recreation	1,466,089	448,466		(1,017,623)		(1,017,623)
Unclassified	576,435			(576,435)		(576,435)
Debt Service	73,644			(73,644)		(73,644)
Assessments	7,662,968			(7,662,968)		(7,662,968)
Capital Projects	10,312,807		10,696,982	384,175		384,175
<u>Total Governmental Activities</u>	<u>30,007,851</u>	<u>3,011,279</u>	<u>10,713,250</u>	<u>(16,283,322)</u>		<u>(16,283,322)</u>
<u>Business-type Activities:</u>						
Wastewater	3,444,909	3,823,305	249,858		628,254	628,254
<u>Total Business-type Activities</u>	<u>3,444,909</u>	<u>3,823,305</u>	<u>249,858</u>		<u>628,254</u>	<u>628,254</u>
<u>Total Primary Government</u>	<u>33,452,760</u>	<u>6,834,584</u>	<u>10,963,108</u>	<u>(16,283,322)</u>	<u>628,254</u>	<u>(15,655,068)</u>
<u>General Revenues:</u>						
Taxes						
Property				14,136,781		14,136,781
Auto Excise				839,330		839,330
Intergovernmental Revenues				1,005,218		1,005,218
Interest/Change in Fair Value				143,766		143,766
Other Local Sources				532,771	19,994	552,765
Transfers between Enterprise Fund				(125,000)	125,000	-
<u>Total Revenues, Special Items and Transfers</u>				<u>16,532,866</u>	<u>144,994</u>	<u>16,677,860</u>
<u>Changes in Net Assets</u>				<u>249,544</u>	<u>773,248</u>	<u>1,022,792</u>
<u>Net Assets - Beginning</u>				<u>14,245,705</u>	<u>7,451,579</u>	<u>21,697,284</u>
<u>Net Assets - Ending</u>				<u>14,495,249</u>	<u>8,224,827</u>	<u>22,720,076</u>

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

CITY OF ROCKLAND
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

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>
<i>Assets</i>					
Cash and Equivalents	1,592,636	51,193	516,356	182,875	2,343,060
Investments	1,274,093	95,356	847,843	709,319	2,926,611
Taxes Receivable	1,105,623				1,105,623
Tax Liens Receivable	275,491				275,491
Accounts Receivable	275,178				275,178
User Fees Receivable	399,820				399,820
Loans Receivable	60,669	561,827		454,529	1,077,025
Tax Acquired Property	56,556				56,556
Prepaid Expense	230,891				230,891
Due from Other Governments	86,270	224,460		-	310,730
Due from Other Funds	2,164,434	149,049	809,994	834,116	3,957,593
Total Assets	7,521,661	1,081,885	2,174,193	2,180,839	12,958,578
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable	204,471	74,129		23,807	302,407
Retainage Payable				3,029	3,029
Accrued Salaries	56,947				56,947
Payroll Taxes/Deductions	737				737
Deferred Property Taxes	983,518				983,518
Deferred Revenues - Other	12,956				12,956
Prepaid Taxes	19,196				19,196
Due to Other Funds	3,823,916	234,169	711,347	536,784	5,306,216
Deposits Payable	18,403				18,403
<i>Total Liabilities</i>	<i>5,120,144</i>	<i>308,298</i>	<i>711,347</i>	<i>563,620</i>	<i>6,703,409</i>
<i>Fund Balances</i>					
Non-Spendable				216,611	216,611
Restricted		570,571		1,389,092	1,959,663
Committed	883,504	203,615	1,462,846	7,135	2,557,100
Assigned	352,588	10,298		9,364	372,250
Unassigned	1,165,425	(10,897)		(4,983)	1,149,545
<i>Total Fund Balances</i>	<i>2,401,517</i>	<i>773,587</i>	<i>1,462,846</i>	<i>1,617,219</i>	<i>6,255,169</i>
Total Liabilities and Fund Balances	7,521,661	1,081,885	2,174,193	2,180,839	12,958,578

(Continued)

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

Total Fund Balance	6,255,169
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$15,200,283	<u>14,229,679</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenue - Other	12,956
Deferred Taxes	<u>983,518</u>
	<u>996,474</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(4,728,673)
Accrued Compensated Absences	(939,280)
Capital Leases Payable	<u>(1,318,120)</u>
	<u>(6,986,073)</u>
Net Assets of Governmental Activities	<u>14,495,249</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, 2011

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>
Revenues					
Taxes	14,905,630				14,905,630
Intergovernmental Revenues	1,019,086	10,686,333			11,705,419
Departmental Revenues	3,019,117				3,019,117
Interest	47,802	2,805	40,129	31,443	122,179
Change in Fair Value	(3,602)	(313)	(4,485)	29,987	21,587
Other Local Sources	618,796	37,211	31,367	38,581	725,955
Total Revenues	19,606,829	10,726,036	67,011	100,011	30,499,887
Expenditures					
General Government	1,416,278				1,416,278
Public Safety	4,336,146	3,096		194	4,339,436
Public Works	2,901,710				2,901,710
Health and Welfare	71,451			1,820	73,271
Culture and Recreation	1,289,230	230			1,289,460
Unclassified	353,878	32,368		190,189	576,435
Debt Service	1,085,379				1,085,379
Assessments	7,662,968				7,662,968
Capital Outlay		10,758,639	10,396	674,248	11,443,283
Total Expenditures	19,117,040	10,794,333	10,396	866,451	30,788,220
Excess of Revenues Over (Under) Expenditures	489,789	(68,297)	56,615	(766,440)	(288,333)
Other Financing Sources (Uses)					
Bond Anticipation Note Proceeds				44,659	44,659
Capital Lease Proceeds				352,080	352,080
Transfers from Other Funds	1,384,446	59,414	243,363	300,915	1,988,138
Transfers to Other Funds	(1,428,404)		(480,000)	(204,734)	(2,113,138)
Total Other Financing Sources (Uses)	(43,958)	59,414	(236,637)	492,920	271,739
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	445,831	(8,883)	(180,022)	(273,520)	(16,594)
Fund Balance - July 1	1,955,686	782,470	1,642,868	1,890,739	6,271,763
Fund Balance - June 30	2,401,517	773,587	1,462,846	1,617,219	6,255,169

(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, 2011**

Net change in fund balances - total governmental funds (16,594)

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	1,130,476
Gain/(Loss) on Disposal of Assets	(5,625)
Depreciation expense	(1,403,096)
	<u>(278,245)</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	(187,973)
Deferred Taxes	70,481
	<u>(117,492)</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	(352,080)
New bonds	(44,659)
Capital lease obligation principal payments	387,705
General obligation bond principal payments	624,030
	<u>614,996</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	46,879
	<u>46,879</u>

Change in net assets of governmental activities 249,544

CITY OF ROCKLAND
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2011

Exhibit E

<i>Assets</i>	<u><i>Wastewater Enterprise</i></u>
<i>Current Assets:</i>	
Cash and Equivalents	30,275
Investments	1,428
Invested with General Fund	1,961,527
Total Cash and Investments	<u>1,993,230</u>
Receivables	
User Fees, net	742,779
Accounts	163,326
Due From Other Governments	<u>597,371</u>
<i>Total Current Assets</i>	<u>3,496,706</u>
<i>Noncurrent Assets:</i>	
Capital Assets, net	<u>13,723,946</u>
<i>Total Noncurrent Assets</i>	<u>13,723,946</u>
<i>Total Assets</i>	<u><u>17,220,652</u></u>
<i>Liabilities and Fund Equity</i>	
<i>Liabilities</i>	
Accounts Payable	431,447
Retainage Payable	36,957
Accrued Salaries and Benefits	8,770
Accrued Compensated Absences	97,847
Accrued Interest Payable	25,299
Due to Other Governments	1,198,869
Bonds and Notes Payable	<u>2,485,435</u>
<i>Total Current Liabilities</i>	<u>4,284,624</u>
<i>Noncurrent Liabilities:</i>	
Bonds and Notes Payable	<u>4,711,201</u>
<i>Total Noncurrent Liabilities</i>	<u>4,711,201</u>
<i>Total Liabilities</i>	<u>8,995,825</u>
<i>Net Assets</i>	
Invested in Capital Assets, net of related debt	6,527,310
Retained Earnings	
Reserved	1,259,149
Unreserved - Undesignated	<u>438,368</u>
<i>Total Net Assets</i>	<u>8,224,827</u>
<i>Total Liabilities and Net Assets</i>	<u><u>17,220,652</u></u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Operating Revenues:	
Industrial	2,527,250
Residential	712,492
Commercial	512,481
Chemical Surcharge	54,265
Sewer Reserve Capacity Fee	4,748
Interest - Late Penalties	12,069
	<hr/>
Total Operating Revenues:	3,823,305
	<hr/>
Operating Expenditures:	
Personnel	770,180
Contracted Services	1,172,876
Commodities	397,703
Equipment Repairs & Replacement	173,324
Capital Improvements Programs	73,923
Lease Payments	3,443
Depreciation and Amortization	694,402
	<hr/>
Total Operating Expenditures	3,285,851
	<hr/>
Net Operating Income	537,454
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Revenue	42
Change in Fair Value	(5)
USDA Grant Funds	189,168
Efficiency Maine Rebate	57,190
Maine Municipal Safety Grant	3,500
Nonutility Income, net of expense	19,957
Transfer from/(to) other funds	125,000
PCF Project Interest Expense	(26,477)
Interest Expense	(132,581)
	<hr/>
Total Nonoperating Revenue (Expenses)	235,794
	<hr/>
Change in Net Assets	773,248
	<hr/>
Total Net Assets - Beginning	7,451,579
	<hr/>
Total Net Assets - Ending	8,224,827
	<hr/> <hr/>

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

CITY OF ROCKLAND
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit G

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Cash Flows from Operating Activities	
Received from Customers	3,823,305
Payments to Suppliers	(1,821,269)
Payments to Employees	(770,180)
Other Receipts (Payments)	391,315
	<hr/>
Net Cash Provided by (Used in) Operating Activities	1,623,171
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(1,863,639)
Principal Paid on Capital Debt	(441,594)
Interest Paid on Capital Debt	(159,058)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(2,464,291)
	<hr/>
Cash Flows from Investing Activities	
Purchase of Investments	1,085,404
Interest and Dividends	37
	<hr/>
Net Cash Provided by (Used in) Investing Activities	1,085,441
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	244,321
	<hr/>
Balances - beginning of the year	1,745,409
	<hr/>
Balances - end of the year	1,989,730
	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	537,454
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	694,402
(Increase) Decrease in Accounts Receivable	(249,692)
(Increase) Decrease in Due To/From Other Governments	281,351
Increase (Decrease) in Accrued Wages Payable	2,049
Increase (Decrease) in Accrued Interest Payable	(2,320)
Increase (Decrease) in Compensated Absences Payable	12,561
Increase (Decrease) in Accounts Payable	350,866
	<hr/>
Net Cash Provided by (Used in) Operating Activities	1,626,671
	<hr/> <hr/>

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

CITY OF ROCKLAND
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2011

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	57,817	6,563	64,380
Total Assets	57,817	6,563	64,380
<i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds	10,000	1,406	11,406
Total Liabilities	10,000	1,406	11,406
<i>Net Assets</i>			
Net Assets			
Net Assets			
Reserved for Endowment	27,000	5,000	32,000
Unreserved			
Designated for Subsequent Years' Expenditures	20,817	157	20,974
Total Net Assets	47,817	5,157	52,974
Total Liabilities and Net Assets	57,817	6,563	64,380

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, 2011

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)	88	10	98
Investment Income	1,299	147	1,446
Total Additions	1,387	157	1,544
<u>Reductions</u>			
Churches		1,162	1,162
Scholarships	2,000		2,000
Total Reductions	2,000	1,162	3,162
Changes in Net Assets	(613)	(1,005)	(1,618)
Net Assets - July 1	48,430	6,162	54,592
Net Assets - June 30	47,817	5,157	52,974

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

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 2010 is \$1,166,100. 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.

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, \$983,518 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 13, 2010 on property values assessed on April 1. Taxes were due in two installments due on September 24 and March 4, with interest at 7.0% beginning September 25 and March 5. 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.

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, 2011

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, 2011

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, 2011 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><i>Nonspendable</i></u>					
Library Trust Funds Principal				216,611	216,611
	-	-	-	216,611	216,611
<u><i>Restricted</i></u>					
Federal/State Programs		570,571			570,571
Library Trust Funds Expendable				291,662	291,662
RCHP Scholarship				17,677	17,677
Berliawsky Park				4,088	4,088
Elizabeth Tyrell				26,316	26,316
Pump Station/CSO Project				206,002	206,002
Capital Improvements Program				843,347	843,347
	-	570,571	-	1,389,092	1,959,663
<u><i>Committed</i></u>					
General Reserves	883,504				883,504
Federal/State Programs		203,615			203,615
Coast Guard				4,883	4,883
Veterans Memorial				2,252	2,252
Capital Reserve Funds			1,462,846		1,462,846
	883,504	203,615	1,462,846	7,135	2,557,100
<u><i>Assigned</i></u>					
Emergency Medical	89,961				89,961
Local Road Assistance	39,758				39,758
Federal/State Programs		10,298			10,298
Shore Village Museum				663	663
Police DARE				2,030	2,030
Skateboard Park Project				3,852	3,852
Odor Study				2,819	2,819
General Fund Encumbered Funds	222,869				222,869
	352,588	10,298	-	9,364	372,250
<u><i>Unassigned</i></u>					
General Fund	1,165,425				1,165,425
Federal/State Programs		(10,897)			(10,897)
Keyword Library				(4,983)	(4,983)
	1,165,425	(10,897)	-	(4,983)	1,149,545
<u><i>Total Fund Balance</i></u>	<u>2,401,517</u>	<u>773,587</u>	<u>1,462,846</u>	<u>1,617,219</u>	<u>6,255,169</u>

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, 2011

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 \$222,869.

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, 2011, 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, 2011

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 \$2,373,335 and the bank balance was \$2,667,362. 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>2,667,362</u>	<u>149,472</u>	<u>2,517,890</u>	<u>-</u>

Investments

At June 30, 2011, the City's investments, maturities and credit ratings are as follows:

Type	June 30, 2011						Credit Rating	
	Fair Value	Maturities in Years				S&P	Moody's	
		Less Than 1	1-5	6-10	More than 10			
General City:								
Corporate Bonds	634,866	209,436	425,430			AAA	Aaa	
Corporate Bonds	157,855		157,855			A	A2	
Corporate Bonds	103,824		103,824			A	Baa1	
US Gov't Agency Obligations	54,976	54,976				AAA	Aaa	
US Gov't Agency Obligations	506,184	51,759	454,425			AAA	-	
US Gov't Agency Obligations	105,097			105,097		AA	Aa2	
US Gov't Agency Obligations	102,369		102,369			AA-	Aa1	
US Gov't Agency Obligations	266,867		266,867			AA-	Aa2	
US Treasury Bonds and Notes	177,604		177,604			AAA	-	
Equities	90,159	90,159				Not rated	Not rated	
Mutual Funds	792,618	792,618				Not rated	Not rated	
Total	<u>2,992,419</u>	<u>1,198,948</u>	<u>1,688,374</u>	<u>105,097</u>	<u>-</u>			

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

Deposits and Cash on Hand	\$	2,373,335			
Investments	\$	2,992,419			
	\$	<u>5,365,754</u>			
			Government-wide	Business-Type	Fiduciary
			Statement of	Statement of	Statement of
			Net Assets	Net Assets	Net Assets
Cash and Cash Equivalents	\$	2,343,060	\$	30,275	\$
Investments	\$	2,926,611	\$	1,428	\$
	\$	<u>5,269,671</u>	\$	<u>31,703</u>	\$
					Totals
					\$
					2,373,335
					\$
					2,992,419
					\$
					<u>5,365,754</u>

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	764,790,100
Tax Rate (per \$1,000)	<u>18.20</u>
Commitment	<u>13,919,180</u>
Appropriations	17,731,404
Less:	
State Municipal Revenue Sharing	704,248
Estimated Revenues	2,867,373
BETE Reimbursement	112,020
Homestead Reimbursement	<u>128,583</u>
	<u>3,812,224</u>
Net Assessment for Commitment	<u>13,919,180</u>

Supplemental taxes totaling \$12,409 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, 2011

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, 2011, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	2,164,434	3,823,916
Special Revenue Funds:		
Federal/State Funds	149,049	234,169
Shore Village Museum		4,485
Police DARE		2,108
RCHP Scholarship		3,425
Elizabeth Tyrell	26,316	
Odor Study	2,819	
Recreation Fund		9,206
Veterans Memorial	533	
Capital Project Funds		
Pump Station/CSO Project	206,002	
Capital Improvement Projects	598,446	176,211
Public Works Sewer Project		38,380
Capital Reserve Funds	809,994	711,347
Permanent Funds		302,969
Fiduciary Funds		11,406
Wastewater Enterprise Fund	<u>2,558,898</u>	<u>1,198,869</u>
Totals	<u>6,516,491</u>	<u>6,516,491</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, 2011

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	761,671			761,671
Construction Work in Process	-	536,185		536,185
	<u>761,671</u>	<u>536,185</u>	<u>-</u>	<u>1,297,856</u>
<i>Capital assets being depreciated:</i>				
Buildings	5,834,859	16,600		5,851,459
Equipment	6,963,044	308,724	(64,071)	7,207,697
Infrastructure	14,803,984	268,966		15,072,950
	<u>27,601,887</u>	<u>594,290</u>	<u>(64,071)</u>	<u>28,132,106</u>
<i>Total capital assets being depreciated</i>				
<i>Less accumulated depreciation for:</i>				
Buildings	1,772,886	145,900		1,918,786
Equipment	3,730,342	600,862	(58,446)	4,272,758
Infrastructure	8,352,406	656,333		9,008,739
	<u>13,855,634</u>	<u>1,403,095</u>	<u>(58,446)</u>	<u>15,200,283</u>
<i>Total accumulated depreciation:</i>				
	<u>13,746,253</u>	<u>(808,805)</u>	<u>(5,625)</u>	<u>12,931,823</u>
<i>Net capital assets being depreciated</i>				
Governmental Activities:				
Capital Assets, net	<u>14,507,924</u>	<u>(272,620)</u>	<u>(5,625)</u>	<u>14,229,679</u>

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

Governmental Activities

General Government	70,611
Public Safety	281,644
Public Works, including general infrastructure assets	876,511
Culture and Recreation	<u>174,329</u>
Total Depreciation Expense - Governmental Activities	<u><u>1,403,095</u></u>

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	1,102			1,102
Construction Work in Process	1,222,601	1,836,760		3,059,361
<i>Capital assets being depreciated</i>				
Buildings	1,848,871	26,879		1,875,750
Equipment	635,007			635,007
Infrastructure	20,413,040			20,413,040
<i>Total capital assets being depreciated</i>	22,896,918	26,879	-	22,923,797
<i>Less accumulated depreciation for:</i>				
Buildings	435,652	74,492		510,144
Equipment	526,811	39,758		566,569
Infrastructure	10,603,448	580,152		11,183,600
<i>Total accumulated depreciation</i>	11,565,911	694,402	-	12,260,313
<i>Net capital assets being depreciated</i>	11,331,007	(667,523)	-	10,663,484
Business-type Activities:				
Capital Assets, net	11,332,109	1,169,237	-	13,723,947

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

F. Capital Leases

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

<i>Year Ended</i> <u>June 30,</u>	<i>Minimum</i> <i>Lease</i> <i>Payment</i>
2012	430,695
2013	430,695
2014	349,348
2015	132,175
2016	<u>75,719</u>
Total Minimum Lease Payments	1,418,632
Less: Amount Representing Interest	<u>(100,512)</u>
 Present Value of Future Minimum Lease Payments	 <u><u>1,318,120</u></u>

G. Long-Term Debt

1. General Obligation Bonds and Notes

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

<i>Purpose</i> <i>General Obligation</i>	<i>Maturity</i> <i>Date</i>	<i>Interest</i> <i>Rate</i>	<i>Amount</i>
1995 City Hall Bonds	10/1/2015	5.2%-6.0%	125,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	172,418
1999 General Obligation Bonds	11/1/2014	4.039%-5.239%	232,800
2000 Paving Bond	11/1/2010	5.281%-5.406%	-
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	1,029,035
2006 Fire Truck	11/1/2021	1.85 - 6.0%	440,000
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	906,356
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	832,787
2008 Fire Truck	2/5/2023	4.440%	267,377
2010 Key Bank CIP Bond	11/4/2012	1.920%	288,000
2010 Key Bank CIP Bond	10/21/2015	1.920%	<u>434,900</u>
			<u><u>4,728,673</u></u>

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 Dechlorination Bonds	10/1/2013	5.193%	34,500
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	12,382
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	2,990,633
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	1,056,303
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	977,620
2010 General Obligation Note	11/1/2011	2.150%	166,000
Total Proprietary Debt			<u>5,237,438</u>
Total Debt			<u>9,966,111</u>

Annual debt service requirements to maturity for general obligation bonds and notes including interest of \$2,328,083 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
2012	770,505	650,566	1,421,071
2013	756,428	657,720	1,414,148
2014	598,643	567,338	1,165,981
2015	531,058	551,249	1,082,307
2016	466,169	551,551	1,017,720
2017-2021	1,463,147	1,981,006	3,444,153
2022-2026	789,034	807,474	1,596,508
2027-2031	400,376	467,220	867,596
2032-2033	131,479	153,231	284,710
Total	<u>5,906,839</u>	<u>6,387,355</u>	<u>12,294,194</u>

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011:

	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2010</i>	5,308,044	5,678,918	10,986,962
Debt Issued	-	-	-
Debt Retired	(579,371)	(441,480)	(1,020,851)
<i>Long-term Debt payable June 30, 2011</i>	<u>4,728,673</u>	<u>5,237,438</u>	<u>9,966,111</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, 2011</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
Regional School Unit #13	5,162,953	33.43%	1,725,975
Knox County	-	10.92%	-
Totals	<u>5,162,953</u>		<u>1,725,975</u>

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

4. Bond Anticipation Note

The City approved a general obligation bond in the amount of \$2,250,000 on January 20, 2009 and a resolve was passed by the council on January 26, 2009 for the water pollution control facility. This is a temporary bond anticipation note and as of June 30, 2011 the wastewater fund has drawn down a balance of \$1,959,311. The outstanding balance is due 8/29/11.

5. Debt Authorized, Unissued

The voters of the City of Rockland approved a municipal bond in the amount of \$2,834,478 on 11/4/09 for sewer, storm water and other capital improvements. As of 6/30/11 this remains authorized but unissued.

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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	-	54,934
Haines Charity	57,581	207,264
Keywood Library	91,230	(4,983)
Leach Library	50,000	16,630
Cleveland/Bostick Library	10,000	930
Flower	1,000	5,702
Monroe Highway	200	5,245
Library	<u>6,600</u>	<u>957</u>
Total	<u>216,611</u>	<u>286,679</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

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, 2009, 2010 and 2011, were \$71,626, \$63,214 and \$60,229 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 3.5% for regular employees, 6.6% for fire and police employees, and 6.6% 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, 2009, 2010 and 2011, were \$143,641, \$140,770 and \$184,124 respectively, which were paid in full each year.

CITY OF ROCKLAND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 2011 was \$22,936.

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, 2011. 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 \$60,196 as of June 30, 2011. The Actuarial accrued liability at June 30, 2011 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, 2011

Exhibit J

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	14,913,270	14,913,270	14,905,630	(7,640)
Intergovernmental Revenues	262,913	262,913	274,853	11,940
Departmental Revenues	837,018	837,018	911,992	74,974
Other Local Sources	457,812	457,812	600,503	142,691
Total Revenues	16,471,013	16,471,013	16,692,978	221,965
Expenditures (Net of Departmental Revenues)				
General Government	1,301,340	1,301,340	1,420,278	(118,938)
Public Safety	4,132,493	4,132,493	4,126,548	5,945
Public Works	1,564,637	1,564,637	1,529,778	34,859
Health and Welfare	68,485	68,485	66,025	2,460
Culture and Recreation	1,224,959	1,224,959	1,292,091	(67,132)
Unclassified	308,754	308,754	330,257	(21,503)
Debt Service	1,087,263	1,087,263	1,085,379	1,884
Assessments	7,920,135	7,920,135	7,662,968	257,167
Total Expenditures	17,608,066	17,608,066	17,513,324	94,742
Excess Revenues Over Expenditures	(1,137,053)	(1,137,053)	(820,346)	316,707
Other Financing Sources				
Transfers from Other Funds	1,260,391	1,260,391	1,273,475	13,084
Transfers to Other Funds	(123,338)	(123,338)	(126,988)	(3,650)
Total Other Financing Sources	1,137,053	1,137,053	1,146,487	9,434
Net Change in Fund Balance	-	-	326,141	326,141
Beginning Fund Balances - Budgetary Basis			839,284	
Ending Fund Balances - Budgetary Basis			1,165,425	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			222,869	
Ending Fund Balances - GAAP Basis			1,388,294	

CITY OF ROCKLAND
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-1
Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	13,919,180	13,861,107	(58,073)
Auto Excise	807,090	839,330	32,240
Interest and Lien Charges	137,000	134,933	(2,067)
Payment in Lieu of Taxes	50,000	70,260	20,260
	<hr/> 14,913,270	<hr/> 14,905,630	<hr/> (7,640)
Intergovernmental Revenues			
Welfare Reimbursement	12,500	13,868	1,368
Veterans Reimbursement	6,000	11,111	5,111
Tree Growth	3,300	11,316	8,016
Homestead Reimbursement	128,583	126,150	(2,433)
BETE Reimbursement	112,020	112,057	37
Snowmobile Reimbursement	510	351	(159)
	<hr/> 262,913	<hr/> 274,853	<hr/> 11,940
Departmental Revenues			
Police	187,726	173,195	(14,531)
Fire	23,356	19,494	(3,862)
Assessment	500	88	(412)
Finance	-	5,896	5,896
Legal	1,720	1,265	(455)
Code Enforcement	64,530	63,499	(1,031)
Public Works	78,452	133,382	54,930
Fish Pier	122,764	139,574	16,810
Fish Pier Insurance Proceeds	-	39,855	39,855
Harbor and Waterfront	188,900	173,195	(15,705)
Library	53,200	53,378	178
Recreation	62,720	42,464	(20,256)
City Clerk	50,650	57,692	7,042
Community Development	2,500	9,015	6,515
	<hr/> 837,018	<hr/> 911,992	<hr/> 74,974

CITY OF ROCKLAND
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-1
Page 2 of 2

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Other Local Sources			
Interest on Investments	41,262	15,568	(25,694)
Interest on Accounts Receivable	5,000	2,814	(2,186)
Motor Vehicle Registration Fees	39,000	188,071	149,071
Camden and Rockport Water	8,500	12,204	3,704
Cable Franchise Fee	67,000	71,470	4,470
Photocopies	400	220	(180)
Workers Compensation Dividend		8,992	8,992
Administration Fee from Sewer	136,351	136,351	-
City Lease Revenue		3,600	3,600
MSAD #5 Remaining Fund Balance	160,099	160,099	-
Other	200	1,114	914
	<u>457,812</u>	<u>600,503</u>	<u>142,691</u>
Transfers and Other Sources			
Municipal Revenue Sharing	754,248	744,233	(10,015)
Emergency Medical	249,013	249,013	-
Library Trust Fund	10,163	10,163	-
Transfer Station Fund	71,297	71,297	-
City Land Sales Reserve	150,000	150,000	-
Custom House Parking Reserve	25,670	25,670	-
Fish Pier	-	10,700	10,700
CIP Fund	-	12,399	12,399
	<u>1,260,391</u>	<u>1,273,475</u>	<u>13,084</u>
Total Revenues and Transfers	17,731,404	<u>17,966,453</u>	<u>235,049</u>
Beginning Fund Balance Used	-		
Total	<u>17,731,404</u>		

CITY OF ROCKLAND
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Encumbered from 2010</i>	
General Government		
Legislative		
Executive		
Assessment		
Finance		
Legal		
City Clerk		
General		
City Hall		
Community Development		
Engineering		
	-	
Public Safety		
Police Department		
Fire Department		
Dispatch		
Lights and Hydrants		
Code Enforcement		
	-	
Public Works		
Public Works		
	-	
Health and Welfare		
Health		
Welfare		
	-	
Culture and Recreation		
Public Library		
Harbor and Waterfront		
Municipal Fish Pier		
Recreation		
	-	

<i>Budget</i>	<i>Actual</i>	<i>Encumbered to 2012</i>	<i>(Over) Under Budget</i>
6,601	4,609		1,992
154,089	160,947		(6,858)
153,728	149,694		4,034
395,014	525,750		(130,736)
99,263	94,181		5,082
188,614	190,156		(1,542)
94,550	97,678		(3,128)
47,683	47,855		(172)
136,798	142,158		(5,360)
25,000	3,250	4,000	17,750
1,301,340	1,416,278	4,000	(118,938)
1,798,904	1,790,632		8,272
1,365,564	1,376,910		(11,346)
168,867	169,061		(194)
606,445	590,752		15,693
192,713	199,193		(6,480)
4,132,493	4,126,548	-	5,945
1,564,637	1,491,778	38,000	34,859
1,564,637	1,491,778	38,000	34,859
30,500	30,500		-
37,985	35,525		2,460
68,485	66,025	-	2,460
573,308	564,159	2,861	6,288
177,875	166,221		11,654
116,163	190,129		(73,966)
357,613	368,721		(11,108)
1,224,959	1,289,230	2,861	(67,132)

**CITY OF ROCKLAND
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011**

	<i>Encumbered from 2010</i>
Unclassified	
Fringe Benefits	
Other Unclassified	
Fisher TIF Payment	
TIF Agreements	56,403
	56,403
City CIP Bond Issues	
Sewers & Lindsey Brook	115,774
	115,774
Debt Service	
TAN Interest	
Principal on Long-Term Debt	
Interest on Long-Term Debt	
Capital Leases	
	-
Assessments	
School District	
County Tax	
Overlay	
	-
Operating Transfer Out	
Tillson Redevelopment Reserve	
Veterans Fund	
Fire Building Reserve	
Fisher TIF Reserve	
Recreation Donations Fund	
Parks Reserve	
Coast Guard	
Grants	
	-
Total Appropriations	172,177

<i>Budget</i>	<i>Actual</i>	<i>Encumbered to 2012</i>	<i>(Over) Under Budget</i>
84,050	92,706	23,673	(32,329)
187,622	176,796		10,826
37,082	37,082		-
-	17,842	38,561	-
308,754	324,426	62,234	(21,503)
		115,774	-
-	-	115,774	-
4,166	1,339		2,827
562,645	559,689		2,956
150,659	153,941		(3,282)
369,793	370,410		(617)
1,087,263	1,085,379	-	1,884
6,943,565	6,943,565		-
702,166	702,166		-
274,404	17,237		257,167
7,920,135	7,662,968	-	257,167
97,472	97,472		-
	14		(14)
13,506	13,506		-
12,360	12,360		-
	1,128		(1,128)
	422		(422)
	2,000		(2,000)
	86		(86)
123,338	126,988	-	(3,650)
17,731,404	17,589,620	222,869	91,092

GENERAL FUND

STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

Unassigned Fund Balance		
July 1, 2010		839,284
Additions		
Budget Summary		
Revenue Surplus (Deficit)(Exhibit A-1)	235,049	
Unexpended Balance of		
Appropriations (Exhibit A-2)	91,092	
	<hr/>	
Budget Surplus		326,141
		<hr/>
		1,165,425
Deductions		
Beginning Fund Balance Used		-
		<hr/>
Unassigned Fund Balance		
June 30, 2011		1,165,425
		<hr/> <hr/>

CITY OF ROCKLAND
ALL GENERAL RESERVES/FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

Exhibit A-4

<i>Assets</i>	<i>General Reserves</i>	<i>Emergency Medical</i>	<i>Transfer Station</i>	<i>Local Road Assistance</i>	<i>Total</i>
Cash and Equivalents					-
Investments	894,622	161,469		39,758	1,095,849
Receivables (Net of Allowances)					
User Fees		291,465	108,355		399,820
Other		14,852			14,852
Due from Other Funds	363,647	-	4,521		368,168
Total Assets	1,258,269	467,786	112,876	39,758	1,878,689
<i>Liabilities and Fund Balances</i>					
Liabilities					
Accounts Payable	-	7,053	30,505		37,558
Deferred Revenue		394			394
Due to Other Funds	374,765	370,378	82,371		827,514
Total Liabilities	374,765	377,825	112,876	-	865,466
Fund Balances					
Committed	883,504				883,504
Assigned		89,961		39,758	129,719
Total Fund Balances	883,504	89,961	-	39,758	1,013,223
Total Liabilities and Fund Balances	1,258,269	467,786	112,876	39,758	1,878,689

CITY OF ROCKLAND

Exhibit A-5

ALL GENERAL RESERVES/FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<i>General Reserves (Exhibit A-6)</i>	<i>Emergency Medical (Exhibit A-7)</i>	<i>Transfer Station (Exhibit A-8)</i>	<i>Municipal Revenue Sharing</i>	<i>Local Road Assistance</i>	<i>Total</i>
Revenues						
Intergovernmental Revenues				744,233		744,233
Charges for Services		491,464	1,615,661			2,107,125
Interest	26,314	4,750	-		1,170	32,234
Fair Value Increases (Decreases)	(2,940)	(531)	-		(131)	(3,602)
Other Local Sources	21,679	3,425	8,757			33,861
Total Revenues	45,053	499,108	1,624,418	744,233	1,039	2,913,851
Expenditures						
Public Safety	2,864	206,734				209,598
Public Works	518		1,409,414			1,409,932
Health & Welfare	5,426					5,426
Other	29,452					29,452
Total Expenditures	38,260	206,734	1,409,414	-	-	1,654,408
Excess of Revenues Over (Under) Expenditures	6,793	292,374	215,004	744,233	1,039	1,259,443
Other Financing Sources (Uses)						
Transfers from Other Funds	110,971					110,971
Transfers to Other Funds	(36,916)	(305,263)	(215,004)	(744,233)		(1,301,416)
Total Other Financing Sources (Uses)	74,055	(305,263)	(215,004)	(744,233)	-	(1,190,445)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	80,848	(12,889)	-	-	1,039	68,998
Fund Balance - July 1	802,656	102,850	-	-	38,719	944,225
Fund Balance - June 30	883,504	89,961	-	-	39,758	1,013,223

CITY OF ROCKLAND
GENERAL RESERVE FUNDS
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-6

<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	17,883			10,550	(1,179)		27,254
Samoset/Glen Cove I & I	3,953		(546)	120	(13)		3,514
Samoset Debt Service	(50)		45	(2)			(7)
Johnson Park	788			24	(2)		810
Custom House Parking Lot	150,545	13,060	(25,670)	4,165	(465)	(366)	141,269
Police Forfeiture	36,836	3,255		1,329	(148)	(2,864)	38,408
Parks	14,996	300	422	355	(40)		16,033
Merritt Park Playground	5,550			706	(79)		6,177
Fish Pier Maintenance	2,918			88	(10)		2,996
Fish Pier Improvements	85,625		(10,700)	1,529	(171)		76,283
Police Trading Cards	2,165	152		47	(5)	(152)	2,207
Pumping/Chemicals Reserve	305			180	(20)		465
Sewer Rate Stabilization Reserve	348,301		60,000	5,386	(602)		413,085
Skatepark Helmet Reserve	1,258			37	(4)		1,291
Traffic Improvements Reserve	34,913			1,054	(118)		35,849
Fuel Assistance Reserve	25,008	4,912		746	(84)	(5,426)	25,156
TIF Tillson Redevelopment Reserve	48,278		38,144			(29,452)	56,970
Police Reserve	23,384						23,384
Fisher TIF Reserve	-		12,360				12,360
Total	802,656	21,679	74,055	26,314	(2,940)	(38,260)	883,504

EMERGENCY MEDICAL FUND

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Revenues			
User Fees	419,333	392,003	(27,330)
Owls Head EMS Service	68,024	68,024	-
Aid to Outside Towns	40,000	31,437	(8,563)
Interest		4,750	4,750
Change in Fair Value		(531)	(531)
Donations	50	1,650	1,600
All Other		1,775	1,775
Total Revenues	527,407	499,108	(28,299)
Expenditures			
Personal Services	118,746	111,384	7,362
Contracted Services	68,156	56,674	11,482
Commodities	31,242	31,434	(192)
Capital Outlay	4,000	7,242	(3,242)
Total Expenditures	222,144	206,734	15,410
Excess of Revenues Over (Under) Expenditures	305,263	292,374	(12,889)
Other Financing Sources (Uses)			
Transfers to Other Funds	(305,263)	(305,263)	-
Use of Surplus	-	-	-
Total Other Financing Sources (Uses)	(305,263)	(305,263)	-
Excess of Revenues and Other Sources Over (Under) Expenditures	-	(12,889)	(12,889)
Fund Balance - July 1		102,850	
Fund Balance - June 30		89,961	

TRANSFER STATION

STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2011

	<i>Budget</i>	<i>Actual</i>	<i>Variance</i>
Revenues			
Landfill Revenue	1,289,699	928,132	(361,567)
MSW Tipping Fee	395,671	319,824	(75,847)
Perc Performance Credit	146,841	149,921	3,080
Solid Waste Stickers	168,350	91,029	(77,321)
Cardboard Disposal	12,000	42,283	30,283
White Goods and Metals	21,000	42,176	21,176
Plastics	3,200	6,009	2,809
Pallet Fees	5,000	4,727	(273)
Mixed Paper	4,960	10,999	6,039
Universal Waste	5,000	6,913	1,913
Payt Bag		7,538	7,538
Metal Can Bundles	1,000	3,837	2,837
Tires	2,500	2,273	(227)
All Other	8,200	8,757	557
Total Revenues	2,063,421	1,624,418	(439,003)
Expenditures			
Personal Services	317,527	329,862	(12,335)
Contracted Services	907,957	853,765	54,192
Commodities	169,708	122,946	46,762
Capital Outlay	5,000	4,909	91
Principal and Interest	97,932	97,932	-
Total Expenditures	1,498,124	1,409,414	88,710
Excess of Revenues Over (Under)			
Expenditures	565,297	215,004	(350,293)
Other Financing Sources (Uses)			
Transfers from Other Funds			-
Transfers to Other Funds	(565,297)	(215,004)	350,293
Total Other Financing Sources (Uses)	(565,297)	(215,004)	350,293
Excess of Revenues and Other			
Sources Over (Under) Expenditures	-	-	-
Fund Balance - July 1			
Fund Balance - June 30		-	

CITY OF ROCKLAND
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

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	51,193	19,660	70,853
Investments	95,356	34,476	129,832
Receivables (Net of Allowances)			
User Fees			-
Loans	561,827		561,827
Due from Other Governments	224,460		224,460
Due from Other Funds	149,049	29,668	178,717
Total Assets	1,081,885	83,804	1,165,689
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable	74,129		74,129
Due to Other Funds	234,169	19,224	253,393
Total Liabilities	308,298	19,224	327,522
 Fund Balances			
Restricted	570,571	48,081	618,652
Committed	203,615	7,135	210,750
Assigned	10,298	9,364	19,662
Unassigned	(10,897)	-	(10,897)
Total Fund Balances	773,587	64,580	838,167
Total Liabilities and Fund Balances	1,081,885	83,804	1,165,689

CITY OF ROCKLAND
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS
COMBINING BALANCE SHEET
JUNE 30, 2011

<i>Assets</i>	<i>Community Business Development</i>	<i>CDBG Microloans Grant</i>	<i>CDBG Home Repair Network Grants</i>	<i>CDBG Business Assistance Grant</i>
Cash			1,131	50,062
Investments	93,511	1,845		
Due from Other Governments			35,697	
Loans Receivable	479,382	82,445		
Due from Other Funds		119,325		
Total Assets	572,893	203,615	36,828	50,062
<i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable				
Due to Other Funds	34,017		36,828	50,062
Total Liabilities	34,017	-	36,828	50,062
Fund Balances				
Non-Spendable				
Restricted	538,876			
Committed		203,615		
Assigned			-	-
Unassigned			-	-
Total Fund Balances	538,876	203,615	-	-
Total Liabilities and Fund Balances	572,893	203,615	36,828	50,062

<i>CDBG Downtown Revitalization</i>	<i>CDBG Recreation Center</i>	<i>ARRA Energy Planning Grant</i>	<i>Gas Collection Grant</i>	<i>Sandy Beach Project</i>	<i>2010 Quality Community</i>
71,993	32,000				34,452
		7,344	8,803	1,186	
<u>71,993</u>	<u>32,000</u>	<u>7,344</u>	<u>8,803</u>	<u>1,186</u>	<u>34,452</u>
38,166					25,282
21,300	32,000				20,067
<u>59,466</u>	<u>32,000</u>	-	-	-	<u>45,349</u>
12,527		7,344	8,803	1,186	
-					(10,897)
<u>12,527</u>	<u>-</u>	<u>7,344</u>	<u>8,803</u>	<u>1,186</u>	<u>(10,897)</u>
<u>71,993</u>	<u>32,000</u>	<u>7,344</u>	<u>8,803</u>	<u>1,186</u>	<u>34,452</u>

CITY OF ROCKLAND
SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS
COMBINING BALANCE SHEET
JUNE 30, 2011

<i>Assets</i>	<i>MDOT Gateway Round 1</i>	<i>MDOT Gateway Round 2</i>	<i>Main Street Downtown</i>
Cash			
Investments			
Due from Other Governments	25,247	11,792	13,049
Loans Receivable			
Due from Other Funds			
Total Assets	25,247	11,792	13,049
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable	4,090		6,333
Due to Other Funds	21,157	11,792	6,716
Total Liabilities	25,247	11,792	13,049
 Fund Balances			
Non-Spendable			
Restricted			
Committed			
Assigned			
Unassigned			
Total Fund Balances	-	-	-
Total Liabilities and Fund Balances	25,247	11,792	13,049

<i>Police N.A.D.D.I. Grant</i>	<i>Dept. of Justice Burnes Grant</i>	<i>Small Community Grant Program</i>	<i>Wellness Grant</i>	<i>Green Downtown</i>	<i>Fish Pier Freezer Relocation</i>	<i>Totals</i>
						51,193
					230	95,356
						224,460
						561,827
966	934	8,150	506	1,835		149,049
966	934	8,150	506	1,835	230	1,081,885
	258					74,129
					230	234,169
-	258	-	-	-	230	308,298
				1,835		570,571
966	676	8,150	506			203,615
						10,298
						(10,897)
966	676	8,150	506	1,835	-	773,587
966	934	8,150	506	1,835	230	1,081,885

CITY OF ROCKLAND
SPECIAL REVENUE FUNDS - ALL OTHER
COMBINING BALANCE SHEET
JUNE 30, 2011

<i>Assets</i>	<i>Shore Village Museum</i>	<i>Police DARE</i>	<i>Skateboard Park Project</i>	<i>RCHP Scholarship Trust</i>
Cash and Equivalents			3,852	
Investments	5,148	4,138		21,102
Due from Other Funds				
Total Assets	5,148	4,138	3,852	21,102
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds	4,485	2,108		3,425
Total Liabilities	4,485	2,108	-	3,425
 <i>Fund Balances</i>				
Restricted				17,677
Committed				
Assigned	663	2,030	3,852	
Total Fund Balances	663	2,030	3,852	17,677
Total Liabilities and Fund Balances	5,148	4,138	3,852	21,102

<i>Berliawsky Park</i>	<i>Elizabeth Tyrell Trust</i>	<i>Odor Study</i>	<i>Recreation Fund</i>	<i>Coast Guard</i>	<i>Veterans Memorial</i>	<i>Total</i>
			9,206	4,883	1,719	19,660
4,088						34,476
	26,316	2,819			533	29,668
4,088	26,316	2,819	9,206	4,883	2,252	83,804
			9,206			19,224
-	-	-	9,206	-	-	19,224
4,088	26,316			4,883	2,252	48,081
		2,819				7,135
						9,364
4,088	26,316	2,819	-	4,883	2,252	64,580
4,088	26,316	2,819	9,206	4,883	2,252	83,804

ALL SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<i>Federal/State Programs (Exhibit B-5)</i>	<i>All Other (Exhibit B-6)</i>	<i>Total</i>
Revenues			
Intergovernmental Revenues	10,686,333		10,686,333
Interest	2,805	863	3,668
Fair Value Increases (Decreases)	(313)	7	(306)
Other Local Sources	37,211	38,382	75,593
Total Revenues	10,726,036	39,252	10,765,288
Expenditures			
Public Safety	3,096	194	3,290
Cultural & Recreation	230		230
Capital Improvement	10,758,639		10,758,639
Other	32,368	15,767	48,135
Total Expenditures	10,794,333	15,961	10,810,294
Excess of Revenues Over (Under) Expenditures	(68,297)	23,291	(45,006)
Other Financing Sources (Uses)			
Transfers from Other Funds	59,414	8,128	67,542
Transfers to Other Funds	-	(4,485)	(4,485)
Total Other Financing Sources (Uses)	59,414	3,643	63,057
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,883)	26,934	18,051
Fund Balance - July 1	782,470	37,646	820,116
Fund Balance - June 30	773,587	64,580	838,167

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, 2011

	<i>Community Business Development</i>	<i>CDBG Microloans Grant</i>	<i>2009 CDBG Home Repair Network Grant</i>	<i>2010 CDBG Home Repair Network Grant</i>	<i>CDBG Business Assistance Grant</i>	<i>CDBG Downtown Revitalization</i>	<i>CDBG Community Enterprise</i>
Revenues							
Microloan Payments	8,391	15,771					
Intergovernmental Revenues			199,692	901,263	100,000	355,702	
Interest	2,750	55					
Fair Value Increases(Decreases)	(307)	(6)					
Local Sources							
Total Revenues	10,834	15,820	199,692	901,263	100,000	355,702	-
Expenditures							
New Loans		15,000					
Administration				3,000			
Professional Services							
Contractors					100,000	402,503	
Capital Improvement			199,692	898,263			
Equipment							
Other	16,258	1,110					
Total Expenditures	16,258	16,110	199,692	901,263	100,000	402,503	-
Excess of Revenues Over (Under) Expenditures	(5,424)	(290)	-	-	-	(46,801)	-
Other Financing Sources (Uses)							
Transfers from Other Funds						59,328	86
Transfers to Other Funds							
Total Other Financing Sources (Uses)	-	-	-	-	-	59,328	86
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(5,424)	(290)	-	-	-	12,527	86
Fund Balance - July 1	544,300	203,905	-	-	-	-	(86)
Fund Balance - June 30	538,876	203,615	-	-	-	12,527	-

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, 2011

Exhibit B-5
Page 2 of 3

	<i>CDBG Recreation Center</i>	<i>ARRA Energy Planning Grant</i>	<i>Efficiency Maine PACE Grant</i>	<i>Gas Collection Grant</i>	<i>Sandy Beach Project</i>	<i>2010 Quality Community</i>	<i>Gateway 1 Startup Funds</i>	<i>MDOT Gateway Round 1</i>
Revenues								
Microloan Payments								
Intergovernmental Revenues		7,344	9,010,000	8,803		43,586	10,827	33,206
Interest								
Fair Value Increases(Decreases)								
Local Sources								
Total Revenues	-	7,344	9,010,000	8,803	-	43,586	10,827	33,206
Expenditures								
New Loans								
Administration	71		10,000					
Professional Services								
Contractors			9,000,000		600	54,483	10,827	33,206
Capital Improvement								
Equipment								
Other								
Total Expenditures	71	-	9,010,000	-	600	54,483	10,827	33,206
Excess of Revenues Over (Under) Expenditures	(71)	7,344	-	8,803	(600)	(10,897)	-	-
Other Financing Sources (Uses)								
Transfers from Other Funds								
Transfers to Other Funds								
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(71)	7,344	-	8,803	(600)	(10,897)	-	-
Fund Balance - July 1	71	-	-	-	1,786	-	-	-
Fund Balance - June 30	-	7,344	-	8,803	1,186	(10,897)	-	-

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, 2011

	<i>MDOT Gateway Round 2</i>	<i>Main Street Downtown</i>	<i>Police N.A.D.D.I. Grant</i>	<i>Dept. of Justice Burnes Grant</i>	<i>Small Community Grant Program</i>	<i>Wellness Grant</i>	<i>Green Downtown</i>	<i>Fish Pier Freezer Relocation</i>	<i>Total</i>
Revenues									
Microloan Payments									24,162
Intergovernmental Revenues	13,280			2,400				230	10,686,333
Interest									2,805
Fair Value Increases(Decreases)									(313)
Local Sources		13,049							13,049
Total Revenues	13,280	13,049	-	2,400	-	-	-	230	10,726,036
Expenditures									
New Loans									15,000
Administration									13,071
Professional Services				3,096					3,096
Contractors	13,280	13,049					19,665	230	9,647,843
Capital Improvement Equipment									1,097,955
Other									17,368
Total Expenditures	13,280	13,049	-	3,096	-	-	19,665	230	10,794,333
Excess of Revenues Over (Under) Expenditures	-	-	-	(696)	-	-	(19,665)	-	(68,297)
Other Financing Sources (Uses)									
Transfers from Other Funds									59,414
Transfers to Other Funds									-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	59,414
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	(696)	-	-	(19,665)	-	(8,883)
Fund Balance - July 1	-	-	966	1,372	8,150	506	21,500	-	782,470
Fund Balance - June 30	-	-	966	676	8,150	506	1,835	-	773,587

CITY OF ROCKLAND
SPECIAL REVENUE FUNDS - ALL OTHER
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B-6

	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Berliawsky Park	Elizabeth Tyrell Trust	Odor Study	Recreation Fund	Coast Guard	Veterans Memorial	Total
Revenues											
Intergovernmental Revenues											-
Other Local Sources		275				26,316		461	9,650	1,680	38,382
Interest	152	122	6	474	92				9	8	863
Fair Value Increases (Decreases)	(17)	(14)		32	6						7
Total Revenues	135	383	6	506	98	26,316	-	461	9,659	1,688	39,252
Expenditures											
Public Safety Programs		194									194
Repairs and Maintenance										5,051	5,051
Scholarships				1,000							1,000
Supplies/Materials								235	9,481		9,716
Professional Services											-
Total Expenditures	-	194	-	1,000	-	-	-	235	9,481	5,051	15,961
Excess of Revenues Over (Under) Expenditures	135	189	6	(494)	98	26,316	-	226	178	(3,363)	23,291
Other Financing Sources (Uses)											
Transfer from Other Funds								1,128	2,000	5,000	8,128
Transfer to Other Funds	(4,485)										(4,485)
Total Other Financing Sources (Uses)	(4,485)	-	-	-	-	-	-	1,128	2,000	5,000	3,643
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,350)	189	6	(494)	98	26,316	-	1,354	2,178	1,637	26,934
Fund Balance (Deficit) - July 1	5,013	1,841	3,846	18,171	3,990	-	2,819	(1,354)	2,705	615	37,646
Fund Balance - June 30	663	2,030	3,852	17,677	4,088	26,316	2,819	-	4,883	2,252	64,580

CITY OF ROCKLAND
ALL CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

<i>Assets</i>	<i>Pump Station/CSO Project</i>
Cash	
Investments	
Due from Loans	
Due from Other Funds	206,002
Total Assets	206,002
 <i>Liabilities and Fund Balances</i>	
Liabilities	
Accounts Payable	
Retainage Payable	
Due to Other Funds	
Total Liabilities	-
Fund Balances	
Restricted	206,002
Committed	
Total Fund Balances	206,002
Total Liabilities and Fund Balances	206,002

<i>Capital Improvements Program</i>	<i>Public Works Sewer Project</i>	<i>Capital Reserve Funds</i>	<i>Total</i>
		516,356	516,356
38,736		847,843	886,579
402,933	44,659		447,592
598,446		809,994	1,614,442
1,040,115	44,659	2,174,193	3,464,969
20,557	3,250		23,807
	3,029		3,029
176,211	38,380	711,347	925,938
196,768	44,659	711,347	952,774
843,347			1,049,349
		1,462,846	1,462,846
843,347	-	1,462,846	2,512,195
1,040,115	44,659	2,174,193	3,464,969

CITY OF ROCKLAND
ALL CAPITAL PROJECT FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Pump Station/CSO Project</i>	
Revenues		
Intergovernmental Revenue		
Local Sources		
Change in Fair Value		
Interest		
		<hr/>
Total Revenues	-	<hr/>
Expenditures		
Capital Outlay		
Equipment		
Repairs & Maintenance		
Other		
		<hr/>
Total Expenditures	-	<hr/>
Excess of Revenues Over (Under) Expenditures	-	<hr/>
Other Financing Sources (Uses)		
Bond Anticipation Note Proceeds		
Capital Lease Proceeds		
Transfers from Other Funds		
Transfers to Other Funds		
		<hr/>
Total Other Financing Sources (Uses)	-	<hr/>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	
Fund Balance - July 1	206,002	<hr/>
Fund Balance - June 30	206,002	<hr/> <hr/>

<i>Capital Improvements Program</i>	<i>Public Works Sewer Project</i>	<i>Capital Reserve Funds</i>	<i>Total</i>
			-
		31,367	31,367
(127)		(4,485)	(4,612)
11,036		40,129	51,165
10,909	-	67,011	77,920
197,291	222,346		419,637
254,611			254,611
		884	884
		9,512	9,512
451,902	222,346	10,396	684,644
(440,993)	(222,346)	56,615	(606,724)
-	44,659		44,659
352,080			352,080
115,100	177,687	243,363	536,150
(190,086)		(480,000)	(670,086)
277,094	222,346	(236,637)	262,803
(163,899)	-	(180,022)	(343,921)
1,007,246	-	1,642,868	2,856,116
843,347	-	1,462,846	2,512,195

CITY OF ROCKLAND
 CAPITAL IMPROVEMENTS FUND
 SCHEDULE OF ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 2011

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				278,177			278,177
Roads and Sidewalks	4,327				4,327			4,327
Recycling Facility Improvement	10,090				10,090			10,090
EM Generator	52,312				52,312		995	53,307
EMS Utility Vehicle	28,609	56,250	1,012		85,871			85,871
Sign Van	8,000				8,000			8,000
Monitoring Well Landfill	8,676				8,676		5	8,681
Fire/EMS Command Vehicle	409				409			409
Fire Department Bucket Truck	1,000				1,000		(1,000)	-
FD Fire Hose Upgrade/Replacement	2,229				2,229			2,229
Harbor & Waterfront Wreck Removal	15,000				15,000	(107)		14,893
Solid Waste Gas Collection System	34,816				34,816	(8,538)		26,278
Solid Waste Top Eject Trailer	-	3,850		54,000	57,850	(57,850)		-
Solid Waste Hydrogen Peroxide Storage and Distribution	-			43,000	43,000			43,000
Solid Waste Baler Conveyor Belt Replacement	-			19,000	19,000			19,000
Fire Rescue Pumper	1,019				1,019			1,019
Police Upgrade Radar Units	769				769			769
Police Motor Cycle	-			16,500	16,500	(15,980)		520
PW Facility	17,900	20,000			37,900	(42,816)		(4,916)
PW 1 Ton Dump Truck	-			50,000	50,000	(42,895)	(2,392)	4,713
PW 8500 Series w/plow	-			130,000	130,000	(132,392)	2,392	-
PW Reline Sewer Upper Pleasant	73,077				73,077	(3,209)	86,924	156,792
PW Culvert Near Dominos	49,781				49,781	(66,366)	16,585	-
PW Replace 12" Drain Park Street	24,890				24,890	(178)	(16,256)	8,456
PW Replace Thomaston Meadow Rd. Bridge	59,737				59,737	(430)	263	59,570
PW Replace Thomaston St. Marsh Brook Culvert	24,890				24,890	(3,474)	110	21,526
PW Sewer Maverick Street	286,736	(190,086)			96,650		(96,650)	-
PW Sewer Brewster Street	(553)				(553)		553	-
PW Sewer Rankin Street	(219)				(219)		219	-
PW Sewer Park St./Grack St. Interceptor	(5,039)				(5,039)		5,039	-
PW Sewer Union Street	(474)				(474)		474	-
PW Sewer Autumn Street	(856)				(856)		856	-
PW Lovejoy Street	(623)				(623)		623	-
PW Clarendon Street	(518)				(518)		518	-
PW Rankin St. Storm Water Separation	(742)				(742)		742	-
Library Roof Replacement	750				750	(135)		615
Library Copier/Printer	-			6,600	6,600	(5,495)		1,105
Library Gutters	-				-	(16,600)		(16,600)
Recreation Center	-	35,000			35,000	(22,457)		12,543
CH Rooftop Heaters	-			32,980	32,980	(32,980)		-
Municipal Fish Pier Underground Elec.	7,214				7,214			7,214
City Committed Balances	997,779	(74,986)	1,012	352,080	1,275,885	(451,902)	-	823,983
Total Committed Balances	997,779	(74,986)		352,080	1,275,885	(451,902)	-	823,983
Unassigned	9,467		9,897		19,364			19,364
Total CIP	1,007,246	(74,986)	9,897	352,080	1,295,249	(451,902)	-	843,347

CITY OF ROCKLAND
CAPITAL RESERVE FUNDS
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-4

<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 Depreciation	158,474			376	(42)		158,808
Sewer Equipment	77			46	(5)		118
Industrial Park Land Sales	77,790			2,350	(263)		79,877
City Land Sales	188,001	31,367	(205,000)	8,259	(923)	(10,396)	11,308
Audio Visual Reserve	4,679			190	(21)		4,848
Ground Cover Reserve	16,049			484	(54)		16,479
Recreation Reserve	240			78	(9)		309
Sewer Renewal and Replacement Reserve	602,511		(185,000)	10,345	(1,156)		426,700
Civil War Artifacts Reserve	18,269			544	(61)		18,752
Emergency Medical Reserve	17,770			537	(60)		18,247
Landfill Closure Reserve	289,446			8,743	(977)		297,212
Ladder Truck Reserve	12,481			377	(42)		12,816
Landfill Perpetual Care Reserve	64,123		103,707	1,937	(216)		169,551
Sewer CIP Reserve	6,115			3,608	(403)		9,320
Fire Department Building Reserve	31,353		13,506	650	(73)		45,436
Transfer Station Capital Equipment Reserve	155,490		36,150	1,605	(180)		193,065
Total	1,642,868	31,367	(236,637)	40,129	(4,485)	(10,396)	1,462,846

CITY OF ROCKLAND
PERMANENT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

<i>Assets</i>	<i>Cemetery</i>	<i>Haines Charity</i>
Cash	15,931	147,284
Investments	335,347	117,249
Due From Other Funds		
Loans Receivable		6,937
Total Assets	351,278	271,470
 <i>Liabilities and Fund Balances</i>		
Liabilities		
Due to Other Funds	296,344	6,625
Total Liabilities	296,344	6,625
Fund Balances (Deficit)		
Non-Spendable		57,581
Restricted	54,934	207,264
Unassigned		
Total Fund Balances	54,934	264,845
Total Liabilities and Fund Balances	351,278	271,470

Exhibit D-1

<i>Keyword Library</i>	<i>Leach Library</i>	<i>All Other (Exhibit D-4)</i>	<i>Total</i>
			163,215
86,247	66,630	30,634	636,107
			-
			6,937
86,247	66,630	30,634	806,259
			-
			302,969
			-
			302,969
91,230	50,000	17,800	216,611
	16,630	12,834	291,662
(4,983)			(4,983)
86,247	66,630	30,634	503,290
86,247	66,630	30,634	806,259

**CITY OF ROCKLAND
 PERMANENT FUNDS
 COMBINING BALANCE SHEET -ALL OTHER
 JUNE 30, 2011**

<i>Assets</i>	<i>Cleveland/ Bostick Library</i>
Investments	10,930
Due from Other Funds	
Loans Receivable	
Total Assets	10,930
 <i>Liabilities and Fund Balances</i>	
Liabilities	
Due to Other Funds	
Total Liabilities	-
Fund Balances	
Non-Spendable	10,000
Restricted	930
Total Fund Balances	10,930
Total Liabilities and Fund Balances	10,930

<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
6,702	5,445	7,557	30,634
6,702	5,445	7,557	30,634
			-
			-
1,000	200	6,600	17,800
5,702	5,245	957	12,834
6,702	5,445	7,557	30,634
6,702	5,445	7,557	30,634

CITY OF ROCKLAND
PERMANENT FUNDS
STATEMENT OF ACTIVITY - ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Cemetery</u>	<u>Haines Charity</u>
Revenues		
Local Sources		199
Investment Income	9,405	5,941
Fair Value Increases (Decreases)	29,298	403
Total Revenues	<u>38,703</u>	<u>6,543</u>
Expenditures		
Charity		1,820
Cemetery Care	174,422	
Total Expenditures	<u>174,422</u>	<u>1,820</u>
Excess of Revenues Over (Under) Expenditures	<u>(135,719)</u>	<u>4,723</u>
Other Financing Sources (Uses)		
Transfer From Other Funds		
Transfer to Other Funds		
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(135,719)</u>	<u>4,723</u>
Fund Balance - July 1	<u>190,653</u>	<u>260,122</u>
Fund Balance - June 30	<u>54,934</u>	<u>264,845</u>

Exhibit D-3

<i>Keyword Library</i>	<i>Leach Library</i>	<i>All Other (Exhibit D-4)</i>	<i>Total</i>
			199
1,995	1,507	696	19,544
229	117	60	30,107
2,224	1,624	756	49,850
			1,820
			174,422
			176,242
2,224	1,624	756	(126,392)
(7,777)	(1,255)	(1,131)	(10,163)
(7,777)	(1,255)	(1,131)	(10,163)
(5,553)	369	(375)	(136,555)
91,800	66,261	31,009	639,845
86,247	66,630	30,634	503,290

***CITY OF ROCKLAND
PERMANENT FUNDS
STATEMENT OF ACTIVITY - ALL OTHER
FOR THE YEAR ENDED JUNE 30, 2011***

	<i>Cleveland/ Bostick Library</i>
Revenues	
Investment Income	250
Fair Value Increases (Decreases)	23
	<hr/>
Total Revenues	273
	<hr/>
Expenditures	
Abatements	
Cemetery Care	
	<hr/>
Total Expenditures	
	<hr/>
Excess of Revenues Over (Under)	
Expenditures	273
	<hr/>
Other Financing Sources (Uses)	
Transfer to Other Funds	(534)
	<hr/>
Total Other Financing Sources (Uses)	(534)
	<hr/>
Excess of Revenues and Other Sources Over (Under)	
Expenditures and Other Uses	(261)
	<hr/>
Fund Balance - July 1	11,191
	<hr/>
Fund Balance - June 30	10,930
	<hr/> <hr/>

Exhibit D-4

<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
150	122	174	696
10	8	19	60
160	130	193	756
			-
			-
			-
160	130	193	756
		(597)	(1,131)
		(597)	(1,131)
160	130	(404)	(375)
6,542	5,315	7,961	31,009
6,702	5,445	7,557	30,634

CITY OF ROCKLAND

Exhibit E-1

WASTEWATER ENTERPRISE CAPITAL IMPROVEMENTS

SCHEDULE OF ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2011

	<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	34,217			34,217	(387)		33,830
Wastewater Designated Balances	629,869	-	-	207,597	(387)	-	207,210

***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***

April 2, 2012

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of and for the year ended June 30, 2011, which collectively comprise the City of Rockland, Maine's basic financial statements and have issued our report thereon dated April 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Rockland, Maine's internal control over financial reporting 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, detected, and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2011-1 thru 2011-6.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There were no significant deficiencies.

Compliance and Other Matters

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

City of Rockland's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Rockland, Maine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, 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, C.P.A.

James W. Wadman, C.P.A.

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

April 2, 2012

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

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's major federal programs for the year ended June 30, 2011. 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, 2011.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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'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 that a 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 the internal control over compliance was for 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 designed above.

The City of Rockland, Maine's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the management, 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, 2011

*Auditor's
Reference
Number*

NONE

SCHEDULE II
CITY OF ROCKLAND, MAINE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

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

ARRA Energy Efficiency and Conservation Block Grant, CFDA #81.128.
8. The threshold for distinguishing Types A and B programs was \$323,706.
9. The City of Rockland was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

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 15th 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.

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.

2011-03 WASTEWATER PROJECT ACTIVITY NOT POSTED TO THE GENERAL LEDGER

Criteria: All revenues and expenditures should go through the City's normal cash receipts and disbursements processes to ensure timely and accurate reporting.

Condition: The City's new public works project and the ongoing pcf project were not recorded through the cash receipts or warrants process. General ledger entries were made after year end to record some of the activity for the pcf project, however, not all the activity was included and only some of the activity for the public works project was included.

Effect: Inaccurate and incomplete financial records and additional time required to determine the revenues and expenditures appropriate for each project.

Recommendation: We recommend that the City post all funding sources and expenditures for each project through the cash receipt and disbursement procedures currently established.

Management's Response: The city will pay all invoices from the normal disbursement process and reimburse itself through the alternative funding source which will record the cash receipt in the accounting software.

2011-04 QUALITY COMMUNITY GRANT

Criteria: All expenditures should have an approved revenue source before paying invoices.

Condition: The City paid their portion of the Quality Community Grant in the amount of \$32,000 without approval from the Council. The Council never approved the match for the grant or where it was to be funded from.

Effect: The grant was overdrawn for the amount of the City match.

Recommendation: We recommend that the City approve all City matching portions of grants before expenditures are made.

Management's Response: The finance department and community development department are working more closely together to prevent this from reoccurring. The community development office will seek council approval at the same time grant approval is awarded.

2011-05 EMERGENCY MEDICAL ACCOUNTS RECEIVABLE

Criteria: Emergency medical accounts receivable should be reconciled to the subsidiary ledgers monthly.

Condition: The City changed billing providers during the beginning of the fiscal year audited. A report for August through December and then monthly reports thereafter were sent to the city. Receipts posted by the City were checked with receipts posted by the billing company and some notes were made for outstanding items, however, a finalized reconciliation for accounts receivable and receipts was not available at the time of the audit. Some previous accounts receivable were added by the new billing company, but not all of them. A complete list of duplicate entries were not available at the time of the audit.

Effect: Inaccurate and incomplete financial records and overstated accounts receivable and revenue. A variance between the general ledger accounts receivable and the aged trial balance resulted.

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.

2011-06 FINANCIAL STATEMENT PREPARATION

Criteria: Based on recently implemented 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*

NONE

CITY OF ROCKLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

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:							
Business Assistance	14.228	015-19A-05870126331	100,000		100,000	(100,000)	-
2009 Home Repair Network Program	14.228	015-19A-05870126331	1,051,500		199,692	(199,692)	-
2010 Home Repair Network Program	14.228	015-19A-05870126631	1,203,000		901,263	(901,263)	-
Downtown Revitalization	14.228	015-19A-05870126631	600,000		355,702	(355,702)	-
Total U.S. Department of Housing and Urban Development			2,954,500	-	1,556,657	(1,556,657)	-
U.S. Department of Transportation:							
Passed Through State Department of Transportation:							
Seat Belt HVE Seatbelt Campaign	20.600	013-16A-304D0126401	1,502		1,502	(1,502)	-
Seat Belt HVE Seatbelt Campaign	20.600	013-16A-304D0126401	2,000		1,821	(1,821)	-
Summer HVE Campaign	20.600	013-16A-405S0126110	6,680		6,412	(6,412)	-
Holiday HVE Impaired Driving Campaign	20.601	013-16A-304D0126401	4,807		4,807	(4,807)	-
Underage Drinking Enforcement Grant	20.601		10,000		5,570	(5,570)	-
Total U.S. Department of Transportation			24,989	-	20,112	(20,112)	-
U.S. Department of Agriculture:							
Passed Through State Department of Conservation:							
Rural Development	10.760	--	750,000		189,168	(189,168)	-
Total U.S. Department of Agriculture			750,000	-	189,168	(189,168)	-
U.S. Department of Justice:							
Consolidation of Equipment and Services							
	16.804	--	39,491		3,096	(3,096)	-
Total U.S. Department of Justice			39,491	-	3,096	(3,096)	-
U.S. Department of Energy:							
*ARRA Energy Efficiency and Conservation Block Grant	81.128	--	9,010,000		9,010,000	(9,010,000)	-
Total U.S. Department of Energy			9,010,000	-	9,010,000	(9,010,000)	-
U.S. Department of Homeland Security							
Passed Through State Department of Defense, Veterans and Emergency Management							
Federal Emergency Management Funds	97.036	--	11,180		11,180	(11,180)	-
Total U.S. Department of Homeland Security			11,180	-	11,180	(11,180)	-
Total			12,790,160	-	10,790,213	(10,790,213)	-

**CITY OF ROCKLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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 D – 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.