

*TOWN OF ROCKPORT, MAINE*

*FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR  
ENDED JUNE 30, 2010*

**TOWN OF ROCKPORT  
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
 FOR THE YEAR ENDED JUNE 30, 2010**

**TABLE OF CONTENTS**

**PAGE(S)**

**INDEPENDENT AUDITOR'S REPORT** 1

**MANAGEMENT'S DISCUSSION AND ANALYSIS** 2 - 6

**BASIC FINANCIAL STATEMENTS**

**EXHIBIT**

**GOVERNMENTAL-WIDE FINANCIAL STATEMENTS**

A Statement of Net Assets 7  
 B Statement of Activities 8

**FUND FINANCIAL STATEMENTS**

**Governmental Funds Financial Statements**

C Balance Sheet - Governmental Funds 9 - 10  
 D Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balances - Governmental Funds 11 - 12

**Proprietary Funds Financial Statements**

E Statement of Net Assets 13  
 F Statement of Revenues, Expenses, and Changes in Fund Net Assets 14  
 G Statement of Cash Flows 15

**NOTES TO THE FINANCIAL STATEMENTS** 16 - 31

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

H Budgetary Comparison Schedule 32

**OTHER SUPPLEMENTARY INFORMATION**

**GENERAL FUND**

A-1 Statement of Estimated and Actual Revenues 33 - 34  
 A-2 Statement of Appropriations, Expenditures, and Encumbrances 35 - 36  
 A-3 Statement of Changes in Unreserved - Undesignated Fund Balance 37

**SPECIAL REVENUE FUNDS**

B-1 Balance Sheet - All 38  
 B-2 Balance Sheet - Other Special Revenue Funds 39  
 B-3 Statement of Revenues, Expenditures and Changes in Fund Balances 40  
 B-4 Statement of Revenues, Expenditures and Changes in Fund Balances - Other 41  
 B-5 Schedule of Activity - Reserves / Special Projects 42

**CAPITAL PROJECT FUNDS**

C-1 Balance Sheet 43  
 C-2 Statement of Revenues, Expenditures and Changes in Fund Balances 44

**PERMANENT FUNDS**

D-1 Balance Sheet 45  
 D-2 Statement of Revenues, Expenditures and Changes in Fund Balances 46  
 D-3 Balance Sheet - All Library Funds 47  
 D-4 Statement of Revenues, Expenditures and Changes in Fund Balances - All Library 48

***INDEPENDENT AUDITOR'S REPORT***

November 8, 2010

Members of the Board of Selectmen  
Town of Rockport  
Rockport, Maine

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Rockport, Maine as of and for the fiscal year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Rockport, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Rockport, Maine as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-6 and 31, 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 Town of Rockport, Maine 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 statement. 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, C.P.A.*

James W. Wadman, C.P.A.

**TOWN OF ROCKPORT, MAINE**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2010**

Management of the Town of Rockport, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended June 30, 2010. 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 Town of Rockport, Maine (the Town) 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 Town exceeded its liabilities at fiscal year ending June 30, 2010 by \$15,987,985 (presented as “net assets”). Of this amount, \$3,392,167 was reported as “unrestricted net assets”. Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net Assets* – The Town's total net assets increased by \$1,736,921 (a 12.2% increase) for the fiscal year ended June 30, 2010. Net assets of governmental activities increased by \$1,593,486 (a 17.7% increase), while net assets of business-type activities showed an increase of \$143,435 (a 2.7% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the fiscal year ended June 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$3,335,072 with \$1,624,689 being general undesignated fund balance. This undesignated fund balance represents approximately 12.69% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's general long-term debt obligations decreased by \$103,100 (22.0%) during the current fiscal year. Business-type long-term debt obligations decreased by \$195,000 (17.6%) during the current fiscal year. Existing debt obligations were retired according to schedule. A new capital lease was issued in the amount of \$142,165 for a freightliner plow truck.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town'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 Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 7-8 of this report.

**Fund Financial Statements**

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using

the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 9-12 of this report. The basic proprietary fund financial statements can be found on pages 13-15 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 16-31 of this report.

**Required Supplementary Information**

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary). Required supplementary information can be found on page 32 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

72.1% of the Town'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 are still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town'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.

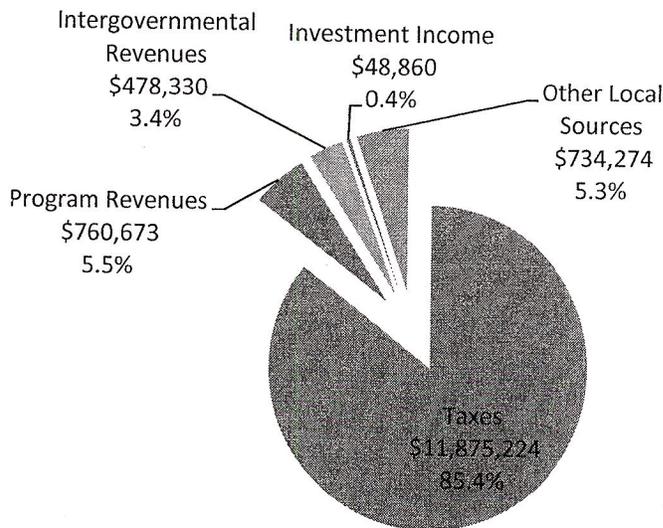
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total 2010</i>	<i>Total 2009</i>
Current Assets	3,855,928	779,317	4,635,245	4,341,130
Capital Assets	7,554,126	5,531,852	13,085,978	11,953,584
<b>Total Assets</b>	<b>11,410,054</b>	<b>6,311,169</b>	<b>17,721,223</b>	<b>16,294,714</b>
Current Liabilities	461,035	239,418	700,453	740,376
Other Liabilities	332,785	700,000	1,032,785	1,303,274
<b>Total Liabilities</b>	<b>793,820</b>	<b>939,418</b>	<b>1,733,238</b>	<b>2,043,650</b>
<b>Net Assets:</b>				
Invested in Capital Assets	7,055,919	4,621,852	11,677,771	10,273,150
Restricted	673,966	244,081	918,047	1,032,038
Unrestricted	2,886,349	505,818	3,392,167	2,945,876
<b>Total Net Assets</b>	<b>10,616,234</b>	<b>5,371,751</b>	<b>15,987,985</b>	<b>14,251,064</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>11,410,054</b>	<b>6,311,169</b>	<b>17,721,223</b>	<b>16,294,714</b>

Changes in Net Assets

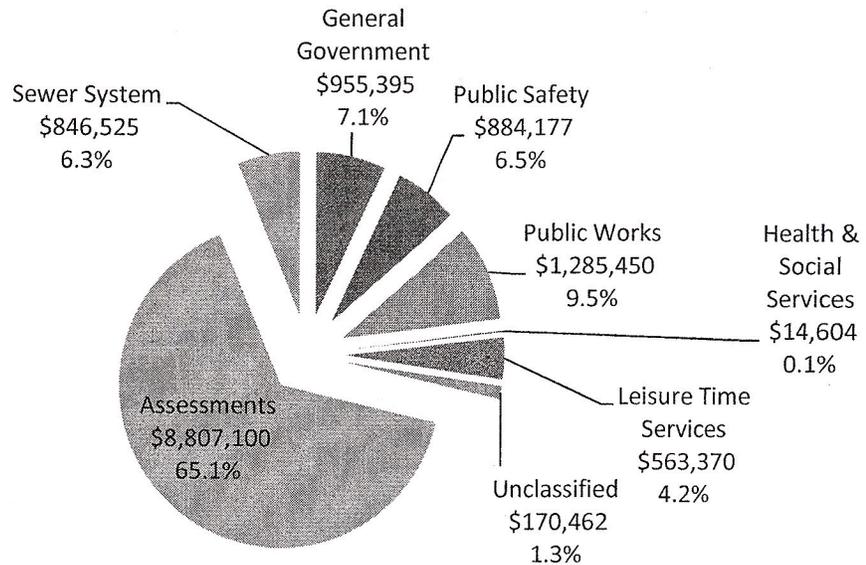
Approximately 85.4 percent of the Town's total revenue came from property and excise taxes, approximately 3.4 percent came from State subsidies and grants, and approximately 11.2 percent came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$518,462 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2010	Total 2009
<b>Revenues:</b>				
Taxes	11,875,224		11,875,224	11,630,595
Program Revenues		760,673	760,673	735,974
Intergovernmental Revenues	478,330		478,330	458,405
Investment Income	31,795	17,065	48,860	29,179
Other Local Sources	632,318	101,956	734,274	288,765
Transfers	(110,266)	110,266	-	-
<b>Total</b>	<b>12,907,401</b>	<b>989,960</b>	<b>13,897,361</b>	<b>13,142,918</b>
<b>Expenses:</b>				
General Government	904,605		904,605	891,738
Public Safety	884,177		884,177	858,615
Public Works	1,285,450		1,285,450	1,202,730
Health and Social Services	14,604		14,604	18,582
Leisure Time Services	563,370		563,370	571,491
Unclassified	170,462		170,462	25,025
Assessments	8,807,100		8,807,100	8,501,064
Sewer System		846,525	846,525	848,762
<b>Total</b>	<b>12,629,768</b>	<b>846,525</b>	<b>13,476,293</b>	<b>12,918,007</b>
<b>Changes in Net Assets</b>	<b>277,633</b>	<b>143,435</b>	<b>421,068</b>	<b>224,911</b>

**Revenues by Source - Governmental and Business-Type**



## Expenditures by Source - Governmental and Business-Type



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

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town'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 Town's governmental funds reported ending fund balances of \$3,335,072, an increase of \$149,912 in comparison with the prior year. Approximately 66.7 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.

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

- \$84,548 negative variance in property tax. Outstanding taxes increased \$88,926 while collections 60 days from year-end decreased \$10,616 for a net deferred property tax adjustment of \$99,542. Supplemental taxes were issued in the amount of \$14,991.
- \$24,562 negative variance in auto excise collections. The town received less than budgeted due to the economy.
- \$65,621 negative variance in library reimbursements. This correlates to the positive variance in library expenditures of \$63,309. The town budgeted for large capital expenditures that did not occur.
- \$40,060 negative variance in municipal revenue sharing due to cut backs by the State of Maine.

- \$25,235 positive variance in planning and community development. Salaries were down due to two positions eliminated and the sharing of another planning/community development employee with other departments.
- \$21,321 positive variance in public works due to the mild winter/low snow totals and storms.
- \$25,904 negative variance in Pascal Avenue project. This was an unbudgeted project that was only partially covered by the state grant.

**Proprietary Funds**

The Town'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 Town's investment in capital assets for its governmental and business-like activities amounts to \$20,360,955, net of accumulated depreciation of \$7,274,976 leaving a net book value of \$13,085,979. Current year additions include \$5,221 for a server, \$86,461 for a public works truck with equipment, \$208,500 for an upgraded loader, \$22,823 for a police cruiser, \$167,124 for paving and \$1,366,643 net addition for the Rockport East Elementary School and land. Current year deletions include a 2001 and 2007 loader.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town'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: Town of Rockport, P.O. Box 10, Rockport, ME 04856.

**TOWN OF ROCKPORT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	1,973,183	474,932	2,448,115
Investments	1,004,626	105,184	1,109,810
Receivables			
Taxes	728,079		728,079
Tax Liens	106,951		106,951
Accounts	10,547	199,201	209,748
Due from Other Governments	32,542		32,542
Capital Assets:			
Land and Art Work	2,858,786		2,858,786
Other Capital Assets, Net of Depreciation	4,695,340	5,531,852	10,227,192
<b>Total Assets</b>	<b>11,410,054</b>	<b>6,311,169</b>	<b>17,721,223</b>
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	1,072	10,390	11,462
Payroll Taxes/Deductions	9,436		9,436
Due to Other Governments	10,996		10,996
Accrued Salaries Payable	46,519		46,519
Accrued Interest Payable		12,797	12,797
Deferred Refund		6,231	6,231
Prepaid Taxes	11,498		11,498
Escrow and Security Deposits	9,355		9,355
Compensated Absences Payable	206,737		206,737
Long-term Liabilities:			
Due Within One Year	165,422	210,000	375,422
Due in More Than One Year	332,785	700,000	1,032,785
<b>Total Liabilities</b>	<b>793,820</b>	<b>939,418</b>	<b>1,733,238</b>
Net Assets			
Investment in Capital Assets, net of Related Debt	7,055,919	4,621,852	11,677,771
Restricted Net Assets	673,966	244,081	918,047
Unrestricted	2,886,349	505,818	3,392,167
<b>Total Net Assets</b>	<b>10,616,234</b>	<b>5,371,751</b>	<b>15,987,985</b>
<b>Total Liabilities and Net Assets</b>	<b>11,410,054</b>	<b>6,311,169</b>	<b>17,721,223</b>

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

**TOWN OF ROCKPORT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*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>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
<u>Primary Government</u>						
<u>Governmental Activities</u>						
General Government	955,395	213,483		(741,912)		(741,912)
Public Safety	884,177	16,637		(867,540)		(867,540)
Public Works	1,285,450	22,306	30,153	(1,232,991)		(1,232,991)
Health and Social Services	14,604			(14,604)		(14,604)
Leisure Time Services	563,370	85,812		(477,558)		(477,558)
Unclassified	170,462			(170,462)		(170,462)
Assessments	8,807,100			(8,807,100)		(8,807,100)
<u>Total Governmental Activities</u>	<u>12,680,558</u>	<u>338,238</u>	<u>30,153</u>	<u>(12,312,167)</u>		<u>(12,312,167)</u>
<u>Business-type Activities</u>						
Wastewater Enterprise	846,525	760,673	100,456		14,604	14,604
<u>Total Business-type Activities</u>	<u>846,525</u>	<u>760,673</u>	<u>100,456</u>		<u>14,604</u>	<u>14,604</u>
<u>Total Primary Government</u>	<u>13,527,083</u>	<u>1,098,911</u>	<u>130,609</u>	<u>(12,312,167)</u>	<u>14,604</u>	<u>(12,297,563)</u>
<u>General Revenues:</u>						
Taxes						
Property				11,172,227		11,172,227
Auto Excise				625,438		625,438
Boat Excise				16,011		16,011
Intergovernmental Revenues				448,177		448,177
Other Local Sources				387,423	18,565	405,988
Donation of Land, Buildings				1,366,643		1,366,643
Transfer to Enterprise Fund				(110,266)	110,266	-
<u>Total Revenues, Special Items and Transfers</u>				<u>13,905,653</u>	<u>128,831</u>	<u>14,034,484</u>
<u>Changes in Net Assets</u>				<u>1,593,486</u>	<u>143,435</u>	<u>1,736,921</u>
<u>Net Assets - Beginning</u>				<u>9,022,748</u>	<u>5,228,316</u>	<u>14,251,064</u>
<u>Net Assets - Ending</u>				<u>10,616,234</u>	<u>5,371,751</u>	<u>15,987,985</u>

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

**TOWN OF ROCKPORT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

*Exhibit C*  
*Page 1 of 2*

<i>Assets</i>	<i>General Fund</i>	<i>Library Permanent Fund</i>	<i>Other Governmental Funds</i>	<i>Total</i>
Cash and Equivalents	1,679,462	60,880	232,841	1,973,183
Investments		498,984	505,642	1,004,626
Receivables				
Taxes	728,079			728,079
Tax Liens	106,951			106,951
Accounts	10,547			10,547
Due from Other Governments	32,542			32,542
Due from Other Funds	13,454		389,864	403,318
<b>Total Assets</b>	<b>2,571,035</b>	<b>559,864</b>	<b>1,128,347</b>	<b>4,259,246</b>
 <i>Liabilities and Fund Balances</i>				
<i>Liabilities</i>				
Accounts Payable	1,072			1,072
Due to Other Governments	10,996			10,996
Payroll Taxes/Deductions	9,436			9,436
Accrued Salaries Payable	46,519			46,519
Deferred Revenue				
Property Tax	351,863			351,863
Other	37,241			37,241
Prepaid Taxes	11,498			11,498
Due to Other Funds	432,740		13,454	446,194
Escrow and Security Deposits	9,355			9,355
<b>Total Liabilities</b>	<b>910,720</b>		<b>13,454</b>	<b>924,174</b>
 <i>Fund Balances</i>				
Reserved For:				
Encumbrances	35,626			35,626
Endowments		288,262	385,704	673,966
Unreserved	1,624,689	271,602	327,912	2,224,203
Unreserved, Reported in Nonmajor Special Revenue Funds			401,277	401,277
<b>Total Fund Balances</b>	<b>1,660,315</b>	<b>559,864</b>	<b>1,114,893</b>	<b>3,335,072</b>
<b>Total Liabilities and Fund Balances</b>	<b>2,571,035</b>	<b>559,864</b>	<b>1,128,347</b>	<b>4,259,246</b>

(Continued)

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

**TOWN OF ROCKPORT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

*Exhibit C*  
*Page 2 of 2*

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

Total Fund Balance	3,335,072
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,594,943	<u>7,554,126</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	351,863
Deferred Revenues	<u>37,241</u>
	<u>389,104</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(364,700)
Accrued Compensated Absences	(206,737)
Capital Leases Payable	(133,507)
Transfer to Enterprise Fund	<u>42,876</u>
	<u>(662,068)</u>
Net Assets of Governmental Activities	<u><u>10,616,234</u></u>

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

**TOWN OF ROCKPORT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D*  
*Page 1 of 2*

	<i>General Fund</i>	<i>Library Permanent Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues				
Taxes	11,775,682			11,775,682
Intergovernmental Revenues	237,406		240,924	478,330
Departmental Revenues	229,309			229,309
Other Local Sources	186,478	42,183	168,902	397,563
<b>Total Revenues</b>	<b>12,428,875</b>	<b>42,183</b>	<b>409,826</b>	<b>12,880,884</b>
Expenditures				
General Government	882,342		4,179	886,521
Public Safety	848,098		-	848,098
Public Works	1,473,055		-	1,473,055
Health and Social Services	13,558		1,046	14,604
Leisure Time Services	506,627	-	74,070	580,697
Unclassified	273,562			273,562
Assessments	8,807,100			8,807,100
<b>Total Expenditures</b>	<b>12,804,342</b>	<b>-</b>	<b>79,295</b>	<b>12,883,637</b>
Excess of Revenues Over (Under) Expenditures	(375,467)	42,183	330,531	(2,753)
Other Financing Sources (Uses)				
Lease Proceeds	142,165			142,165
Rockport School Land & Building Donation	1,366,643			1,366,643
Rockport School Land & Building	(1,366,643)			(1,366,643)
Transfers from Other Funds	316,781	-	111,540	428,321
Transfers to Other Funds	(49,500)	(29,880)	(338,441)	(417,821)
<b>Total Other Financing Sources (Uses)</b>	<b>409,446</b>	<b>(29,880)</b>	<b>(226,901)</b>	<b>152,665</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	33,979	12,303	103,630	149,912
Fund Balance - July 1	1,626,336	547,561	1,011,263	3,185,160
<b>Fund Balance - June 30</b>	<b>1,660,315</b>	<b>559,864</b>	<b>1,114,893</b>	<b>3,335,072</b>

(Continued)

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

**TOWN OF ROCKPORT**  
**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, 2010**

*Exhibit D*  
*Page 2 of 2*

Net change in fund balances - total governmental funds 149,912

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	3,199,453
Disposal of Fixed Assets	(200,756)
Depreciation expense	(1,638,884)
	<u>1,359,813</u>

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

Transfer to Enterprise Fund	(120,766)
Deferred Revenues	37,241
Deferred Taxes	99,542
	<u>16,017</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:

Lease proceeds received	(142,165)
Capital lease obligation principal payments	116,292
General obligation bond principal payments	103,100
	<u>77,227</u>

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

Accrued compensated absences	(9,483)
	<u>(9,483)</u>

Change in net assets of governmental activities 1,593,486

**TOWN OF ROCKPORT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2010**

*Exhibit E*

	<i>Wastewater Enterprise</i>
<i>Assets</i>	
<i>Current Assets:</i>	
Cash and Equivalents	474,932
Investments	105,184
Receivables	
User Fees, net	199,201
Due from Other Funds	42,876
	<hr/>
<i>Total Current Assets</i>	822,193
	<hr/>
<i>Noncurrent Assets:</i>	
Capital Assets, net	5,531,852
	<hr/>
<i>Total Noncurrent Assets</i>	5,531,852
	<hr/>
<i>Total Assets</i>	<b>6,354,045</b>
	<hr/> <hr/>
<i>Liabilities</i>	
<i>Current Liabilities:</i>	
Accounts Payable	10,390
Accrued Interest Payable	12,797
Deferred Revenue - Other	6,231
Bonds and Notes Payable	210,000
	<hr/>
<i>Total Current Liabilities</i>	239,418
	<hr/>
<i>Noncurrent Liabilities:</i>	
Bonds and Notes Payable	700,000
	<hr/>
<i>Total Noncurrent Liabilities</i>	700,000
	<hr/>
<i>Total Liabilities</i>	939,418
	<hr/>
<i>Net Assets</i>	
Invested in Capital Assets, net of related debt	4,621,852
Restricted for:	
Capital Projects	244,081
Unrestricted	548,694
	<hr/>
<i>Total Net Assets</i>	5,414,627
	<hr/>
<i>Total Liabilities and Net Assets</i>	<b>6,354,045</b>
	<hr/> <hr/>

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

**TOWN OF ROCKPORT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit F*

	<u>Wastewater Enterprise</u>
<b>Operating Revenues:</b>	
Charges for Services	756,186
Interest/Fees	4,487
	<hr/>
<b>Total Operating Revenues:</b>	760,673
	<hr/>
<b>Operating Expenses:</b>	
Administration	39,111
Contract Operations	172,524
Camden Treatment	111,397
Rockland Treatment	130,715
Samoset Treatment	82,008
Repairs and Maintenance	4,385
Landscaping	900
Other	1,599
Depreciation and Amortization	234,101
	<hr/>
<b>Total Operating Expenses</b>	776,740
	<hr/>
<b>Net Operating Income</b>	(16,067)
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Revenue	9,651
Fair Value Increase (Decrease)	7,414
Other Revenues	1,500
Transfer to General Fund	(10,500)
Interest Expense	(69,785)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	(61,720)
	<hr/>
<b>Net Income (Loss) before contributions and transfers</b>	(77,787)
	<hr/>
Capital Contributions	100,456
	<hr/>
<b>Change in Net Assets</b>	22,669
	<hr/>
<b>Total Net Assets - Beginning</b>	5,391,958
	<hr/>
<b>Total Net Assets - Ending</b>	<b>5,414,627</b>
	<hr/> <hr/>
Change in Net Assets	22,669
	<hr/>
Amounts reported for business-type activities in the statement of activities are different because:	
Transfers to general fund for TIF funding and contributed capital	10,500
	<hr/>
Change in net assets of business-type activities	33,169
	<hr/> <hr/>

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

**TOWN OF ROCKPORT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit G*

**Wastewater  
Enterprise**

<b><i>Cash Flows from Operating Activities;</i></b>	
Received from Customers	760,673
Payments to Suppliers	(523,185)
Payments to Employees	(19,454)
Other Receipts (Payments)	1,500
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>219,534</b>
	<hr/>
<b><i>Cash Flows from Noncapital Financing Activities</i></b>	
Transfers from Other Funds	89,956
	<hr/>
<b><i>Net Cash Provided by (Used in) Noncapital Financing Activities</i></b>	<b>89,956</b>
	<hr/>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Purchases of Capital Assets	(6,682)
Principal Paid on Capital Debt	(195,000)
Interest Paid on Capital Debt	(69,785)
	<hr/>
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(271,467)</b>
	<hr/>
<b><i>Cash Flows from Investing Activities</i></b>	
Redemption of Investments	95,665
Interest and Dividends	9,651
	<hr/>
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>105,316</b>
	<hr/>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>143,339</b>
	<hr/>
<b><i>Balances - beginning of the year</i></b>	<b>331,593</b>
	<hr/>
<b><i>Balances - end of the year</i></b>	<b>474,932</b>
	<hr/> <hr/>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Net Operating Income (Loss)	(16,067)
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	234,101
(Increase) Decrease in Accounts Receivable	(8,525)
Increase (Decrease) in Accrued Interest	(1,125)
Increase (Decrease) in Deferred Revenue	(3,115)
Increase (Decrease) in Accounts Payable	14,265
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>219,534</b>
	<hr/> <hr/>

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

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

The financial statements of the Town of Rockport 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. Financial Reporting Entity**

The Town of Rockport operates under an elected Board of Selectmen and Town Manager form of government. The Town's major operations include public works, public safety, fire protection, health services, recreation and parks, and general administrative services.

For financial reporting purposes the Town 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.

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

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. Fiduciary activities, whose resources are not available to finance the Town's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and 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. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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.

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

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (if any), including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

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

The Town 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 Town 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 Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

The Town reports the following major governmental funds:

The general fund is the Town'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 library permanent fund accounts for the Town's library trust funds. Permanent funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

The Town reports the following major proprietary funds:

The sewer fund accounts for the activities of the sewerage operations. The Town operates the sewer collection system and related administrative costs.

Additionally, the Town reports the following fund types:

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 Town's own programs.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses no meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

***1. Deposits and Investments***

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

***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, \$351,863 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on August 18, 2009 on property values assessed on April 1. Taxes were due in two installments due on October 15 and April 15, with interest at 9% beginning October 16 and April 16. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**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. Joint Venture**

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

MID COAST SOLID WASTE CORPORATION – The Town has entered into an interlocal agreement with the Towns of Camden, Lincolnville, and Hope to operate a recycling facility. The Corporation is managed by a Board of Directors appointed by the municipal officers of each Member Municipality. Operating costs of the Corporation are allocated among Member Municipalities based on a formula of average valuation and population. The 2010 fiscal year assessment was calculated as follows:

Camden	43.75%
Hope	8.75%
Lincolnville	16.84%
Rockport	30.65%

The Town of Rockport's cost for June 30, 2010 was \$179,551.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (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 Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

<u>Assets</u>	<u>Years</u>
Buildings	3-50
Infrastructure	50
Equipment	5-20

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**6. Compensated Absences**

Town employees earn sick leave at the rate of 1 workday for each full calendar month of service, cumulative to a maximum of one hundred days for employees hired prior to September 12, 2005 and 60 days for employees hired after September 12, 2005. Sick leave is vested at only 50% of the accrual.

Vacation privileges are available to regular full-time employees only. Each employee within this classification shall earn vacation time with pay, on the following basis:

10 work days per year after the first completed full year of service through the fourth year of service.

15 work days per year during the 5<sup>th</sup> through the 14<sup>th</sup> year of service.

20 work days per year during the 15<sup>th</sup> year of service and thereafter.

Vacation accrued in excess of twice the amount of annual accrual at the current rate as of the employee's anniversary date of each year shall be lost.

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.

**7. 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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 Town of Rockport is in compliance with the above requirements.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**8. 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 governmental 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 Town's operations. At its annual meeting, the Town adopts a budget for the current year for the General Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at fiscal year end to the extent that they have not been encumbered.

Reserve funds, once established by the Town Meeting, may be expended with approval of the Board of Selectmen for the purpose for which the reserve was established.

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 reserve for encumbrances totals \$50,036 at June 30 and is detailed in Exhibit A-2.

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

**A. Deposits and Investments**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not currently have a deposit/investment policy, but must comply with the State of Maine statutes beginning at Section 5706.

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. Also through December 31, 2010, IOLTA accounts and

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**Deposits (continued)**

NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the Town's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

At year-end, the government's carrying amount of deposits was \$2,448,115 and the bank balance was \$2,682,245. 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 Town's name.
- Category 3 – Uninsured and uncollateralized.

	<i>Bank Balance</i>	<i>Category</i>		
		<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>2,682,245</u>	<u>231,721</u>	<u>2,450,524</u>	<u>-</u>

**Investments**

Included in the Town's cash equivalents at June 30, 2010, were short-term investments in repurchase agreements issued by a local banking institution. Under these agreements, the Town will be repaid principal plus interest on a specified date which is subsequent to year end. The agreement is guaranteed/collateralized with securities held by the banking institution which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to these obligations, the Town is at risk of economic loss. Management considers this exposure to be minimal.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**Investments (continued)**

At June 30, 2010, the Towns investments, maturities and credit ratings are as follows:

Type	Fair Value	June 30, 2010				Credit Rating	
		Maturities in Years				S&P	Moody's
		Less Than 1	1-5	6-10	More than 10		
<b>General City:</b>							
Collateralized Repurchase Agreement	1,850,385	1,850,385				AA	Aaa
Fixed Income Securities	44,232		44,232			AAA	Aaa
Fixed Income Securities	40,386	40,386				BBB-	Baa3
Fixed Income Securities	11,539		11,539			BB	B1
Mutual Funds	86,139	86,139				Not Rated	Not Rated
Equities	253,904	253,904				Not Rated	Not Rated
Equities	413,155	413,155				Not Rated	Not Rated
US Treasury Obligations	91,313	20,587	70,726			AAA	Aaa
Mortgage Securities	209		209			Not Rated	Not Rated
Corporate Bonds	15,585		15,585			A+	A1
Corporate Bonds	16,224		16,224			A	A2
Corporate Bonds	16,462		16,462			A	Not Rated
Corporate Bonds	15,476	15,476				BBB	BAA1
<b>Total</b>	<b>2,855,009</b>	<b>2,680,032</b>	<b>174,977</b>	<b>-</b>	<b>-</b>		
<b>Wastewater Enterprise Fund:</b>							
Collateralized Repurchase Agreement	337,055	337,055				AA	Aaa
Fixed Income Securities	10,666		10,666			AAA	Aaa
Fixed Income Securities	9,739	9,739				BBB-	Baa3
Fixed Income Securities	2,782		2,782			BB	B1
Mutual Funds	20,771	20,771				Not Rated	Not Rated
Equities	61,226	61,226				Not Rated	Not Rated
<b>Total</b>	<b>442,239</b>	<b>428,791</b>	<b>13,448</b>	<b>-</b>	<b>-</b>		
<b>Total</b>	<b>3,297,248</b>	<b>3,108,823</b>	<b>188,425</b>	<b>-</b>	<b>-</b>		

**Investment Policy**

The Town does not currently have an investment policy.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

**Investments (continued)**

**Summary of Deposits and Investment Balances**

Following is a reconciliation of the Town's deposit and investment balances as of June 30, 2010:

Deposits and Cash on Hand (including invested repurchase agreement)	<u>\$ 2,448,115</u>			
		Government-wide Statement of Net Assets	Business-Type Statement of Net Assets	Totals
Cash and Cash Equivalents	\$ 122,798	\$ 122,798	\$ 137,877	\$ 260,675
Investments (repurchase agreement)	<u>\$ 1,850,385</u>	<u>\$ 1,850,385</u>	<u>\$ 337,055</u>	<u>\$ 2,187,440</u>
	<u>\$ 1,973,183</u>	<u>\$ 1,973,183</u>	<u>\$ 474,932</u>	<u>\$ 2,448,115</u>

**B. Property Taxes**

Property taxes were levied for the fiscal year as follows:

Assessed Value	980,380,500
Tax Rate (per \$1,000)	<u>11.38</u>
Commitment	<u>11,156,730</u>
Appropriations	12,784,941
Less:	
State Municipal Revenue Sharing	226,588
Estimated Revenues	1,315,409
BETE Reimbursement	14,901
Homestead Reimbursement	<u>71,313</u>
	<u>1,628,211</u>
Net Assessment for Commitment	<u>11,156,730</u>

Supplemental taxes totaling \$14,991 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$728,614, which represents tax collection of 93.69% of current year commitment. Unpaid liens at June 30 totaled \$103,935.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**C. Interfund Receivables and Payables**

Individual fund interfund receivable and payable balances at June 30, 2010 were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	13,454	432,740
Special Revenue Funds		
Municipal Revenue Sharing	16,655	
Local Road Assistance	-	
Comprehensive Planning Grant	2,719	
Reserves / Special Projects	311,750	
Library Operating		13,454
Other Special Revenues	41,598	
Capital Projects		
Jacobs Quarry Pathway	15,425	
Sand/Salt Shed	1,611	
Public Safety Building	106	
Wastewater Fund	<u>42,876</u>	
Totals	<u><u>446,194</u></u>	<u><u>446,194</u></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 payable are classified as Due to Other Funds with offsetting receivables on the Governmental Fund financial statements classified as Due from Other Funds. \$13,454 of the above balances is expected to be repaid during the next year. The remainder represents appropriations for future projects and will be repaid upon need of the funds for those projects.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<i>Beginning</i>			<i>Ending</i>
	<i>Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not</i>				
<i>begin depreciated</i>				
Land	2,595,686	254,600		2,850,286
 <i>Capital assets being</i>				
<i>depreciated</i>				
Buildings	2,424,728	2,455,252		4,879,980
Equipment	2,379,903	373,547	(318,290)	2,435,160
Infrastructure	867,590	116,054		983,644
<i>Total capital assets</i>				
<i>being depreciated</i>	5,672,221	2,944,853	(318,290)	8,298,784
 <i>Less accumulated</i>				
<i>depreciation for</i>				
Buildings	578,230	1,402,034		1,980,264
Equipment	1,394,908	182,847	(117,534)	1,460,221
Infrastructure	100,456	54,003		154,459
<i>Total accumulated</i>				
<i>depreciation</i>	2,073,594	1,638,884	(117,534)	3,594,944
<i>Net capital assets</i>				
<i>being depreciated</i>	3,598,627	1,305,969		4,703,840
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	6,194,313	1,560,569		7,554,126

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**D. Capital Assets (continued)**

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b>Business-type Activities;</b>				
<i>Capital assets being depreciated</i>				
Sewer System	9,205,205	6,682		9,211,887
<b>Total capital assets being depreciated</b>	<b>9,205,205</b>	<b>6,682</b>		<b>9,211,887</b>
<i>Less accumulated depreciation for</i>				
Sewer System	3,445,934	234,101		3,680,035
<b>Total accumulated depreciation</b>	<b>3,445,934</b>	<b>234,101</b>		<b>3,680,035</b>
<i>Net capital assets being depreciated</i>	5,759,271	(227,419)		5,531,852
<b>Business-type Activities Capital Assets, net</b>	<b>5,759,271</b>	<b>(227,419)</b>		<b>5,531,852</b>

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

Governmental Activities

General Government	62,702
Public Safety	52,934
Public Works, including general infrastructure assets	196,006
Leisure Time Services	23,510
<b>Total Depreciation Expense - Governmental Activities</b>	<b>335,152</b>

**E. Capital Leases**

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

<i>Year-Ended June 30,</i>	<i>Minimum Lease Payment</i>
2011	67,143
2012	37,526
2013	37,526
<b>Total Minimum Lease Payments</b>	<b>142,195</b>
<b>Less: Amount Representing Interest</b>	<b>(8,688)</b>
<b>Present Value of Future Minimum Lease Payments</b>	<b>133,507</b>

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**F. 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 Proprietary</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
1992 Sewer Improvements	11/1/2012	5.90-6.35	120,000
1992 Sewer Improvements	11/1/2012	5.90-6.75	405,000
2001 TIF Project Bond	11/1/2020	4.676-5.571	<u>385,000</u>
			<u>910,000</u>

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2000 Cemetery Land Bond	11/1/2010	4.675-5.301	29,000
2002 Harbor Building	11/1/2011	3.073-4.198	73,200
2006 Salt/Sand Shed	11/1/2016	2.15 - 4.4	<u>262,500</u>
			<u>364,700</u>

Annual debt service requirements to maturity for general and proprietary obligation bonds and notes including interest of \$213,131 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2011	116,730	259,942	376,672
2012	83,549	246,435	329,984
2013	44,306	232,817	277,123
2014	42,431	50,005	92,436
2015	40,556	48,018	88,574
2016-2020	76,866	210,171	287,037
2021		36,005	36,005
Total	<u>404,438</u>	<u>1,083,393</u>	<u>1,487,831</u>

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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

The following summary of long-term debt transactions of the Town of Rockport for the fiscal year ended June 30, 2010:

	<i>General</i>		
	<i>Obligation</i>		
	<i>Debt</i>	<i>Proprietary</i>	<i>Total</i>
<i>Long-term Debt payable July 1, 2009</i>	467,800	1,105,000	1,572,800
Debt Issued			-
Debt Retired	(103,100)	(195,000)	(298,100)
<i>Long-term Debt payable June 30, 2010</i>	<u>364,700</u>	<u>910,000</u>	<u>1,274,700</u>

**3. Overlapping Debt**

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

<i>Units</i>	<i>Net debt outstanding June 30, 2010</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
School Administrative District No. 28	16,758,983	47.03%	7,881,750
Five Town CSD	11,561,419	30.88%	3,570,166
MCSWC	395,995	30.83%	122,085
Knox County	-	0.00%	-
Totals	<u>28,716,397</u>		<u>11,574,001</u>

The Town's proportionate share of the above debt is paid through annual assessments by the respective units.

**G. Permanent Funds**

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

<i>Purpose</i>	<i>Nonexpendable</i>	<i>Expendable</i>
Welfare Trust Fund	50,780	221,621
Library Trust Fund	288,262	271,602
Cemetery Trust Fund	<u>334,924</u>	<u>2,241</u>
Totals	<u>673,966</u>	<u>495,464</u>

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**H. Contributed Capital**

Changes in contributed capital for the year-ended June 30 for the government's Wastewater Enterprise Fund were as follows:

Balance - July 1	4,419,868
Additions	
Debt Service - TIF Fund	100,456
Deductions:	
Depreciation Provided by Contributed Capital	<u>(144,689)</u>
Balance - June 30	<u><u>4,375,635</u></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 which results from the normal course of its operations. 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 Plans**

**Plan Description**

The Town's employees are covered under the Maine State Retirement System, ICMA, and VALIC deferred compensation plans, and IRA's of the employee's choice.

The ICMA and VALIC are qualified pension plans created in accordance with Internal Revenue Code Section 457. The plans, available to all Town employees, permit 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 plans are administered by an independent company, and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All compensation deferred and funded under the plan, all investments purchased and all income attributable thereto are held in trust for the exclusive benefit of participants and their beneficiaries.

**TOWN OF ROCKPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

***B. Pension Plans (continued)***

***Plan Description (continued)***

The Town participates in the Maine Public Employees Retirement System Consolidated Plan for Participating Districts (Consolidated Plan) which is a cost sharing multiple-employer defined benefit pension plans.

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

***Funding Policy***

Under the ICMA, VALIC, and IRA plans, covered employees contribute 5% of their salary to the plan with the Town contributing 4.5%. The Town's contribution for the fiscal year ended June 30, 2008, 2009, and 2010, was \$26,816, \$23,695 and \$28,173 respectively.

Consolidated Plan regular employees are required to contribute 6.5% of their annual covered salary to the plan. The Town is required to contribute an actuarially determined rate. The current rate is 1.5% for employers for its Initial Unfunded Unpooled Actuarial Liability (IUUAL). The contribution requirements of plan members and the Town are established by the Maine Public Employees Retirement System Board of Trustees. The Town's contribution for the fiscal year ended June 30, 2010 was \$2,079.

***C. Risk Management***

The town is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the town participated in public entity risk pools sponsored by the Maine Municipal Association (MMA) for workers' compensation, and property damage.

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable; therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverage and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$200,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence and \$5,000,000 aggregate annual coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2010.

**TOWN OF ROCKPORT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit H*

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	11,859,731	11,859,731	11,775,682	(84,049)
Intergovernmental Revenues	207,727	207,727	237,406	29,679
Departmental Revenues	177,448	177,448	229,309	51,861
Other Local Sources	219,680	219,680	186,478	(33,202)
<b>Total Revenues</b>	<u>12,464,586</u>	<u>12,464,586</u>	<u>12,428,875</u>	<u>(35,711)</u>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	933,231	933,231	867,932	65,299
Public Safety	877,519	877,519	848,098	29,421
Public Works	1,366,358	1,508,523	1,473,055	35,468
Health and Social Services	20,625	20,625	13,558	7,067
Leisure Time Services	571,904	571,904	506,627	65,277
Unclassified	233,598	233,598	273,562	(39,964)
Assessments	8,850,873	8,850,873	8,807,100	43,773
<b>Total Expenditures</b>	<u>12,854,108</u>	<u>12,996,273</u>	<u>12,789,932</u>	<u>206,341</u>
<b>Excess Revenues Over Expenditures</b>	(389,522)	(531,687)	(361,057)	170,630
<b>Other Financing Sources</b>				
Lease Proceeds	-	142,165	142,165	-
Rockport School Land & Building Donation		1,366,643	1,366,643	-
Rockport School Land & Building		(1,366,643)	(1,366,643)	-
Transfers from Other Funds	369,022	369,022	316,781	52,241
Transfers to Other Funds	(49,500)	(49,500)	(49,500)	-
<b>Total Other Financing Sources</b>	<u>319,522</u>	<u>461,687</u>	<u>409,446</u>	<u>52,241</u>
<b>Net Change in Fund Balance</b>	<u>(70,000)</u>	<u>(70,000)</u>	48,389	<u>118,389</u>
<b>Beginning Fund Balances - Budgetary Basis</b>			<u>1,576,300</u>	
<b>Ending Fund Balances - Budgetary Basis</b>			1,624,689	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<u>35,626</u>	
<b>Ending Fund Balances - GAAP Basis</b>			<u>1,660,315</u>	

**TOWN OF ROCKPORT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under)</i> <i>Budget</i>
Taxes			
Property	11,156,731	11,072,183	(84,548)
Foreclosed Property	-	502	502
Auto Excise	650,000	625,438	(24,562)
Boat Excise	12,000	16,011	4,011
Interest/Fees on Taxes/Liens	41,000	61,548	20,548
	<u>11,859,731</u>	<u>11,775,682</u>	<u>(84,049)</u>
Intergovernmental Revenues			
State of Maine			
General Assistance	6,550	2,325	(4,225)
Homestead Reimbursement	71,313	71,313	-
BETE Reimbursement	14,901	14,935	34
Tree Growth	2,000	1,816	(184)
Veterans Reimbursement	-	3,956	3,956
Gas Tax Refund	150	220	70
Septic Grant	12,213	12,213	-
Snowmobile Reimbursement	600	695	95
Federal			
CDBG	100,000	100,000	-
FEMA	-	29,933	29,933
	<u>207,727</u>	<u>237,406</u>	<u>29,679</u>
Departmental Revenues			
Police			
All Other	6,500	14,267	7,767
Animal Control	500	2,365	1,865
Fire	-	5	5
Planning			
Building Permits	45,000	46,163	1,163
Plumbing Permits	6,000	4,943	(1,057)
Planning Board Fees	7,500	19,203	11,703
All Other	1,900	2,350	450
Harbor Fees			
Moorings	39,864	43,884	4,020
Tie Offs	10,040	10,315	275
Winter Boat Storage	5,200	5,472	272
Lease Income	5,844	6,094	250
Schooner Berthing	5,280	4,599	(681)
All Other	14,960	15,448	488
Public Works			
Cemetery - Sale of Lots	800	4,275	3,475
All Other-Cemetery	-	572	572
All Other-Public Works	-	13,488	13,488
Town Clerk			
Clerk Fees	13,000	16,064	3,064
Agent Fees	9,000	10,947	1,947
Election Reimbursement Fees	3,000	1,765	(1,235)
All Other	1,700	1,938	238
General Assistance		14	14
Public Safety	-	1,647	1,647
Town Manager	-	893	893
Finance	500	1,505	1,005
Assessing	600	507	(93)
Town Office	260	586	326
	<u>177,448</u>	<u>229,309</u>	<u>51,861</u>

**TOWN OF ROCKPORT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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

	<u>Estimated</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Other Local Sources			
Interest on Investments	10,000	2,757	(7,243)
Payment in Lieu of Taxes	3,000	9,000	6,000
Opera House	13,000	16,807	3,807
Cable TV Franchise	24,500	27,158	2,658
PBMC Traffic Light	1,580	2,094	514
Old County Road Traffic Light	1,560	1,765	205
WW Reimb. Wage, Benefits, Other	28,700	27,584	(1,116)
MMA Insurance Dividend/Reimbursement	6,000	9,494	3,494
Library Reimbursements	131,340	65,719	(65,621)
Pascal Avenue	-	14,061	14,061
Harbor Walkway	-	8,660	8,660
Rockland Elementary School	-	1,379	1,379
	<u>219,680</u>	<u>186,478</u>	<u>(33,202)</u>
Other Financing Sources			
Lease Proceeds	142,165	142,165	-
Rockport School Land & Building Donation	1,366,643	1,366,643	-
TIF Sewer Retained Earnings	10,500	10,500	-
Reserves	29,859	28,338	(1,521)
Municipal Revenue Sharing	238,704	198,644	(40,060)
Urban Rural Initiative Program	69,959	59,299	(10,660)
Cemetery Trust Funds	20,000	20,000	-
	<u>1,877,830</u>	<u>1,825,589</u>	<u>(52,241)</u>
Total Revenues and Other Financing Sources	<u>14,342,416</u>	<u><u>14,254,464</u></u>	<u><u>(87,952)</u></u>
Beginning Fund Balance Used	<u>70,000</u>		
<b>Total</b>	<u><u>14,412,416</u></u>		

**TOWN OF ROCKPORT**  
**GENERAL FUND**  
**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**  
**JUNE 30, 2010**

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

	<i>Encumbered from 6/30/09</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/11</i>	<i>(Over) Under Budget</i>
General Government					
Administration	22,298	42,681	51,816	14,131	(968)
Town Manager	7,728	219,547	215,999	7,095	4,181
Town Clerk	14,400	162,766	159,998	14,400	2,768
Planning and Community Development		205,968	180,733		25,235
Finance Department		84,625	76,351		8,274
Assessing	1,650	111,001	101,992		10,659
Town Office Building	3,960	63,446	55,919		11,487
Insurances		43,197	39,534		3,663
	<u>50,036</u>	<u>933,231</u>	<u>882,342</u>	<u>35,626</u>	<u>65,299</u>
Public Safety					
Police Department		441,113	440,661		452
Fire Department		284,185	262,864		21,321
Animal Control		8,823	8,275		548
Emergency Management		1,951	1,640		311
Street Lights		59,975	55,799		4,176
Public Safety Building		18,049	15,436		2,613
County Dispatch and E-911		63,423	63,423		-
	<u>-</u>	<u>877,519</u>	<u>848,098</u>	<u>-</u>	<u>29,421</u>
Public Works					
Public Works Department		1,264,316	1,233,017		31,299
Sanitation		182,051	181,852		199
Cemeteries		62,156	58,186		3,970
	<u>-</u>	<u>1,508,523</u>	<u>1,473,055</u>	<u>-</u>	<u>35,468</u>

**TOWN OF ROCKPORT  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit A-2  
Page 2 of 2*

	<i>Encumbered from 6/30/09</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/11</i>	<i>(Over) Under Budget</i>
Health and Social Services					
General Assistance		20,625	13,558		7,067
	-	20,625	13,558	-	7,067
Leisure Time Services					
Recreation and Parks		67,146	68,213		(1,067)
Library		312,806	249,497		63,309
Opera House		94,535	89,479		5,056
Harbor Operations		97,417	99,438		(2,021)
	-	571,904	506,627	-	65,277
Unclassified					
Debt Service		121,385	121,385		-
Rockport Elementary School			8,038		(8,038)
Harbor Walkway Project			6,022		(6,022)
State Septic Grant		12,213	12,213		-
CDBG Grant		100,000	100,000		-
Pascal Avenue Construction Project		-	25,904		(25,904)
	-	233,598	273,562	-	(39,964)
Assessments					
MSAD #28		5,190,104	5,190,104		-
Knox County		880,630	880,630		-
CSD School Assessment		2,627,212	2,627,212		-
Tax Increment Financing Overlay		100,456	100,456		-
		52,471	8,698		43,773
	-	8,850,873	8,807,100	-	43,773
Operating Transfers Out and Other Uses					
Rockport School Land & Building Reserves		1,366,643	1,366,643		-
		49,500	49,500		-
	-	1,416,143	1,416,143	-	-
<b>Totals</b>	<b>50,036</b>	<b>14,412,416</b>	<b>14,220,485</b>	<b>35,626</b>	<b>206,341</b>

**TOWN OF ROCKPORT**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit A-3*

Unreserved - Undesignated Fund Balance, July 1	1,576,300	
Unreserved - Undesignated Fund Balance, June 30	<u>1,624,689</u>	
<b>Increase (Decrease)</b>		<b><u><u>48,389</u></u></b>

*Analysis of Change*

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	(87,952)	
Unexpended Balance of Appropriations (Exhibit A-2)	<u>206,341</u>	
		118,389
Deductions		
Fund Balance Used to Fund Appropriations		<u>(70,000)</u>
<b>Increase (Decrease)</b>		<b><u><u>48,389</u></u></b>

**TOWN OF ROCKPORT**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit B-1*

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>Library Operating Fund</i>	<i>Comprehensive Planning Grant</i>	<i>Cascade Foundation Harbor Gift</i>	<i>Reserves/ Special Projects</i>	<i>Other Special Revenue Funds (Exhibit B-2)</i>	<i>Total</i>
Cash and Equivalents		51,003				8,472	59,475
Investments						69,442	69,442
Due from Other Funds	16,655		2,719		311,750	41,598	372,722
<b>Total Assets</b>	<b>16,655</b>	<b>51,003</b>	<b>2,719</b>	<b>-</b>	<b>311,750</b>	<b>119,512</b>	<b>501,639</b>
<i>Liabilities &amp; Fund Balances</i>							
Liabilities							
Due to Other Funds		13,454					13,454
Total Liabilities	-	13,454	-	-	-	-	13,454
<i>Fund Balances</i>							
Fund Balances							
Unreserved							
Designated for Subsequent Years' Expenditures		37,549	2,719		311,750	32,117	384,135
Undesignated	16,655					87,395	104,050
Total Fund Balances	16,655	37,549	2,719	-	311,750	119,512	488,185
<b>Total Liabilities &amp; Fund Balances</b>	<b>16,655</b>	<b>51,003</b>	<b>2,719</b>	<b>-</b>	<b>311,750</b>	<b>119,512</b>	<b>501,639</b>

**TOWN OF ROCKPORT  
OTHER SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

*Exhibit B-2*

<i>Assets</i>	<i>Opera House Donations</i>	<i>Rockport Harbor Land Acquisition</i>	<i>Rotary Club of West Bay</i>	<i>Walker Park Playground</i>	<i>Police Department</i>	<i>Miscellaneous Donations</i>	<i>Rohrbough Fund</i>	<i>Boyd Fund</i>	<i>Ellis Fund</i>	<i>Total</i>
Cash and Equivalents							3,484	1,496	3,492	8,472
Investments							28,554	12,263	28,625	69,442
Due From Other Funds	1,481	6,711	3,192	14,134	12,580	3,500				41,598
<b>Total Assets</b>	<b>1,481</b>	<b>6,711</b>	<b>3,192</b>	<b>14,134</b>	<b>12,580</b>	<b>3,500</b>	<b>32,038</b>	<b>13,759</b>	<b>32,117</b>	<b>119,512</b>
<b><i>Liabilities &amp; Fund Balances</i></b>										
Liabilities										
Due to Other Funds										-
Total Liabilities	-	-	-	-	-	-	-	-	-	-
<b><i>Fund Balances</i></b>										
Fund Balances										
Unreserved										
Designated for Subsequent Years' Expenditures									32,117	32,117
Undesignated	1,481	6,711	3,192	14,134	12,580	3,500	32,038	13,759		87,395
<b>Total Fund Balances</b>	<b>1,481</b>	<b>6,711</b>	<b>3,192</b>	<b>14,134</b>	<b>12,580</b>	<b>3,500</b>	<b>32,038</b>	<b>13,759</b>	<b>32,117</b>	<b>119,512</b>

**TOWN OF ROCKPORT**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit B-3*

	<i>Municipal Revenue Sharing</i>	<i>Library Operating Fund</i>	<i>Local Road Assistance</i>	<i>Comprehensive Planning Grant</i>	<i>Reserves/ Special Projects (Exhibit B-5)</i>	<i>Other Special Revenue Funds (Exhibit B-4)</i>	<i>Total</i>
Revenues							
Intergovernmental Revenues	186,528		54,396			-	240,924
Local Sources		85,823			5,432	7,378	98,633
<b>Total Revenues</b>	<b>186,528</b>	<b>85,823</b>	<b>54,396</b>	<b>-</b>	<b>5,432</b>	<b>7,378</b>	<b>339,557</b>
Expenditures							
General Government					4,179	-	4,179
Public Safety						-	-
Public Works						-	-
Health & Social Services						1,046	1,046
Harbor					3,697		3,697
Leisure Time Services					4,020		4,020
Library Operations		66,353				-	66,353
<b>Total Expenditures</b>	<b>-</b>	<b>66,353</b>	<b>-</b>	<b>-</b>	<b>11,896</b>	<b>1,046</b>	<b>79,295</b>
Excess of Revenues Over (Under) Expenditures	186,528	19,470	54,396	-	(6,464)	6,332	260,262
Other Financing Sources (Uses)							
Transfers from Other Funds		32,040			49,500	30,000	111,540
Transfers to Other Funds	(198,644)	(30,000)	(59,299)		(28,338)	(2,160)	(318,441)
<b>Total Other Financing Sources (Uses)</b>	<b>(198,644)</b>	<b>2,040</b>	<b>(59,299)</b>	<b>-</b>	<b>21,162</b>	<b>27,840</b>	<b>(206,901)</b>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	(12,116)	21,510	(4,903)	-	14,698	34,172	53,361
Fund Balance - July 1	28,771	16,039	4,903	2,719	297,052	85,340	434,824
<b>Fund Balance - June 30</b>	<b>16,655</b>	<b>37,549</b>	<b>-</b>	<b>2,719</b>	<b>311,750</b>	<b>119,512</b>	<b>488,185</b>

**TOWN OF ROCKPORT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES**  
**OTHER SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Exhibit B-4

	<i>Opera House Donations</i>	<i>Rockport Harbor Land Acquisition</i>	<i>Rotary Club of West Bay</i>	<i>Walker Park Playground</i>	<i>Police Department</i>	<i>Miscellaneous Donations</i>	<i>Rohrbough Fund</i>	<i>Boyd Fund</i>	<i>Ellis Fund</i>	<i>Total</i>
Revenues										
Intergovernmental										-
Donations			1,500			500				2,000
Local Sources	3	7	5				2,266	980	2,117	5,378
Total Revenues	3	7	1,505	-	-	500	2,266	980	2,117	7,378
Expenditures										
Construction										-
Repairs & Maintenance										-
General Assistance			1,046							1,046
Professional Services										-
Other										-
Total Expenditures	-	-	1,046	-	-	-	-	-	-	1,046
Excess of Revenues Over (Under) Expenditures	3	7	459	-	-	500	2,266	980	2,117	6,332
Other Financing Sources (Uses)										
Transfers from Other Funds									30,000	30,000
Transfers to Other Funds							(1,440)	(720)		(2,160)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	(1,440)	(720)	-	27,840
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3	7	459	-	-	500	826	260	2,117	34,172
Fund Balance - July 1	1,478	6,704	2,733	14,134	12,580	3,000	31,212	13,499	-	85,340
Fund Balance - June 30	1,481	6,711	3,192	14,134	12,580	3,500	32,038	13,759	2,117	119,512

**TOWN OF ROCKPORT**  
**RESERVES/SPECIAL PROJECTS**  
**SCHEDULE OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit B-5*

	<i>Balance July 1</i>	<i>Revenues</i>	<i>Transfer In (Transfers Out)</i>	<i>Expenditures</i>	<i>Balance June 30</i>
Computer Reserve	4,035	12	5,000	(4,179)	4,868
Police Department Equipment	17,476	4,832	(6,453)		15,855
Recreation	60,528	109	(4,466)	(3,500)	52,671
Fire Equipment	125,927	318	30,000		156,245
Opera House Building	7,852		(5,948)		1,904
Cramer Locomotive	3,286	6	(3,292)		-
Public Works	18,159	20	(8,179)		10,000
Conservation	1,299			(520)	779
Video Equipment	1,699	3			1,702
Harbor Float	2,018	7	1,500		3,525
Harbor Boat Reserve	4,036	12	1,600		5,648
Harbor Boat Engine	1,614	6	1,400		3,020
Labor/Accrued Benefits	49,123	107	10,000	(3,697)	55,533
<b>Totals</b>	<b>297,052</b>	<b>5,432</b>	<b>21,162</b>	<b>(11,896)</b>	<b>311,750</b>

**TOWN OF ROCKPORT  
ALL CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2010**

*Exhibit C-1*

<i>Assets</i>	<i>Sand/ Salt Shed</i>	<i>Jacobs Quarry Pathway</i>	<i>Public Safety Building</i>	<i>Totals</i>
Due from Other Funds	1,611	15,425	106	17,142
<b>Total Assets</b>	<b>1,611</b>	<b>15,425</b>	<b>106</b>	<b>17,142</b>
 <i>Liabilities &amp; Fund Balances</i>				
Liabilities				
Retainage Payable				-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances				
Unreserved				
Designated for Subsequent Years' Expenditures	1,611	15,425	106	17,142
<b>Total Fund Balances</b>	<b>1,611</b>	<b>15,425</b>	<b>106</b>	<b>17,142</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>1,611</b>	<b>15,425</b>	<b>106</b>	<b>17,142</b>

**TOWN OF ROCKPORT  
ALL CAPITAL PROJECT FUNDS**

*Exhibit C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Sand/ Salt Shed</u>	<u>Jacobs Quarry Pathway</u>	<u>Public Safety Building</u>	<u>Total</u>
Revenues				
Local Sources	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Other	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	-	-	-	-
Fund Balance - July 1	1,611	15,425	106	17,142
<b>Fund Balance - June 30</b>	<b>1,611</b>	<b>15,425</b>	<b>106</b>	<b>17,142</b>

**TOWN OF ROCKPORT**  
**COMBINING BALANCE SHEET**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D-1*

<i>Assets</i>	<u><i>Cemetery</i></u>	<u><i>Welfare</i></u>	<u><i>Library</i></u>	<u><i>Total</i></u>
Cash and Equivalents	101,578	71,788	60,880	234,246
Investments	<u>235,587</u>	<u>200,613</u>	<u>498,984</u>	<u>935,184</u>
<b>Total Assets</b>	<u><u>337,165</u></u>	<u><u>272,401</u></u>	<u><u>559,864</u></u>	<u><u>1,169,430</u></u>
Fund Balances				
Reserved for Endowments	334,924	50,780	288,262	673,966
Unreserved	<u>2,241</u>	<u>221,621</u>	<u>271,602</u>	<u>495,464</u>
<b>Total Fund Balances</b>	<u><u>337,165</u></u>	<u><u>272,401</u></u>	<u><u>559,864</u></u>	<u><u>1,169,430</u></u>

**TOWN OF ROCKPORT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D-2*

	<u>Cemetery</u>	<u>Welfare</u>	<u>Library</u>	<u>Total</u>
Revenues				
Local Sources	17,275			17,275
Investment Income	11,457	9,297	8,284	29,038
Change in Fair Value	18,100	14,140	33,899	66,139
	<u>46,832</u>	<u>23,437</u>	<u>42,183</u>	<u>112,452</u>
Expenditures				
Professional Services			-	-
Cemetery				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	<u>46,832</u>	<u>23,437</u>	<u>42,183</u>	<u>112,452</u>
Other Financing Sources (Uses)				
Transfers from Other Funds			-	-
Transfers to Other Funds	<u>(20,000)</u>		<u>(29,880)</u>	<u>(49,880)</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>-</u>	<u>(29,880)</u>	<u>(49,880)</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	26,832	23,437	12,303	62,572
Fund Balance - July 1	<u>310,333</u>	<u>248,964</u>	<u>547,561</u>	<u>1,106,858</u>
<b>Fund Balance - June 30</b>	<u><b>337,165</b></u>	<u><b>272,401</b></u>	<u><b>559,864</b></u>	<u><b>1,169,430</b></u>

**TOWN OF ROCKPORT  
 COMBINING BALANCE SHEET  
 ALL LIBRARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D-3*

<i>Assets</i>	<u><i>Chatfield Fund</i></u>	<u><i>Rockport Library</i></u>	<u><i>Dodge Fund</i></u>	<u><i>Gardner Fund</i></u>	<u><i>Total</i></u>
Cash and Equivalents	1,086	56,723	692	2,379	60,880
Investments	8,904	464,909	5,673	19,498	498,984
<b>Total Assets</b>	<u>9,990</u>	<u>521,632</u>	<u>6,365</u>	<u>21,877</u>	<u>559,864</u>
 <i>Fund Balances</i>					
Fund Balances					
Reserved for Endowments	10,076	245,969	9,280	22,937	288,262
Unreserved	(86)	275,663	(2,915)	(1,060)	271,602
<b>Total Fund Balances</b>	<u>9,990</u>	<u>521,632</u>	<u>6,365</u>	<u>21,877</u>	<u>559,864</u>

**TOWN OF ROCKPORT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**LIBRARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*Exhibit D-4*

	<i>Chatfield Fund</i>	<i>Rockport Library</i>	<i>Dodge Fund</i>	<i>Gardner Fund</i>	<i>Total</i>
Revenues					
Local Sources					
Investment Income	140	7,751	90	303	8,284
Change in Fair Value	573	31,719	368	1,239	33,899
	713	39,470	458	1,542	42,183
Expenditures					
Professional Services	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess of Revenues Over (Under) Expenditures	713	39,470	458	1,542	42,183
Other Financing Sources (Uses)					
Transfers from Other Funds					-
Transfers to Other Funds	(480)	(28,200)	(300)	(900)	(29,880)
Total Other Financing Sources (Uses)	(480)	(28,200)	(300)	(900)	(29,880)
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	233	11,270	158	642	12,303
Fund Balance - July 1	9,757	510,362	6,207	21,235	547,561
<b>Fund Balance - June 30</b>	<b>9,990</b>	<b>521,632</b>	<b>6,365</b>	<b>21,877</b>	<b>559,864</b>