

2008

# City of Rockland Maine Financial Statements June 30, 2008

Rockland, Me.

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*CITY OF ROCKLAND, MAINE*

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

*FOR THE YEAR  
ENDED JUNE 30, 2008*

***INDEPENDENT AUDITOR'S REPORT***

March 30, 2009

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of and for the fiscal year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Rockland, Maine as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009, on our consideration of the City of Rockland, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

**CITY OF ROCKLAND, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2008**

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, 2008. 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, 2008 by \$20,765,044 (presented as “net assets”). Of this amount, \$4,992,857 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 \$2,274,079 (a 12.3% increase) for the fiscal year ended June 30, 2008.

**Fund Highlights:**

*Governmental Funds – Fund Balances* – As of the close of the fiscal year ended June 30, 2008, the City's governmental funds reported a combined ending fund balance of \$5,132,723 with \$946,167 being general undesignated fund balance. This undesignated fund balance represents approximately 4.97% of the total general fund expenditures for the year.

**Long-term Debt:**

The City's total long-term debt obligations decreased by \$450,429 (3.42%) during the current fiscal year. A new bond was issued for \$315,125 for the fire pumper truck and a new lease was issued for \$359,754 for equipment. Existing debt obligations were retired according to schedule.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

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

**Notes to the Financial Statements**

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

**Required Supplementary Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

71.55% of the City's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2008</b>	<b>Total 2007</b>
Current Assets	6,543,920	2,490,910	9,034,830	6,204,232
Capital Assets	15,025,215	12,539,096	27,564,311	26,697,163
<b>Total Assets</b>	<b>21,569,135</b>	<b>15,030,006</b>	<b>36,599,141</b>	<b>32,901,395</b>
Current Liabilities	2,016,250	2,281,529	4,297,779	1,500,639
Other Liabilities	5,588,300	5,948,018	11,536,318	12,911,915
<b>Total Liabilities</b>	<b>7,604,550</b>	<b>8,229,547</b>	<b>15,834,097</b>	<b>14,412,554</b>
<b>Net Assets:</b>				
Invested in Capital Assets	8,695,847	6,162,056	14,857,903	13,540,326
Restricted	602,680	311,604	914,284	706,769
Unrestricted	4,666,058	326,799	4,992,857	4,241,746
<b>Total Net Assets</b>	<b>13,964,585</b>	<b>6,800,459</b>	<b>20,765,044</b>	<b>18,488,841</b>
<b>Total Liabilities and Net Assets</b>	<b>21,569,135</b>	<b>15,030,006</b>	<b>36,599,141</b>	<b>32,901,395</b>

### Changes in Net Assets

Approximately 57.96 percent of the City's total revenue came from property and excise taxes, approximately 11.13 percent came from State and Federal subsidies and grants, and approximately 30.91 percent came from services, investment earnings and other sources. Depreciation expense on the City's governmental activity assets represents \$1,884,877 of the total expenses for the fiscal year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2008</u>	<u>Total 2007</u>
<b>Revenues:</b>				
Taxes	14,492,930		14,492,930	14,355,082
Intergovernmental Revenues	2,782,171		2,782,171	3,540,090
Departmental Revenues	1,958,135		1,958,135	1,343,922
Charges for Services	436,564	3,509,053	3,945,617	3,404,863
Other Local Sources	1,816,391	9,571	1,825,962	498,278
<b>Total</b>	<b>21,486,191</b>	<b>3,518,624</b>	<b>25,004,815</b>	<b>23,142,235</b>
<b>Expenses:</b>				
General Government	1,752,998		1,752,998	1,367,980
Public Safety	3,914,391		3,914,391	4,318,255
Public Works	3,539,782	2,977,407	6,517,189	6,226,356
Health & Welfare	83,265		83,265	59,437
Cultural & Recreation	1,264,049		1,264,049	1,238,006
Unclassified	317,128		317,128	1,430,931
City CIP Bond Issues	13,122		13,122	
Debt Service	264,037		264,037	384,021
Assessments	7,516,714		7,516,714	7,431,792
Capital Projects	1,478,903		1,478,903	17,026
Transfer to Fiduciary Fund				(1,000)
Transfer to Enterprise Fund	(395,883)	(13,429)	(409,312)	
Gain/(Loss) on Disposal of Assets	18,252		18,252	21,624
<b>Total</b>	<b>19,766,758</b>	<b>2,963,978</b>	<b>22,730,736</b>	<b>22,494,428</b>
<b>Changes in Net Assets</b>	<b>1,719,433</b>	<b>554,646</b>	<b>2,274,079</b>	<b>647,807</b>

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

#### Governmental Funds

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

At the end of the fiscal year, the City's governmental funds reported ending fund balances of \$5,132,723, an increase of \$150,574 in comparison with the prior year. Approximately 29.54 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

**Proprietary Funds**

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

**CAPITAL ASSET ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities amounts to \$49,422,504, net of accumulated depreciation of \$21,858,192, leaving a net book value of \$27,564,311. Current year additions include \$216,700 for land, \$492,375 for a fire rescue pumper, \$1,252,265 for building donations/improvements, \$55,271 for police vehicles, \$278,004 for public works equipment, \$74,400 in donated playground equipment, and \$484,590 in public works and wastewater related infrastructure.

**REQUESTS FOR INFORMATION**

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



**CITY OF ROCKLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,514,937	150	2,515,087
Investments	1,898,187	1,247	1,899,434
Receivables			
Taxes	935,782		935,782
Tax Liens	163,684		163,684
Accounts	364,828	11,400	376,228
User Fees, net	351,426	418,130	769,556
Loans	1,064		1,064
Tax Acquired Property	35,048	656	35,704
Prepaid Expenses	186,936		186,936
Due from Other Governments	92,028	2,059,327	2,151,355
Capital Assets:			
Land	664,171	1,102	665,273
Other Capital Assets, Net of Depreciation	14,361,044	12,537,994	26,899,038
<b>Total Assets</b>	<b>21,569,135</b>	<b>15,030,006</b>	<b>36,599,141</b>
 <i>Liabilities and Net Assets</i>			
<b>Liabilities</b>			
Accounts Payable	184,103	89,927	274,030
Payroll Taxes / Deductions	53,244		53,244
Deferred Revenue			
Sesquicentennial	809		809
Prepaid Taxes	23,198		23,198
Deposits Payable	19,956		19,956
Compensated Absences Payable	898,982	69,735	968,717
Accrued Salaries	94,890	12,397	107,287
Accrued Interest Payable		33,677	33,677
Due to Other Governments		1,646,771	1,646,771
Long-term Liabilities:			
Due Within One Year	741,068	429,022	1,170,090
Due in More Than One Year	5,588,300	5,948,018	11,536,318
<b>Total Liabilities</b>	<b>7,604,550</b>	<b>8,229,547</b>	<b>15,834,097</b>
 <b>Net Assets</b>			
Investment in Capital Assets, net of Related Debt	8,695,847	6,162,056	14,857,903
Restricted Net Assets	602,680	311,604	914,284
Unrestricted	4,666,058	326,799	4,992,857
<b>Total Net Assets</b>	<b>13,964,585</b>	<b>6,800,459</b>	<b>20,765,044</b>
<b>Total Liabilities and Net Assets</b>	<b>21,569,135</b>	<b>15,030,006</b>	<b>36,599,141</b>

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

**CITY OF ROCKLAND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*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	1,752,998	196,590		(1,556,408)		(1,556,408)
Public Safety	3,914,391	611,984		(3,302,407)		(3,302,407)
Public Works	3,539,782	1,198,380		(2,341,402)		(2,341,402)
Health & Welfare	83,265		10,275	(72,990)		(72,990)
Cultural & Recreation	1,264,049	439,673		(824,376)		(824,376)
Unclassified	317,128			(317,128)		(317,128)
City CIP Bond Issue	13,122			(13,122)		(13,122)
Debt Service	264,037			(264,037)		(264,037)
Assessments	7,516,714			(7,516,714)		(7,516,714)
Capital Projects	1,478,903		1,404,390	(74,513)		(74,513)
<u>Total Governmental Activities</u>	<u>20,144,389</u>	<u>2,446,627</u>	<u>1,414,665</u>	<u>(16,283,097)</u>		<u>(16,283,097)</u>
<u>Business-type Activities:</u>						
Wastewater	2,977,407	3,509,053			531,646	531,646
<u>Total Business-type Activities</u>	<u>2,977,407</u>	<u>3,509,053</u>	<u>-</u>	<u>-</u>	<u>531,646</u>	<u>531,646</u>
<u>Total Primary Government</u>	<u>23,121,796</u>	<u>5,955,680</u>	<u>1,414,665</u>	<u>(16,283,097)</u>	<u>531,646</u>	<u>(15,751,451)</u>
<u>General Revenues:</u>						
Taxes						
Property				13,575,393		13,575,393
Auto Excise				917,537		917,537
Intergovernmental Revenues				1,368,408		1,368,408
Other Local Sources				1,763,561	9,571	1,773,132
Transfers between Enterprise Fund				395,883	13,429	409,312
Gain/(Loss) on Disposal of Assets				(18,252)		(18,252)
<u>Total Revenues, Special Items and Transfers</u>				<u>18,002,530</u>	<u>23,000</u>	<u>18,025,530</u>
<u>Changes in Net Assets</u>				<u>1,719,433</u>	<u>554,646</u>	<u>2,274,079</u>
<u>Net Assets - Beginning</u>				<u>12,245,152</u>	<u>6,245,813</u>	<u>18,490,965</u>
<u>Net Assets - Ending</u>				<u>13,964,585</u>	<u>6,800,459</u>	<u>20,765,044</u>

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

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

*Exhibit C*  
*Page 1 of 2*

	<i>General Fund</i>	<i>Reserves Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>				
Cash and Equivalents	1,680,384	591,268	243,285	2,514,937
Investments	206,541	1,013,048	678,598	1,898,187
Taxes Receivable	935,782			935,782
Tax Liens Receivable	163,684			163,684
Accounts Receivable	280,995		83,833	364,828
User Fees Receivable			351,426	351,426
Loans Receivable			1,064	1,064
Tax Acquired Property	35,048			35,048
Prepaid Expense	186,936			186,936
Due from Other Governments	38,212		53,816	92,028
Due from Other Funds	1,499,062	395,286	1,531,849	3,426,197
<b>Total Assets</b>	<b>5,026,644</b>	<b>1,999,602</b>	<b>2,943,871</b>	<b>9,970,117</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts Payable	182,300		1,803	184,103
Payroll Taxes/Deductions	53,244			53,244
Deferred Property Taxes	678,576			678,576
Deferred Sesquicentennial	809			809
Deferred Revenues - Other	3,588		38,411	41,999
Prepaid Taxes	23,198			23,198
Due to Other Funds	2,846,866	27,393	961,250	3,835,509
Deposits Payable	19,956			19,956
<b>Total Liabilities</b>	<b>3,808,537</b>	<b>27,393</b>	<b>1,001,464</b>	<b>4,837,394</b>
<b>Fund Balances</b>				
<b>Reserved For:</b>				
Encumbrances	271,940			271,940
Endowments			304,742	304,742
Loans			25,998	25,998
<b>Unreserved</b>				
Designated for Subsequent Years' Expenditures		1,972,209	1,041,422	3,013,631
Undesignated	946,167		570,245	1,516,412
<b>Total Fund Balances</b>	<b>1,218,107</b>	<b>1,972,209</b>	<b>1,942,407</b>	<b>5,132,723</b>
<b>Total Liabilities and Fund Balances</b>	<b>5,026,644</b>	<b>1,999,602</b>	<b>2,943,871</b>	<b>9,970,117</b>

(Continued)

**CITY OF ROCKLAND**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

*Exhibit C*  
*Page 2 of 2*

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

Total Fund Balance	5,132,723
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,673,697	<u>15,025,215</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Revenue - Other	41,999
Deferred Taxes	<u>678,576</u>
	<u>720,575</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Interfund Payable	409,312
Bonds Payable	(5,730,902)
Accrued Compensated Absences	(898,982)
Accrued Salaries	(94,890)
Capital Leases Payable	<u>(598,466)</u>
	<u>(6,913,928)</u>
Net Assets of Governmental Activities	<u><u>13,964,585</u></u>

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

**CITY OF ROCKLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit D**  
**Page 1 of 2**

	<i>General Fund</i>	<i>Reserves Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>				
Taxes	14,441,762			14,441,762
Intergovernmental Revenues	220,355		2,562,808	2,783,163
Departmental Revenues	1,967,635			1,967,635
Other Local Sources	1,456,456	190,086	590,353	2,236,895
<b>Total Revenues</b>	<b>18,086,208</b>	<b>190,086</b>	<b>3,153,161</b>	<b>21,429,455</b>
<b>Expenditures</b>				
General Government	1,196,032		448,480	1,644,512
Public Safety	3,840,247	38,407	227,210	4,105,864
Public Works	2,842,171		7,500	2,849,671
Health and Welfare	56,815	25,972	413	83,200
Culture and Recreation	1,134,493			1,134,493
Unclassified	1,493,404	96,755	65,252	1,655,411
City CIP Bond Issues	13,122			13,122
Debt Service	940,006			940,006
Assessments	7,516,714			7,516,714
Capital Outlay			1,997,338	1,997,338
<b>Total Expenditures</b>	<b>19,033,004</b>	<b>161,134</b>	<b>2,746,193</b>	<b>21,940,331</b>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(946,796)	28,952	406,968	(510,876)
<b>Other Financing Sources (Uses)</b>				
Capital Lease Proceeds			359,754	359,754
Bond Proceeds			315,125	315,125
Transfers from Other Funds	1,345,315	454,008	520,176	2,319,499
Transfers to Other Funds	(244,043)	(178,472)	(1,910,413)	(2,332,928)
<b>Total Other Financing Sources (Uses)</b>	<b>1,101,272</b>	<b>275,536</b>	<b>(715,358)</b>	<b>661,450</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</b>	<b>154,476</b>	<b>304,488</b>	<b>(308,390)</b>	<b>150,574</b>
<b>Fund Balance - July 1</b>	<b>1,063,631</b>	<b>1,667,721</b>	<b>2,250,797</b>	<b>4,982,149</b>
<b>Fund Balance - June 30</b>	<b>1,218,107</b>	<b>1,972,209</b>	<b>1,942,407</b>	<b>5,132,723</b>

(Continued)

**CITY OF ROCKLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds 150,574

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	2,534,713
Gain/(Loss) on disposal of assets	(18,252)
Depreciation expense	(1,315,007)
	<u>1,201,454</u>

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

Interfund Transfers	409,312
Deferred Revenues - Other	5,568
Deferred Taxes	51,168
	<u>466,048</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:

Bond proceeds received	(315,125)
New capital leases	(359,754)
Capital lease obligation principal payments	101,699
Bond anticipation note payments	-
General obligation bond principal payments	574,270
	<u>1,090</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 salaries	(78,953)
Accrued compensated absences	(20,780)
	<u>(99,733)</u>

Change in net assets of governmental activities 1,719,433

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

**CITY OF ROCKLAND**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2008**

*Exhibit E*

<i>Assets</i>	<i>Wastewater Enterprise</i>
<b>Current Assets:</b>	
Cash and Equivalents	150
Investments	1,247
Receivables	
User Fees, net	418,130
Accounts	11,400
Acquired Property	656
Due From Other Governments	2,059,327
<b>Total Current Assets</b>	<b>2,490,910</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	12,539,096
<b>Total Noncurrent Assets</b>	<b>12,539,096</b>
<b>Total Assets</b>	<b>15,030,006</b>
<b>Liabilities and Fund Equity</b>	
<b>Liabilities</b>	
Accounts Payable	89,927
Accrued Salaries and Benefits	12,397
Accrued Compensated Absences	69,735
Accrued Interest Payable	33,677
Due to Other Governments	1,646,771
Bonds and Notes Payable	429,022
<b>Total Current Liabilities</b>	<b>2,281,529</b>
<b>Noncurrent Liabilities:</b>	
Bonds and Notes Payable	5,948,018
<b>Total Noncurrent Liabilities</b>	<b>5,948,018</b>
<b>Total Liabilities</b>	<b>8,229,547</b>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	6,162,056
Retained Earnings	
Reserved	311,604
Unreserved - Undesignated	326,799
<b>Total Net Assets</b>	<b>6,800,459</b>
<b>Total Liabilities and Net Assets</b>	<b>15,030,006</b>

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

**CITY OF ROCKLAND**

*Exhibit F*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
Operating Revenues:	
Industrial	2,163,617
Residential	744,956
Commercial	569,142
Sewer Reserve Capacity Fee	26,164
Interest - Late Penalties	5,174
	<hr/>
Total Operating Revenues:	3,509,053
	<hr/>
Operating Expenditures:	
Personnel	671,453
Contracted Services	1,121,592
Commodities	203,866
Equipment Repairs & Replacement	85,161
Capital Improvements Programs	49,048
Lease Payments	3,029
Depreciation and Amortization	684,837
	<hr/>
Total Operating Expenditures	2,818,986
	<hr/>
Net Operating Income	690,067
	<hr/>
Nonoperating Revenues (Expenses)	
Interest Revenue	49
Change in Fair Value	34
Nonutility Income, net of expense	9,488
Transfer from/(to) other funds	13,429
Interest Expense	(158,421)
	<hr/>
Total Nonoperating Revenue (Expenses)	(135,421)
	<hr/>
<i>Change in Net Assets</i>	554,646
	<hr/>
<i>Total Net Assets - Beginning</i>	6,245,813
	<hr/>
<i>Total Net Assets - Ending</i>	6,800,459
	<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, 2008**

**Exhibit G**

	<u>Proprietary Fund Types</u>
	<u>Wastewater</u>
	<u>Enterprise</u>
<b>Cash Flows from Operating Activities</b>	
Received from Customers	3,509,053
Payments to Suppliers	(1,462,696)
Payments to Employees	(671,453)
Other Receipts (Payments)	22,917
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,397,821</b>
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of Capital Assets	(318,890)
Principal Paid on Capital Debt	(449,339)
Interest Paid on Capital Debt	(158,421)
	<hr/>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(926,650)</b>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Purchase of Investments	232,439
Interest and Dividends	83
	<hr/>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>232,522</b>
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>703,693</b>
	<hr/>
<b>Balances - beginning of the year</b>	<b>1,357,031</b>
	<hr/>
<b>Balances - end of the year</b>	<b>2,060,724</b>
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>	
Net Operating Income (Loss)	690,067
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	684,837
(Increase) Decrease in Accounts Receivable	73,941
(Increase) Decrease in Due To/From Other Funds	(128,283)
Increase (Decrease) in Accrued Wages Payable	2,746
Increase (Decrease) in Accrued Interest Payable	4,160
Increase (Decrease) in Compensated Absences Payable	9,378
Increase (Decrease) in Accounts Payable	60,975
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,397,821</b>
	<hr/> <hr/>

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

**CITY OF ROCKLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2008**

*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	50,867	5,774	56,641
<b>Total Assets</b>	<b>50,867</b>	<b>5,774</b>	<b>56,641</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds	3,000	244	3,244
Total Liabilities	3,000	244	3,244
<i>Net Assets</i>			
Net Assets			
Reserved for Endowment	27,000	5,000	32,000
Unreserved			
Designated for Subsequent Years' Expenditures	20,867	530	21,397
Total Net Assets	47,867	5,530	53,397
<b>Total Liabilities and Net Assets</b>	<b>50,867</b>	<b>5,774</b>	<b>56,641</b>

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

**CITY OF ROCKLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*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)	2,926	332	3,258
Investment Income	1,744	198	1,942
Total Additions	4,670	530	5,200
<u>Reductions</u>			
Churches		244	244
Scholarships	3,000		3,000
Total Reductions	3,000	244	3,244
Changes in Net Assets	1,670	286	1,956
Net Assets - July 1	46,197	5,244	51,441
Net Assets - June 30	47,867	5,530	53,397

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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 2007 is \$1,163,813. This figure has not been included as part of the City's financial statements.

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

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

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

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

***Government-wide Financial Statements***

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

***Statement of Net Assets***

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

***Statement of Program Activities***

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

***Budgetary Comparison Schedules***

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

**B. Fund Accounting**

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

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

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

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**B. Fund Accounting (continued)**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

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

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

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

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

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

***1. Deposits and Investments***

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

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

**2. Receivables and Payables**

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

Property taxes receivable not expected to be collected within 60 days from year-end are classified as deferred revenue. At June 30, \$678,576 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 10, 2007 on property values assessed on April 1. Taxes were due in two installments due on September 28 and March 7, with interest at 11% beginning September 29 and March 8. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The City has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

**3. Inventories**

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

**4. Capital Assets**

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

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

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



**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

**5. Compensated Absences**

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

**6. Long-term Obligations**

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

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

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

**7. Fund Equity/Net Assets**

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

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

**A. Budgetary Information**

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**A. Budgetary Information (continued)**

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

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

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

The General Fund reserved for encumbrances at June 30 is detailed in Exhibit A-2 and totals \$271,940.

**B. Budget/GAAP Reconciliation**

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

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

**A. Cash and Equivalents**

At year-end, the government's carrying amount of deposits was \$2,515,087 and the bank balance was \$3,344,403. 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 1</i>	<i>Category 2</i>	<i>Category 3</i>
Cash and Equivalents	3,344,403	72,654	3,271,749	-

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**B. Investments**

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

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

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

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

	<i>Category</i> 2	<i>Fair</i> <i>Value</i>	<i>Cost</i>
U.S. Government Obligations	<u>1,884,738</u>	1,884,738	1,865,907
Unclassified Mutual Funds		<u>71,335</u>	<u>70,992</u>
Total Investments		<u>1,956,073</u>	<u>1,936,899</u>

**C. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value	756,294,300
Tax Rate (per \$1,000)	<u>17.70</u>
Commitment	<u>13,386,409</u>
Appropriations	18,082,105
Less:	
State Municipal Revenue Sharing	980,000
Estimated Revenues	3,545,767
Homestead Reimbursement	<u>169,929</u>
	<u>4,695,696</u>
Net Assessment for Commitment	<u>13,386,409</u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**C. Property Taxes (continued)**

Supplemental taxes totaling \$12,184 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$775,629, which represents tax collection of 94.21% of current year commitment. Unpaid liens at June 30 totaled \$163,684.

**D. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2008, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	1,499,062	2,846,866
Special Revenue Funds:		
Reserves	395,286	27,393
Municipal Revenue Sharing	290,963	
Police Dare		2,569
Business/Economic Development		4,474
Emergency Medical		413,368
CDBG Home Repair Network Grant		44,571
Community Development Operating	85,163	
CDBG Housing Assistance Grant		10,376
CDBG Public Facility Block Grant		
CDBG Downtown Tree Planting	4,000	
Wellness Grant	489	
RCHP Scholarship Trust		750
Odor Study	2,819	
Police N.A.D.D.I Grant	2,083	
Recreation Fund	270	
Capital Project Funds		
CIP Projects	938,197	384,433
Pump Station/CSO Project	206,002	
Permanent Funds	1,863	100,709
Fiduciary Funds		3,244
Wastewater Enterprise Fund	412,556	
Totals	<u>3,838,753</u>	<u>3,838,753</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. \$367,893 represent appropriations to town reserves and will be repaid, along with other balances, during the next year.

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated</i>				
Land	447,471	216,700		664,171
<i>Capital assets being depreciated</i>				
Buildings	5,286,015	1,164,494		6,450,509
Equipment	5,269,058	900,050	(188,351)	5,980,757
Infrastructure	13,350,005	253,470		13,603,475
<i>Total capital assets being depreciated</i>	23,905,078	2,318,014	(188,351)	26,034,741
<i>Less accumulated depreciation for</i>				
Buildings	1,341,406	158,925		1,500,331
Equipment	2,689,227	555,317	(170,099)	3,074,445
Infrastructure	6,498,156	600,765		7,098,921
<i>Total accumulated depreciation</i>	10,528,789	1,315,007	(170,099)	11,673,697
<i>Net capital assets being depreciated</i>	13,376,289	1,003,007	(18,252)	14,361,044
<b>Governmental Activities Capital Assets, net</b>	<b>13,823,760</b>	<b>1,219,707</b>	<b>(18,252)</b>	<b>15,025,215</b>

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

<b>Governmental Activities</b>	
General Government	85,374
Public Safety	286,475
Public Works, including general infrastructure assets	810,758
Culture and Recreation	132,400
<b>Total Depreciation Expense - Governmental Activities</b>	<b>1,315,007</b>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**E. Capital Assets (continued)**

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities:</i>				
<i>Capital assets not being depreciated</i>				
Land	1,102			1,102
<i>Capital assets being depreciated</i>				
Buildings	1,761,101	87,770		1,848,871
Equipment	597,394			597,394
Infrastructure	20,045,105	231,120		20,276,225
<i>Total capital assets being depreciated</i>	22,403,600	318,890	-	22,722,490
<i>Less accumulated depreciation for</i>				
Buildings	213,787	73,955		287,742
Equipment	400,614	42,135		442,749
Infrastructure	8,885,257	568,748		9,454,005
<i>Total accumulated depreciation</i>	9,499,658	684,838	-	10,184,496
<i>Net capital assets being depreciated</i>	12,903,942	(365,948)	-	12,537,994
<b><i>Business-type Activities Capital Assets, net</i></b>	<b>12,905,044</b>	<b>(365,948)</b>	<b>-</b>	<b>12,539,096</b>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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><i>June 30,</i></u>	<i>Minimum Lease Payment</i>
2009	198,978
2010	164,992
2011	141,137
2012	81,348
2013	<u>81,348</u>
Total Minimum Lease Payments	667,803
Less: Amount Representing Interest	<u>(69,337)</u>
Present Value of Future Minimum Lease Payments	<u><u>598,466</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%	200,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	344,837
1999 General Obligation Bonds	11/1/2014	4.039%-5.239%	407,400
2000 Paving Bond	11/1/2010	5.281%-5.406%	600,000
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	1,393,187
2006 Fire Truck	11/1/2021	1.85 - 6.0%	560,000
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	974,989
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	935,364
2008 Fire Truck	2/5/2023	4.440%	<u>315,125</u>
			<u><u>5,730,902</u></u>

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

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

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

<i>Purpose Proprietary</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
1993 Declorination Bonds	10/1/2013	5.193%	69,000
1998 General Obligation Bonds	11/1/2013	4.528%-4.178%	24,763
2003 Refinanced 1999 Sewer & CSO Bond	10/1/2018	1.550%	4,048,951
2006 CSO/Pump Station Upgrade	5/8/2032	1.550%	1,136,291
2007 CSO/Pump Station Upgrade	11/10/2026	1.1 - 5.3%	1,098,035
			<u>6,377,040</u>
Total Debt			<u>12,107,942</u>

Annual debt service requirements to maturity for general obligation bonds and note including interest of \$3,255,507 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
2009	570,789	429,022	999,811
2010	574,969	435,100	1,010,069
2011	579,371	441,480	1,020,851
2012	383,961	448,124	832,085
2013	388,897	455,221	844,118
2014-2018	1,569,991	2,328,717	3,898,708
2019-2023	880,513	925,303	1,805,816
2024-2028	493,778	577,690	1,071,468
2029-2033	288,633	336,383	625,016
Total	<u>5,730,902</u>	<u>6,377,040</u>	<u>12,107,942</u>



**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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, 2008:

	<i>General Obligation Debt</i>	<i>Proprietary Debt</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2007</i>	5,990,047	6,826,379	12,816,426
Debt Issued	315,125		315,125
Debt Retired	(574,270)	(449,339)	(1,023,609)
<i>Long-term Debt payable June 30, 2008</i>	<u>5,730,902</u>	<u>6,377,040</u>	<u>12,107,942</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, 2008</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
School Administrative District No. 5	4,444,946	60.91%	2,707,417
Knox County	<u>440,840</u>	10.92%	<u>48,159</u>
Totals	<u>4,885,786</u>		<u>2,755,576</u>

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**H. Permanent Funds**

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

<i>Non-expendable</i>	<i>Principal</i>	<i>Income</i>
Cemetery Care	88,131	(33,737)
Haines Charity	57,581	178,081
Keywood Library	91,230	8,079
Leach Library	50,000	11,222
Cleveland/Bostick Library	10,000	1,081
Flower	1,000	4,897
Monroe Highway	200	4,591
Library	<u>6,600</u>	<u>1,714</u>
Total	<u>304,742</u>	<u>175,928</u>

**NOTE 4 - OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time, although the government expects such amount, if any to be immaterial.

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

**B. Pension Plan**

**Plan Description**

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

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

**CITY OF ROCKLAND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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

**B. Pension Plan (continued)**

***Plan Description (continued)***

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

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

***Funding Policy***

Under the ICMA plan, covered employees contribute 5% of their salary to the plan with the City contributing 5%. The City's contributions for the fiscal years ended June 30, 2006, 2007 and 2008, were \$74,096, \$81,620 and \$80,810 respectively, which were paid in full each year.

MSRS Consolidated Plan regular employees and police employees hired after 7/1/1997 are required to contribute 6.5% of their annual covered salary to the plan, with remaining fire and police employees contributing 8%. The City is required to contribute an actuarially determined rate. The current rate is 2.8% for regular employees, 5.3% for fire and police employees, and 4.0% for police employees hired after 7/1/1997, plus a monthly payment of \$104 for regular employees and \$327 for police and fire employees for its Initial Unfunded Unpooled Actuarial Liability (IUUAL). The contribution requirements of plan members and the City are established by the Maine State Retirement System Board of Trustees. The City's contributions to the Consolidated Plan for the years ended June 30, 2006, 2007 and 2008, were \$127,944, \$135,010 and \$139,674 respectively, which were paid in full each year.

**C. Postemployment Healthcare Benefits**

The City sponsors a post-retirement benefit plan providing health insurance to retired employees who have 25 or more years of full-time service with the City and retire after July 1, 1997. Employees hired after July 1, 1997 are not eligible for this benefit. The City pays 25% of the retired employee's annualized health insurance premiums for the year, including health insurance for dependents for as long as the eligible employee is living. The City's cost for 2008 was \$29,614.

**CITY OF ROCKLAND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit J*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	14,439,909	14,439,909	14,441,762	1,853
Intergovernmental Revenues	186,729	218,106	220,355	2,249
Departmental Revenues	1,895,060	1,895,060	1,967,635	72,575
Other Local Sources	216,564	1,404,847	1,456,456	51,609
<b>Total Revenues</b>	<u>16,738,262</u>	<u>17,957,922</u>	<u>18,086,208</u>	<u>128,286</u>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,134,663	1,152,582	1,196,032	(43,450)
Public Safety	3,847,587	3,864,713	3,840,247	24,466
Public Works	2,874,649	2,909,899	2,821,093	88,806
Health and Welfare	59,742	60,036	56,815	3,221
Culture and Recreation	1,152,475	1,164,395	1,134,493	29,902
Unclassified	318,174	1,456,790	1,425,380	31,410
Debt Service	957,592	957,592	940,006	17,586
Assessments	7,538,363	7,538,363	7,516,714	21,649
<b>Total Expenditures</b>	<u>17,883,245</u>	<u>19,104,370</u>	<u>18,930,780</u>	<u>173,590</u>
<b>Excess Revenues Over Expenditures</b>	(1,144,983)	(1,146,448)	(844,572)	301,876
<b>Other Financing Sources</b>				
Transfers from Other Funds	1,343,843	1,345,308	1,345,315	7
Transfers to Other Funds	(198,860)	(227,860)	(244,043)	(16,183)
<b>Total Other Financing Sources</b>	<u>1,144,983</u>	<u>1,117,448</u>	<u>1,101,272</u>	<u>(16,176)</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>(29,000)</u>	256,700	<u>285,700</u>
<b>Beginning Fund Balances - Budgetary Basis</b>			<u>689,467</u>	
<b>Ending Fund Balances - Budgetary Basis</b>			946,167	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<u>271,940</u>	
<b>Ending Fund Balances - GAAP Basis</b>			<u>1,218,107</u>	

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
<b>Taxes</b>			
Property	13,386,409	13,347,960	(38,449)
Auto Excise	950,000	917,537	(32,463)
Interest and Lien Charges	61,500	136,744	75,244
Payment in Lieu of Taxes	42,000	39,521	(2,479)
	<u>14,439,909</u>	<u>14,441,762</u>	<u>1,853</u>
<b>Intergovernmental Revenues</b>			
Welfare Reimbursement	7,000	9,373	2,373
Veterans Reimbursement	6,500	5,591	(909)
Tree Growth	2,600	3,765	1,165
Homestead Reimbursement	169,929	169,613	(316)
FEMA Reimbursement	1,528	1,528	-
MEMA Reimbursement	29,849	29,849	-
Snowmobile Reimbursement	700	636	(64)
	<u>218,106</u>	<u>220,355</u>	<u>2,249</u>
<b>Departmental Revenues</b>			
Police	95,428	145,430	50,002
Fire	14,500	24,330	9,830
Assessment	500	160	(340)
Finance	400	-	(400)
Legal	450	1,099	649
Engineering		450	450
Code Enforcement	69,650	70,397	747
Public Works	112,607	134,425	21,818
Fish Pier	104,180	119,216	15,036
Harbor and Waterfront	172,550	206,303	33,753
Library	55,200	56,038	838
Recreation	58,349	67,616	9,267
City Clerk	46,050	48,062	2,012
Community Development	25,000	30,154	5,154
Transfer Station	1,140,196	1,063,955	(76,241)
	<u>1,895,060</u>	<u>1,967,635</u>	<u>72,575</u>

**CITY OF ROCKLAND**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other Local Sources			
Interest on Investments	25,000	64,097	39,097
Interest on Accounts Receivable		4,281	4,281
Camden and Rockport Water	8,000	8,027	27
Cable Franchise Fee	60,500	60,418	(82)
Photocopies	925	522	(403)
Debt Service - Gateway Rent	2,478	2,478	-
Workers Compensation Dividend		6,854	6,854
Administration Fee from Sewer	119,411	119,411	-
Bank of America Donations	1,188,283	1,188,283	-
Other	250	2,085	1,835
	<u>1,404,847</u>	<u>1,456,456</u>	<u>51,609</u>
Transfers and Other Sources			
Bond Proceeds			
Municipal Revenue Sharing	980,000	980,000	-
Emergency Medical	228,240	228,240	-
Library Trust Fund	10,603	10,603	-
Thermal Imaging Reserve	1,465	1,472	7
CIP Fund	125,000	125,000	-
	<u>1,345,308</u>	<u>1,345,315</u>	<u>7</u>
Total Revenues and Transfers	19,303,230	<u>19,431,523</u>	<u>128,293</u>
Beginning Fund Balance Used	<u>29,000</u>		
<b>Total</b>	<u><u>19,332,230</u></u>		

**CITY OF ROCKLAND**

**GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<i>Encumbered from 2007</i>	
General Government		
Legislative		
Executive		
Assessment		
Finance		
Legal		
City Clerk		
General		
City Hall		
Community Development		
Engineering		
Public Safety		
Police Department		
Fire Department		
Ladder Truck		
Dispatch		
Lights and Hydrants		
Code Enforcement		
Public Works		
Public Works	16,421	
Transfer Station	4,657	
	<u>21,078</u>	
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 2009</i>	<i>(Over) Under Budget</i>
4,587	4,416		171
205,614	197,191		8,423
139,954	137,913		2,041
328,091	321,382		6,709
74,731	109,569		(34,838)
183,519	178,341		5,178
75,600	94,438		(18,838)
40,180	41,050		(870)
75,306	83,917		(8,611)
25,000	27,815		(2,815)
<u>1,152,582</u>	<u>1,196,032</u>	<u>-</u>	<u>(43,450)</u>
1,753,853	1,733,355		20,498
1,290,386	1,285,508		4,878
			-
141,344	141,344		-
506,132	507,117		(985)
172,998	172,923		75
<u>3,864,713</u>	<u>3,840,247</u>	<u>-</u>	<u>24,466</u>
1,573,914	1,628,517		(38,182)
1,335,985	1,213,654		126,988
<u>2,909,899</u>	<u>2,842,171</u>	<u>-</u>	<u>88,806</u>
35,000	35,000		-
25,036	21,815		3,221
<u>60,036</u>	<u>56,815</u>	<u>-</u>	<u>3,221</u>
518,144	516,829		1,315
198,687	173,996		24,691
104,872	107,468		(2,596)
342,692	336,200		6,492
<u>1,164,395</u>	<u>1,134,493</u>	<u>-</u>	<u>29,902</u>



**CITY OF ROCKLAND**

**GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<i>Encumbered from 2007</i>
Unclassified	
Fringe Benefits	
Other Unclassified	
Bank of America Donations	
TIF Agreements	222,503
	<u>222,503</u>
City CIP Bond Issues	
Sewers & Lindsey Brook	130,583
	<u>130,583</u>
Debt Service	
TAN Interest	
Principal on Long-Term Debt	
Interest on Long-Term Debt	
Building Lease Payment	
Capital Leases	
	-
Assessments	
School District	
County Tax	
Overlay	
	-
Operating Transfer Out	
Landfill Perpetual Maintenance Reserve	
Landfill Closure Reserve	
Transfer Station Capital Equipment Reserve	
Fire Building Reserve	
Cemetery Trust Fund	
Fish Pier Improvements Reserve	
Parks Reserve	
Capital Improvements Programs	
	-
<b>Total Appropriations</b>	<b><u>374,164</u></b>

<i>Budget</i>	<i>Actual</i>	<i>Encumbered to 2009</i>	<i>(Over) Under Budget</i>
83,800	65,879		17,921
184,707	171,218		13,489
1,188,283	1,188,283		-
	68,024	154,479	-
1,456,790	1,493,404	154,479	31,410
	13,122	117,461	-
-	13,122	117,461	-
20,000	2,244		17,756
574,270	574,270		-
221,357	218,969		2,388
24,335	24,333		2
117,630	120,190		(2,560)
957,592	940,006	-	17,586
6,697,927	6,697,927		-
695,403	695,403		-
145,033	123,384		21,649
7,538,363	7,516,714	-	21,649
50,000	50,000		-
50,000	50,000		-
12,000	12,000		-
8,650	8,650		-
78,210	78,210		-
	11,749		(11,749)
	4,434		(4,434)
29,000	29,000		-
227,860	244,043	-	(16,183)
<b>19,332,230</b>	<b>19,277,047</b>	<b>271,940</b>	<b>157,407</b>

GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008

Unreserved - Undesignated Fund Balance		
July 1, 2007		689,467
Additions		
Budget Summary		
Revenue Surplus (Deficit)(Exhibit A-1)	128,293	
Unexpended Balance of		
Appropriations (Exhibit A-2)	<u>157,407</u>	
Budget Surplus		<u>285,700</u>
		975,167
Deductions		
Beginning Fund Balance Used		<u>(29,000)</u>
Unreserved - Undesignated Fund Balance		
June 30, 2008		<u><u>946,167</u></u>

**CITY OF ROCKLAND**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**

*Exhibit B-1*

<i>Assets</i>	<i>Reserves</i>	<i>Emergency Medical</i>	<i>Municipal Revenue Sharing</i>	<i>Local Road Assistance</i>	<i>Federal/State Programs (Exhibit B-2)</i>	<i>All Other (Exhibit B-3)</i>	<i>Total</i>
Cash and Equivalents	591,268				1,131	19,140	611,539
Investments	1,013,048	141,036		34,727	83,289	30,273	1,302,373
Receivables (Net of Allowances)							
User Fees		351,426					351,426
Other		15,127			24,934		40,061
Due from Other Governments					53,816		53,816
Due from Other Funds	395,286		290,963		89,652	5,172	781,073
<b>Total Assets</b>	<b>1,999,602</b>	<b>507,589</b>	<b>290,963</b>	<b>34,727</b>	<b>252,822</b>	<b>54,585</b>	<b>3,140,288</b>
<i>Liabilities and Fund Balances</i>							
<i>Liabilities</i>							
Accounts Payable		182					182
Deferred Revenue		38,411					38,411
Due to Other Funds	27,393	413,368			59,421	3,319	503,501
<b>Total Liabilities</b>	<b>27,393</b>	<b>451,961</b>	<b>-</b>	<b>-</b>	<b>59,421</b>	<b>3,319</b>	<b>542,094</b>
<i>Fund Balances</i>							
Reserved for Loans					24,934		24,934
Unreserved							
Designated for Subsequent Years' Expenditures	1,972,209				168,467	46,670	2,187,346
Undesignated		55,628	290,963	34,727		4,596	385,914
<b>Total Fund Balances</b>	<b>1,972,209</b>	<b>55,628</b>	<b>290,963</b>	<b>34,727</b>	<b>193,401</b>	<b>51,266</b>	<b>2,598,194</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,999,602</b>	<b>507,589</b>	<b>290,963</b>	<b>34,727</b>	<b>252,822</b>	<b>54,585</b>	<b>3,140,288</b>

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - FEDERAL/STATE PROGRAMS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**

<i>Assets</i>	<i>Community Development Operating</i>	<i>Business/ Economic Development</i>	<i>CDBG Home Repair Network Grant</i>
Cash			1,131
Investments	1,611	81,678	
Due from Other Governments			43,440
Loans Receivable		24,934	
Due from Other Funds	85,163		
<b>Total Assets</b>	<b>86,774</b>	<b>106,612</b>	<b>44,571</b>
 <i>Liabilities and Fund Balances</i>			
<b>Liabilities</b>			
Accounts Payable			
Due to Other Funds		4,474	44,571
<b>Total Liabilities</b>	-	4,474	44,571
 <b>Fund Balances</b>			
Reserved for Loans		24,934	
Unreserved			
Designated for Subsequent Years' Expenditures	86,774	77,204	-
<b>Total Fund Balances</b>	<b>86,774</b>	<b>102,138</b>	-
 <b>Total Liabilities and Fund Balances</b>	 <b>86,774</b>	 <b>106,612</b>	 <b>44,571</b>

*Exhibit B-2*

<i>CDBG Housing Assistance Grant Program</i>	<i>CDBG Downtown Tree Planting</i>	<i>Wellness Grant</i>	<i>Totals</i>
			1,131
10,376			83,289
			53,816
			24,934
	4,000	489	89,652
<b>10,376</b>	<b>4,000</b>	<b>489</b>	<b>252,822</b>
10,376			59,421
10,376	-	-	59,421
			24,934
	4,000	489	168,467
-	4,000	489	193,401
<b>10,376</b>	<b>4,000</b>	<b>489</b>	<b>252,822</b>

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - ALL OTHER**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2008**

<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	100		4,872	
Investments	4,496	3,614		18,566
Due from Other Funds				
<b>Total Assets</b>	<b>4,596</b>	<b>3,614</b>	<b>4,872</b>	<b>18,566</b>
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds		2,569		750
<b>Total Liabilities</b>	<b>-</b>	<b>2,569</b>	<b>-</b>	<b>750</b>
 <i>Fund Balances</i>				
Fund Balances				
Unreserved				
Designated for Subsequent Years' Expenditures		1,045	4,872	17,816
Undesignated	4,596			
<b>Total Fund Balances</b>	<b>4,596</b>	<b>1,045</b>	<b>4,872</b>	<b>17,816</b>
<b>Total Liabilities and Fund Balances</b>	<b>4,596</b>	<b>3,614</b>	<b>4,872</b>	<b>18,566</b>

Exhibit B-3

<i>Berliawsky Park</i>	<i>Police N.A.D.D.I. Grant</i>	<i>Odor Study</i>	<i>Recreation Fund</i>	<i>Coast Guard</i>	<i>Total</i>
3,597			11,066	3,102	19,140
	2,083	2,819	270		30,273
<u>3,597</u>	<u>2,083</u>	<u>2,819</u>	<u>11,336</u>	<u>3,102</u>	<u>54,585</u>
					3,319
-	-	-	-	-	3,319
3,597	2,083	2,819	11,336	3,102	46,670
					4,596
<u>3,597</u>	<u>2,083</u>	<u>2,819</u>	<u>11,336</u>	<u>3,102</u>	<u>51,266</u>
<u>3,597</u>	<u>2,083</u>	<u>2,819</u>	<u>11,336</u>	<u>3,102</u>	<u>54,585</u>



**CITY OF ROCKLAND**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit B-4*

	<i>Reserves (Exhibit B-9)</i>	<i>Emergency Medical (Exhibit B-8)</i>	<i>Municipal Revenue Sharing</i>	<i>Local Road Assistance</i>	<i>Federal/State Programs (Exhibit B-5)</i>	<i>All Other (Exhibit B-6)</i>	<i>Total</i>
<b>Revenues</b>							
Intergovernmental Revenues			1,154,418		1,408,390		2,562,808
Charges for Services	10,400	426,164					436,564
Fair Value Increases (Decreases)	39,380	3,802		936	2,245	1,493	47,856
Other Local Sources	140,306	7,648		1,361	60,632	24,801	234,748
<b>Total Revenues</b>	<b>190,086</b>	<b>437,614</b>	<b>1,154,418</b>	<b>2,297</b>	<b>1,471,267</b>	<b>26,294</b>	<b>3,281,976</b>
<b>Expenditures</b>							
General Government					448,480		448,480
Public Safety	38,407	220,757			-	6,453	265,617
Public Works					7,500		7,500
Health & Welfare	25,972				413		26,385
Professional Services						32,248	32,248
Capital Improvement					1,077,478		1,077,478
Other	96,755					9,766	106,521
<b>Total Expenditures</b>	<b>161,134</b>	<b>220,757</b>	<b>-</b>	<b>-</b>	<b>1,533,871</b>	<b>48,467</b>	<b>1,964,229</b>
Excess of Revenues Over (Under) Expenditures	28,952	216,857	1,154,418	2,297	(62,604)	(22,173)	1,317,747
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds	454,008				-		454,008
Transfers to Other Funds	(178,472)	(440,490)	(980,000)				(1,598,962)
<b>Total Other Financing Sources (Uses)</b>	<b>275,536</b>	<b>(440,490)</b>	<b>(980,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,144,954)</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	304,488	(223,633)	174,418	2,297	(62,604)	(22,173)	172,793
Fund Balance - July 1	1,667,721	279,261	116,545	32,430	256,005	73,439	2,425,401
<b>Fund Balance - June 30</b>	<b>1,972,209</b>	<b>55,628</b>	<b>290,963</b>	<b>34,727</b>	<b>193,401</b>	<b>51,266</b>	<b>2,598,194</b>

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<i>Community Development Operating</i>	<i>Business/ Economic Development</i>	<i>2005 CDBG Home Repair Network Grant</i>	<i>2006 CDBG Home Repair Network Grant</i>	<i>2007 CDBG Home Repair Network Grant</i>	<i>2007 CDBG Public Facility Block Grant</i>	<i>CDBG Housing Assistance Grant Program</i>
<b>Revenues</b>							
Microloan Payments	35,868						
Intergovernmental Revenues			18,647	285,651	735,080	100,000	179,057
Fair Value Increases(Decreases)	43	2,202					
Local Sources	20,661	3,201					
<b>Total Revenues</b>	<b>56,572</b>	<b>5,403</b>	<b>18,647</b>	<b>285,651</b>	<b>735,080</b>	<b>100,000</b>	<b>179,057</b>
<b>Expenditures</b>							
New Loans	48,170						
Administration	1,034						16,698
Professional Services		18,000					14,164
Contractors						114,177	148,195
Capital Improvement Equipment and Other	9,587		18,647	323,751	735,080		
<b>Total Expenditures</b>	<b>58,791</b>	<b>18,000</b>	<b>18,647</b>	<b>323,751</b>	<b>735,080</b>	<b>114,177</b>	<b>179,057</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,219)</b>	<b>(12,597)</b>	<b>-</b>	<b>(38,100)</b>	<b>-</b>	<b>(14,177)</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>							
Transfers from Other Funds							
Transfers to Other Funds							
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(2,219)</b>	<b>(12,597)</b>	<b>-</b>	<b>(38,100)</b>	<b>-</b>	<b>(14,177)</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>88,993</b>	<b>114,735</b>	<b>-</b>	<b>38,100</b>	<b>-</b>	<b>14,177</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>86,774</b>	<b>102,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - FEDERAL/STATE GRANT PROGRAMS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit B-5*  
*Page 2 of 2*

	<i>CDBG Façade Grant</i>	<i>CDBG Downtown Tree Planting</i>	<i>State Planning Office-Tillson Avenue Rezoning</i>	<i>Wellness Grant</i>	<i>Total</i>
Revenues					
Microloan Payments					35,868
Intergovernmental Revenues	78,455	4,000	7,500		1,408,390
Fair Value Increases(Decreases)					2,245
Local Sources				902	24,764
<b>Total Revenues</b>	<b>78,455</b>	<b>4,000</b>	<b>7,500</b>	<b>902</b>	<b>1,471,267</b>
Expenditures					
New Loans					48,170
Administration	5,080				22,812
Professional Services					32,164
Contractors	73,375		7,500		343,247
Capital Improvement Equipment and Other				413	1,077,478 10,000
<b>Total Expenditures</b>	<b>78,455</b>	<b>-</b>	<b>7,500</b>	<b>413</b>	<b>1,533,871</b>
Excess of Revenues Over (Under) Expenditures	-	4,000	-	489	(62,604)
Other Financing Sources (Uses)					
Transfers from Other Funds					-
Transfers to Other Funds					-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	4,000	-	489	(62,604)
Fund Balance - July 1					256,005
<b>Fund Balance - June 30</b>	<b>-</b>	<b>4,000</b>	<b>-</b>	<b>489</b>	<b>193,401</b>

**CITY OF ROCKLAND**  
**SPECIAL REVENUE FUNDS - ALL OTHER**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit B-6

	Shore Village Museum	Police DARE	Skateboard Park Project	RCHP Scholarship Trust	Berliawsky Park	Police N.A.D.D.I. Grant	Odor Study	Recreation Fund	Coast Guard	Total
Revenues										
Other Local Sources		3,892	77					12,341	7,384	23,694
Interest	176	142	20	637	123				9	1,107
Fair Value Increases (Decreases)	121	97		1,068	207					1,493
<b>Total Revenues</b>	<b>297</b>	<b>4,131</b>	<b>97</b>	<b>1,705</b>	<b>330</b>	<b>-</b>	<b>-</b>	<b>12,341</b>	<b>7,393</b>	<b>26,294</b>
Expenditures										
Public Safety Programs		5,018				1,435				6,453
Repairs and Maintenance										-
Scholarships				750						750
Supplies/Materials			373				3,347	1,005	4,291	9,016
Professional Services							32,248			32,248
<b>Total Expenditures</b>	<b>-</b>	<b>5,018</b>	<b>373</b>	<b>750</b>	<b>-</b>	<b>1,435</b>	<b>35,595</b>	<b>1,005</b>	<b>4,291</b>	<b>48,467</b>
Excess of Revenues Over (Under) Expenditures	297	(887)	(276)	955	330	(1,435)	(35,595)	11,336	3,102	(22,173)
Other Financing Sources (Uses) Transfer from Other Funds										-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	297	(887)	(276)	955	330	(1,435)	(35,595)	11,336	3,102	(22,173)
Fund Balance (Deficit) - July 1	4,299	1,932	5,148	16,861	3,267	3,518	38,414			73,439
Fund Balance - June 30	4,596	1,045	4,872	17,816	3,597	2,083	2,819	11,336	3,102	51,266

**CITY OF ROCKLAND**  
**EMERGENCY MEDICAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**Exhibit B-7**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
User Fees	412,784	345,116	(67,668)
Owls Head EMS Service	60,473	60,473	-
Aid to Outside Towns	22,500	20,575	(1,925)
Interest		5,528	5,528
Change in Fair Value		3,802	3,802
Donations	300	120	(180)
All Other	200	2,000	1,800
<b>Total Revenues</b>	<u>496,257</u>	<u>437,614</u>	<u>(58,643)</u>
<b>Expenditures</b>			
Personal Services	115,385	114,937	448
Contracted Services	78,267	67,704	10,563
Commodities	26,242	31,200	(4,958)
Capital Outlay	5,000	6,916	(1,916)
<b>Total Expenditures</b>	<u>224,894</u>	<u>220,757</u>	<u>4,137</u>
<b>Excess of Revenues Over (Under)</b>			
Expenditures	<u>271,363</u>	<u>216,857</u>	<u>(54,506)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to Other Funds	(441,113)	(440,490)	623
Use of Surplus	169,750		(169,750)
<b>Total Other Financing Sources (Uses)</b>	<u>(271,363)</u>	<u>(440,490)</u>	<u>(169,127)</u>
<b>Excess of Revenues and Other</b>			
<b>Sources Over (Under) Expenditures</b>	<u>-</u>	<u>(223,633)</u>	<u>(223,633)</u>
<b>Fund Balance - July 1</b>		<u>279,261</u>	
<b>Fund Balance - June 30</b>		<u>55,628</u>	

**CITY OF ROCKLAND  
RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit B-8*

<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	27,441		154,464	439	301		182,645
Sewer Equipment	1,269		22,711	53	36		24,069
Sewer Debt Service	292,557			12,279	8,445		313,281
Samoset/Glen Cove I & I	3,311			139	96		3,546
Samoset Debt Service	(42)			(2)	(1)		(45)
Johnson Park	660			28	19		707
Custom House Parking Lot	94,604	10,400		3,912	2,690		111,606
Police Forfeiture	26,424	31,820		1,112	765	(36,266)	23,855
Industrial Park Land Sales	61,730			2,591	1,782		66,103
City Land Sales	81,654	31,831		209	577	(96,755)	17,516
Parks	8,014		4,435	385	265		13,099
Merritt Park Playground	57,788	600		2,425	1,668		62,481
Fish Pier Maintenance	2,444			103	70		2,617
Fish Pier Improvements	33,053		11,748	2,062	1,418	(15,537)	32,744
Police Trading Cards	1,304	456		55	37	(152)	1,700
Audio Visual Reserve	3,658			221	152		4,031
Thermal Imaging Camera	1,472		(1,472)				-
Ground Cover Reserve	12,826			741	827		14,394
Recreation Reserve	2,164			91	62		2,317
Pumping/Chemicals Reserve	4,988			209	144		5,341
Sewer Rate Stabilization Reserve	152,645		50,000	4,308	2,963		209,916
Sewer Renewal and Replacement Reserve	457,455		(97,000)	15,843	10,895		387,193
Civil War Artifacts Reserve	15,342			633	436		16,411
Emergency Medical Reserve	14,884			625	429		15,938
Skatepark Helmet Reserve	1,053			44	31		1,128
Traffic Improvements Reserve	29,241			1,228	844		31,313
Landfill Closure Reserve	153,554		50,000	6,242	3,976		213,772
Ladder Truck Reserve	12,086			533	432	(1,989)	11,062
Landfill Perpetual Care Reserve	7,014		50,000	294	203		57,511
Sewer CIP Reserve	107,128						107,128
Fuel Assistance Reserve		18,600	10,000	197	(182)	(10,435)	18,180
Fire Department Building Reserve			8,650				8,650
Transfer Station Capital Equipment Reserve			12,000				12,000
<b>Total</b>	<b>1,667,721</b>	<b>93,707</b>	<b>275,536</b>	<b>56,999</b>	<b>39,380</b>	<b>(161,134)</b>	<b>1,972,209</b>

**CITY OF ROCKLAND  
ALL CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

*Exhibit C-1*

<i>Assets</i>	<i>Pump Station/CSO Project</i>	<i>Capital Improvements Program</i>	<i>Total</i>
Investments		33,835	33,835
Accounts Receivable		43,772	43,772
Due from Other Funds	206,002	938,197	1,144,199
<b>Total Assets</b>	<b>206,002</b>	<b>1,015,804</b>	<b>1,221,806</b>
 <i>Liabilities and Fund Balances</i>			
<b>Liabilities</b>			
Accounts Payable		1,621	1,621
Due to Other Funds		384,433	384,433
<b>Total Liabilities</b>	-	<b>386,054</b>	<b>386,054</b>
 <b>Fund Balances</b>			
<b>Unreserved</b>			
Designated for Subsequent Years' Expenditures	206,002	620,283	826,285
Undesignated		9,467	9,467
<b>Total Fund Balances</b>	<b>206,002</b>	<b>629,750</b>	<b>835,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>206,002</b>	<b>1,015,804</b>	<b>1,221,806</b>

**CITY OF ROCKLAND**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit C-2

	<i>Pump Station/CSO Project</i>	<i>Capital Improvements Program</i>	<i>Total</i>
<b>Revenues</b>			
Intergovernmental Revenue			-
Local Sources		17,000	17,000
Change in Fair Value		912	912
Interest		1,327	1,327
<b>Total Revenues</b>	-	19,239	19,239
<b>Expenditures</b>			
Capital Outlay		195,991	195,991
Equipment		723,329	723,329
Other	540		540
<b>Total Expenditures</b>	540	919,320	919,860
<b>Excess of Revenues Over (Under) Expenditures</b>	(540)	(900,081)	(900,621)
<b>Other Financing Sources (Uses)</b>			
Capital Lease Proceeds		359,754	359,754
Bond Proceeds		315,125	315,125
Transfers from Other Funds		441,966	441,966
Transfers to Other Funds	(344,320)	(125,000)	(469,320)
<b>Total Other Financing Sources (Uses)</b>	(344,320)	991,845	647,525
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	(344,860)	91,764	(253,096)
<b>Fund Balance - July 1</b>	550,862	537,986	1,088,848
<b>Fund Balance - June 30</b>	206,002	629,750	835,752



**CITY OF ROCKLAND**  
**CAPITAL IMPROVEMENTS FUND**  
**SCHEDULE OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit C-3*  
*Page 1 of 2*

	<i>Balance</i> <i>July 1</i>	<i>Transfers</i>	<i>Revenues</i>	<i>Total</i> <i>Available</i>	<i>Expenditures</i>	<i>Transfer</i> <i>From(To)</i> <i>Unreserved</i>	<i>Balance</i> <i>June 30</i>
<i>City Projects</i>							
Road Construction	207,779	(102,982)	1	104,798			104,798
Waldo Avenue Gully	27,040	29,000	17,000	73,040	(93,160)	20,120	-
Waldo Avenue Drainage	1,386			1,386		(1,386)	-
Drainage Projects	1,597			1,597			1,597
Lindsey Brook Rehab	176,009	145,127		321,136	(3,913)		317,223
Roads and Sidewalks	4,327			4,327			4,327
Recycling Facility Improvement	10,090			10,090			10,090
EMS Utility Vehicle	63,685	42,500	2,238	108,423			108,423
Sign Van	8,000			8,000			8,000
Monitoring Well Landfill	12,000			12,000			12,000
Digital Ortho Update	-		3,000	3,000	(3,000)		-
Fire/EMS Command Vehicle	2,840			2,840			2,840
PW New Backhoe	-		102,741	102,741	(102,741)		-
PW 8500 Series Dump Truck	-		135,713	135,713	(135,713)		-
PW Curb & Sidewalk Rankin Street	-		34,800	34,800	(34,800)		-
Fire Rescue Pumper	-	169,750	315,125	484,875	(484,875)		-
City Lighting Upgrade	-	22,000	26,679	48,679	(43,282)	(5,397)	-
PW Snow Scoop	-		13,050	13,050	(13,050)		-
PW 1 Ton Dump Truck	-		43,771	43,771			43,771
Municipal Fish Pier Underground Elec.	12,000			12,000	(4,786)		7,214
<b>City Designated Balances</b>	<b>526,753</b>	<b>305,395</b>	<b>694,118</b>	<b>1,526,266</b>	<b>(919,320)</b>	<b>13,337</b>	<b>620,283</b>
<b>Total Designated Balances</b>	<b>526,753</b>	<b>305,395</b>	<b>694,118</b>	<b>1,526,266</b>	<b>(919,320)</b>	<b>13,337</b>	<b>620,283</b>
<b>Unreserved - Undesignated</b>	<b>11,233</b>	<b>11,571</b>		<b>22,804</b>		<b>(13,337)</b>	<b>9,467</b>
<b>Total CIP</b>	<b>537,986</b>	<b>316,966</b>	<b>694,118</b>	<b>1,549,070</b>	<b>(919,320)</b>	<b>-</b>	<b>629,750</b>

**CITY OF ROCKLAND  
PERMANENT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2008**

<i>Assets</i>	<u><i>Cemetery</i></u>	<u><i>Haines Charity</i></u>
Cash	83,768	139,246
Investments	71,335	93,489
Due From Other Funds		1,863
Loans Receivable		1,064
<b>Total Assets</b>	<b><u>155,103</u></b>	<b><u>235,662</u></b>
 <i>Liabilities and Fund Balances</i>		
Liabilities		
Due to Other Funds	<u>100,709</u>	
Total Liabilities	<u>100,709</u>	-
Fund Balances (Deficit)		
Reserved for Endowments	88,131	57,581
Reserved for Loans		1,064
Unreserved		
Undesignated	<u>(33,737)</u>	<u>177,017</u>
Total Fund Balances	<u>54,394</u>	<u>235,662</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>155,103</u></b>	<b><u>235,662</u></b>

*Exhibit D-1*

<i>Keyword Library</i>	<i>Leach Library</i>	<i>All Other (Exhibit D-4)</i>	<i>Total</i>
			223,014
99,309	61,222	30,083	355,438
			1,863
			1,064
<b>99,309</b>	<b>61,222</b>	<b>30,083</b>	<b>581,379</b>
		-	100,709
		-	100,709
91,230	50,000	17,800	304,742
			1,064
8,079	11,222	12,283	174,864
99,309	61,222	30,083	480,670
<b>99,309</b>	<b>61,222</b>	<b>30,083</b>	<b>581,379</b>

**CITY OF ROCKLAND**  
**PERMANENT FUNDS**  
**COMBINING BALANCE SHEET -ALL OTHER**  
**JUNE 30, 2008**

<i>Assets</i>	<i>Cleveland/ Bostick Library</i>
Investments	11,081
Due from Other Funds	
Loans Receivable	
<b>Total Assets</b>	<b>11,081</b>
 <i>Liabilities and Fund Balances</i>	
Liabilities	
Due to Other Funds	
Total Liabilities	-
Fund Balances	
Reserved for Endowments	10,000
Reserved for Loans	
Unreserved	
Undesignated	1,081
Total Fund Balances	11,081
<b>Total Liabilities and Fund Balances</b>	<b>11,081</b>

*Exhibit D-2*

<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
5,897	4,791	8,314	30,083
<u>5,897</u>	<u>4,791</u>	<u>8,314</u>	<u>30,083</u>
			-
			-
1,000	200	6,600	17,800
4,897	4,591	1,714	12,283
5,897	4,791	8,314	30,083
<u>5,897</u>	<u>4,791</u>	<u>8,314</u>	<u>30,083</u>

**CITY OF ROCKLAND**  
**PERMANENT FUNDS**  
**STATEMENT OF ACTIVITY - ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<i>Cemetery</i>	<i>Haines Charity</i>
Revenues		
Local Sources		-
Investment Income	2,753	8,143
Fair Value Increases (Decreases)	(467)	13,900
Total Revenues	<u>2,286</u>	<u>22,043</u>
Expenditures		
Abatements		2,024
Cemetery Care	21,214	
Total Expenditures	<u>21,214</u>	<u>2,024</u>
Excess of Revenues Over (Under)		
Expenditures	(18,928)	20,019
Other Financing Sources (Uses)		
Transfer From Other Funds	78,210	
Transfer to Other Funds		(10,000)
Total Other Financing Sources (Uses)	<u>78,210</u>	<u>(10,000)</u>
Excess of Revenues and Other Sources Over (Under)		
Expenditures and Other Uses	59,282	10,019
Fund Balance - July 1	<u>(4,888)</u>	<u>225,643</u>
<b>Fund Balance - June 30</b>	<b><u>54,394</u></b>	<b><u>235,662</u></b>

*Exhibit D-3*

<i>Keyword Library</i>	<i>Leach Library</i>	<i>All Other (Exhibit D-4)</i>	<i>Total</i>
3,445	2,099	1,036	17,476
5,854	3,527	1,742	24,556
9,299	5,626	2,778	42,032
			2,024
			21,214
			23,238
9,299	5,626	2,778	18,794
			78,210
(9,469)	(335)	(799)	(20,603)
(9,469)	(335)	(799)	57,607
(170)	5,291	1,979	76,401
99,479	55,931	28,104	404,269
99,309	61,222	30,083	480,670

**CITY OF ROCKLAND**  
**PERMANENT FUNDS**  
**STATEMENT OF ACTIVITY - ALL OTHER**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<i>Cleveland/ Bostick Library</i>
Revenues	
Investment Income	381
Fair Value Increases (Decreases)	637
	<hr/>
Total Revenues	1,018
	<hr/>
Expenditures	
Abatements	
Cemetery Care	
	<hr/>
Total Expenditures	
	<hr/>
Excess of Revenues Over (Under)	
Expenditures	1,018
	<hr/>
Other Financing Sources (Uses)	
Transfer to Other Funds	
	<hr/>
Total Other Financing	
Sources (Uses)	-
	<hr/>
Excess of Revenues and Other	
Sources Over (Under)	
Expenditures and Other Uses	1,018
	<hr/>
Fund Balance - July 1	10,063
	<hr/>
<b>Fund Balance - June 30</b>	<b>11,081</b>
	<hr/> <hr/>



*Exhibit D-4*

<i>Flower</i>	<i>Monroe Highway</i>	<i>Other Library</i>	<i>Total</i>
203	164	288	1,036
339	276	490	1,742
542	440	778	2,778
542	440	778	2,778
		(799)	(799)
		(799)	(799)
542	440	(21)	1,979
5,355	4,351	8,335	28,104
5,897	4,791	8,314	30,083

**CITY OF ROCKLAND**  
**WASTEWATER ENTERPRISE CAPITAL IMPROVEMENTS**  
**SCHEDULE OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Exhibit E-1*

	<i>Balance</i>			<i>Total</i>		<i>Transfer</i>	<i>Balance</i>
	<i>July 1</i>	<i>Transfers</i>	<i>Revenues</i>	<i>Available</i>	<i>Expenditures</i>	<i>From(To)</i>	<i>June 30</i>
						<i>Unreserved</i>	
<i>Wastewater Projects</i>							
WWTP Scada - Lift Station	11,769			11,769	(11,769)		-
WWTP Polymer Feed System	-			-			-
WWTP Walkway & Safety	12,328			12,328	(11,105)	(1,223)	-
WWTP Additional GBT Pump	-			-			-
WWTP REP Primary Scum	50,000			50,000	(50,000)		-
WWTP Replace Scum Valves	10,000			10,000	(4,778)	(5,222)	-
WWTP Lifting Hook - Drum	20,000			20,000	(15,120)		4,880
WWTP Relocate VFD's	-			-			-
Rehab Sea Pro Pump Station	50,000			50,000			50,000
Pro Bar Screen Headworks	-			-			-
Pick-Up Truck	5,126			5,126		(5,126)	-
Sand & Paint Clarifier	25,000			25,000			25,000
Water Boost Pump	-			-			-
Floor Drain Headworks	-			-			-
Resinous Floor Coat	30,000			30,000			30,000
Enlarge Door GBT Room	8,000			8,000			8,000
WWTP Reline Sewer Pipe		80,000		80,000	(24,500)		55,500
WWTP Rehab Clarifier		30,000		30,000	(18,460)		11,540
WWTP 50% Aeration Cover		150,000		150,000	(49,480)		100,520
WW Mechanic Street Force Main		75,000		75,000	(75,000)		-
<b>Wastewater Designated Balances</b>	<b>629,869</b>	<b>335,000</b>	<b>-</b>	<b>557,223</b>	<b>(260,212)</b>	<b>(11,571)</b>	<b>285,440</b>

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

March 30, 2009

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Rockland, Maine as of and for the year ended June 30, 2008, which collectively comprise the City of Rockland, Maine's basic financial statements and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rockland, Maine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Rockland, Maine's financial statements that is more than inconsequential will not be prevented or detected by the City of Rockland, Maine's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2008-1 through 2008-5.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider 2008-2 through 2008-5 to be material weaknesses.

***Compliance and Other Matters***

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

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

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

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

March 30, 2009

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

***Compliance***

We have audited the compliance of the City of Rockland, Maine with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Rockland, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Rockland, Maine's management. Our responsibility is to express an opinion on the City of Rockland, Maine's compliance based on our audit.

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

In our opinion the City of Rockland, Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-6 and 2008-7.

***Internal Control Over Compliance***

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2008-6 and #2008-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item #2008-6 and #2008-7 to be material weaknesses.

The City of Rockland, Maine's response to the findings identified in our audit are 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 the management, City Council, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

**SCHEDULE I**  
**CITY OF ROCKLAND**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2008**

NONE

**SCHEDULE II**  
**CITY OF ROCKLAND, MAINE**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2008**

**A. SUMMARY OF AUDITOR'S RESULTS**

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

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

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2008-01 CEMETERY TRUST FUNDS**

At June 30, 2008, the expendable balance in the Cemetery Trust Funds is over-expended by \$33,737. This is a result of cemetery maintenance costs exceeding earnings on the investment of cemetery perpetual care funds. By law, the principal of cemetery trust funds should not be expended.

The City is responsible for maintaining its cemeteries, with trust fund earnings being used to offset those costs to the extent that funds are available. It is our understanding that the City is negotiating with the Cemetery Association in order to resolve the funding problems noted above. We recommend that management review the current status of cemetery trust funds and finalize negotiations with the Cemetery Association.

**2008-02 RECONCILIATION OF ACCOUNTS PAYABLE, ACCOUNTS RECEIVABLE AND PAYROLL WITHHOLDING ACCOUNTS**

The City's general ledger accounts receivables, accounts payables and the payroll withholding accounts were not reconciled to the subsidiary records/reports on a monthly basis during the year.



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

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

#### **2008-03 RECONCILIATION OF GRANT FUNDS, CAPITAL IMPROVEMENT PROJECTS**

The City has established separate funds to account for grants and capital improvement projects through the finance department. The administration of the grants is run by the community development office of the city. There are various forms of funding for every grant obtained for capital improvement projects. Reconciliation of the accounting records to the grant documents and project funding was done after year-end. The general ledger, revenue and expense reports should be reconciled monthly to each grant document and budgeted funding source in order to assure accurate reporting and proper adherence to grant/budget requirements. We recommend that management monitor the progress of these reconciliations to assure they are completed on a monthly basis.

#### **2008-04 EMERGENCY MEDICAL FUND**

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

Also, new funds received from Medicaid referred to as "seed money" have been posted by the City to a separate account. "Seed money" is money sent in advance to help cover the costs associated with claims not yet finalized by Medicaid. There are no specific clients associated with the funds until the claim has been finalized at a later date. This money has been deferred until claims have been finalized. At June 30, 2008, this deferred "seed money" is a liability until final payment has been made.

#### **2008-05 FINANCIAL STATEMENT PREPARATION**

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

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

**2008-6**

Major Program: CDBG Community Enterprise-Façade Grant

CFDA #14.228

Federal Agency: Housing and Urban Development

*Criteria:* All contractors and subcontractors that engage in construction contracts over \$2,000 financed by federal grant funds, are required to pay all employees wages not less than the prevailing wage rate established by the United States Department of Labor for the specific locality (Davis-Bacon Act). The program must ensure that contractors and subcontractors pay the prevailing wage rate to its employees.

*Condition:* The Davis-Bacon Act was not followed for some contractors. 17 of 21 contractors did not provide Davis Bacon Act wage information. 19 of 40 employees tested were not paid prevailing wage rates.

*Effect:* Employees might not have been paid the correct wage rates under Davis-Bacon Act.

*Cause:* Management did not monitor the Davis-Bacon Act compliance. The subrecipients applied for the grant money and the money was distributed to them.

*Population and Items Tested:* A sample of 40 Davis-Bacon Act wages out of 78 were tested from the four contractors who provided information.

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

*Grantee Response:* The City agrees with the finding and the auditor's recommendations will be adopted.

**2008-7**

Major Program: CDBG Community Enterprise-Façade Grant

CFDA #14.228

Federal Agency: Housing and Urban Development

*Criteria:* Programs receiving federal funds are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods and services equal to or in excess of \$1,500 and any nonprocurement transactions. In addition, preference may not be given to vendors, but must be selected on an open, competitive bid basis.

*Condition:* The Procurement and Suspension and Debarment policies were not followed for all recipients.

*Effect:* Possible hiring of contractors who are suspended from working on federal grant contracts. Recipients may contract with contractors and receive kickbacks.

*Cause:* Management did not monitor the grant awards for competitive bidding. The subrecipients applied for the grant money and the money was distributed to them.

*Population and Items Tested:* A sample of 40 expenditures were tested for procurement and found no documentation of competitive bids.

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

*Grantee Response:* The City agrees with the finding and the auditor's recommendations will be adopted.

CITY OF ROCKLAND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE III

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Agency or Pass-through Number</i>	<i>Program or Award Amount</i>	<i>Accrued or (Deferred) Revenue at July 1</i>	<i>Revenues</i>	<i>Expenditures</i>	<i>Accrued or (Deferred) Revenue at June 30</i>
U.S. Department of Housing and Urban Development							
Passed Through State Department of Economic and Community Development							
Housing Assistance (Rehab)	14.228	015-19A-05870126331	250,000		179,057	(179,057)	-
2005 Home Repair Network Program	14.228	015-19A-05870126631	702,500		18,647	(18,647)	-
2006 Home Repair Network Program	14.228	015-19A-05870126631	1,052,500	38,100	285,651	(323,751)	-
2007 Home Repair Network Program	14.228	015-19A-05870126631	1,050,000		735,080	(735,080)	-
CDBG Public Facility Block Grant	14.228	015-19A-05870126631	100,000		100,000	(100,000)	-
Facade Grant	14.228	015-19A-05870126631	152,500		78,455	(78,455)	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>3,307,500</b>	<b>38,100</b>	<b>1,396,890</b>	<b>(1,434,990)</b>	<b>-</b>
U.S. Department of Transportation							
Passed Through State Department of Transportation							
Safety Belt Education and Enforcement	20.600	013-16A-304D0126401	1,989		1,943	(1,943)	-
Drinking Enforcement Grant	20.600	013-16A-304D0126401	13,935		1,209	(1,209)	-
2007 Speed Enforcement Grant	20.600	013-16A-304D0126401	4,971		4,845	(4,845)	-
2008 Speed Enforcement Grant	20.600	013-16A-304D0126401	4,970		2,048	(2,048)	-
Drive Safe	20.600	013-16A-304D0126401	4,487		3,000	(3,000)	-
2007 OUI Enforcement Grant	20.600	013-16A-308A0126401	4,978		4,638	(4,638)	-
2008 OUI Enforcement Grant	20.600	013-16A-308A0126401	4,999		1,471	(1,471)	-
<b>Total U.S. Department of Transportation</b>			<b>40,329</b>	<b>-</b>	<b>19,154</b>	<b>(19,154)</b>	<b>-</b>
U.S. Department of Homeland Security							
Passed Through State Department of Defense, Veterans and Emergency Management							
Federal Emergency Management Funds	97.036	---	1,528		1,528	(1,528)	-
<b>Total U.S. Department of Homeland Security</b>			<b>1,528</b>	<b>-</b>	<b>1,528</b>	<b>(1,528)</b>	<b>-</b>
<b>Total</b>			<b>3,349,357</b>	<b>38,100</b>	<b>1,417,572</b>	<b>(1,455,672)</b>	<b>-</b>

***CITY OF ROCKLAND  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008***

***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.