

TOWN OF ROCKPORT, MAINE

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR
ENDED JUNE 30, 2012*

James W. Wadman

CERTIFIED PUBLIC ACCOUNTANT

James W. Wadman, C.P.A.
Ronald C. Bean, C.P.A.
Kellie M. Bowden, C.P.A.
Wanese L. Lynch, C.P.A.

Independent Auditor's Communication of Significant Deficiencies and Material Weaknesses

March 21, 2013

Members of the Board of Selectmen
Town of Rockport
Rockport, Maine 04856

In planning and performing our audit of the governmental activities, the business-type activities and the aggregate remaining fund information of the Town of Rockport, Maine as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and no deficiencies that we consider to be material weaknesses.

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 a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider 2012-01 to be a significant deficiency in internal control.

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 entity's internal control. However, of the significant deficiencies described above, none were material weaknesses.

2012-01 Financial Statement Preparation

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

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

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

Effect: The auditor prepares the financial statements.

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

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

This report is intended solely for the information and use of management and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully submitted,

James W. Wadman, C.P.A.

James W. Wadman, CPA

**TOWN OF ROCKPORT
 FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
 FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS		PAGE(S)
INDEPENDENT AUDITOR'S REPORT		1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3 - 7
BASIC FINANCIAL STATEMENTS		
EXHIBIT		
GOVERNMENTAL-WIDE FINANCIAL STATEMENTS		
A	Statement of Net Assets	8
B	Statement of Activities	9
FUND FINANCIAL STATEMENTS		
Governmental Funds Financial Statements		
C	Balance Sheet - Governmental Funds	10 - 11
D	Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	12 - 13
Proprietary Funds Financial Statements		
E	Statement of Net Assets	14
F	Statement of Revenues, Expenses, and Changes in Fund Net Assets	15
G	Statement of Cash Flows	16
NOTES TO THE FINANCIAL STATEMENTS		17 - 35
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS		
H	Budgetary Comparison Schedule	36
OTHER SUPPLEMENTARY INFORMATION		
GENERAL FUND		
A-1	Statement of Estimated and Actual Revenues	37 - 38
A-2	Statement of Appropriations, Expenditures, and Encumbrances	39 - 40
A-3	Statement of Changes in Unassigned Fund Balance	41
A-4	Combining Balance Sheet - General Restricted/Committed Accounts	42 - 43
A-5	Statement of Revenues, Expenditures and Changes in Fund Balances - General Restricted/Committed Accounts	44
SPECIAL REVENUE FUNDS		
B-1	Balance Sheet	45 - 46
B-2	Statement of Revenues, Expenditures and Changes in Fund Balances	47 - 48
CAPITAL PROJECT FUNDS		
C-1	Balance Sheet	49
C-2	Statement of Revenues, Expenditures and Changes in Fund Balances	50
C-3	Schedule of Activity - Capital Improvement Projects/Reserves	51
PERMANENT FUNDS		
D-1	Balance Sheet	52
D-2	Statement of Revenues, Expenditures and Changes in Fund Balances	53
D-3	Balance Sheet - All Library Funds	54
D-4	Statement of Revenues, Expenditures and Changes in Fund Balances - All Library Funds	55

TOWN OF ROCKPORT, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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, 2012. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the 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, 2012 by \$16,510,281 (presented as “net assets”). Of this amount, \$3,095,638 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 \$84,561 (a .5% increase) for the fiscal year ended June 30, 2012. Net assets of governmental activities increased by \$8,900 (a .08% increase), while net assets of business-type activities showed an increase of \$75,661 (a 14.0% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended June 30, 2012, the Town's governmental funds reported a combined ending fund balance of \$3,917,710 with \$1,866,807 being general unassigned fund balance. This unassigned fund balance represents approximately 13.6% of the total general fund expenditures for the year.

Long-term Debt:

The Town's general long-term debt obligations decreased by \$74,100 (28.3%) during the current fiscal year. Business-type long-term debt obligations decreased by \$210,000 (30.0%) during the current fiscal year. Existing debt obligations were retired according to schedule. A new capital lease was issued in the amount of \$83,615 for a public works truck with dump body.

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 8-9 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 10-13 of this report. The basic proprietary fund financial statements can be found on pages 14-16 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 17-35 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 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

70.4% 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.

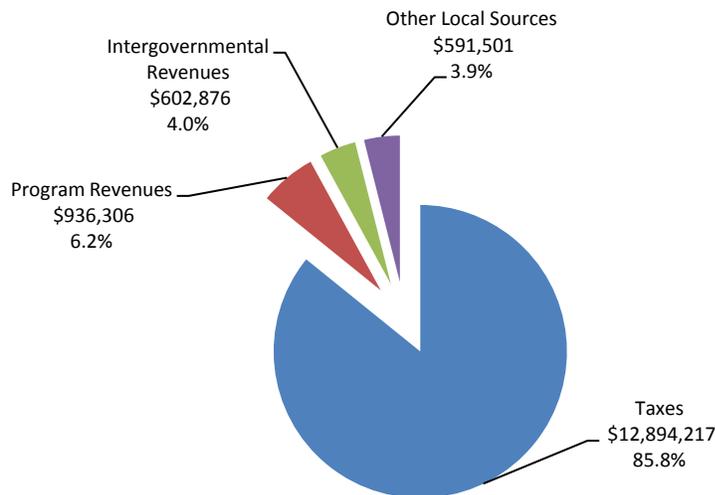
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total 2012</i>	<i>Total 2011</i>
Current Assets	4,374,199	937,005	5,311,204	5,003,197
Capital Assets	7,355,435	5,073,588	12,429,023	12,792,874
Total Assets	11,729,634	6,010,593	17,740,227	17,796,071
Current Liabilities	532,001	234,471	766,472	625,193
Other Liabilities	183,474	280,000	463,474	745,158
Total Liabilities	715,475	514,471	1,229,946	1,370,351
Net Assets:				
Invested in Capital Assets	7,044,690	4,583,588	11,628,278	11,703,190
Restricted	1,545,189	241,176	1,786,365	1,784,326
Unrestricted	2,424,280	671,358	3,095,638	2,938,204
Total Net Assets	11,014,159	5,496,122	16,510,281	16,425,720
Total Liabilities & Net Assets	11,729,634	6,010,593	17,740,227	17,796,071

Changes in Net Assets

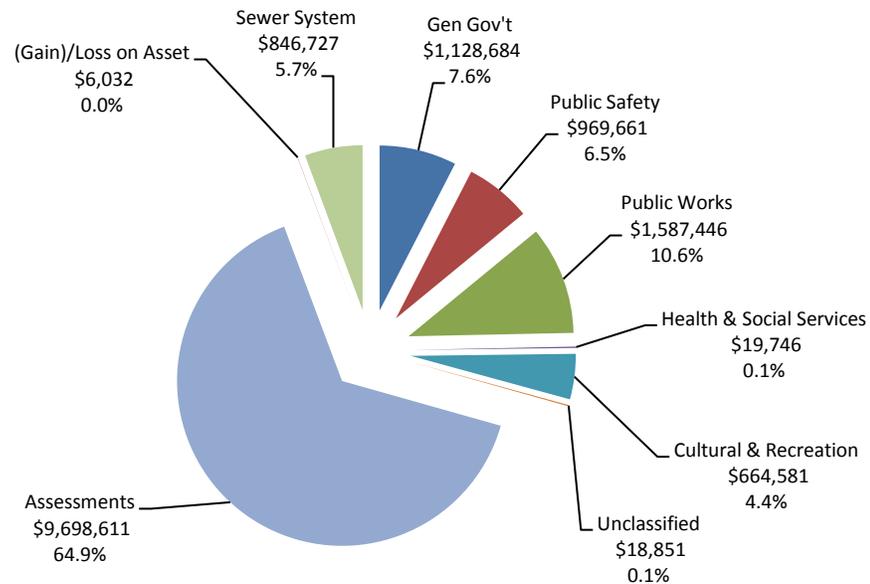
Approximately 85.8 percent of the Town’s total revenue came from property and excise taxes, approximately 4.0 percent came from State subsidies and grants, and approximately 11.6 percent came from services, investment earnings and other sources. Depreciation expense on the Town’s governmental and business-type activity assets represents \$582,815 of the total expenses for the fiscal year.

	Governmental Activities	Business-type Activities	Total 2012	Total 2011
Revenues:				
Taxes	12,894,217		12,894,217	12,228,665
Program Revenues		936,306	936,306	820,073
Intergovernmental Revenues	602,876		602,876	445,657
Other Local Sources	566,769	24,732	591,501	849,726
Transfers	38,650	(38,650)	-	-
Total	14,102,512	922,388	15,024,900	14,344,121
Expenses:				
General Government	1,128,684		1,128,684	1,015,898
Public Safety	969,661		969,661	920,425
Public Works	1,587,446		1,587,446	1,359,671
Health and Social Services	19,746		19,746	17,387
Cultural and Recreation	664,581		664,581	626,010
Unclassified	18,851		18,851	22,426
Assessments	9,698,611		9,698,611	9,093,232
(Gain)/Loss on Disposal of Assets	6,032		6,032	-
Sewer System		846,727	846,727	851,337
Total	14,093,612	846,727	14,940,339	13,906,386
Changes in Net Assets	8,900	75,661	84,561	437,735

Revenues by Source - Governmental and Business-Type Activities



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 \$3,917,710, an increase of \$214,641 in comparison with the prior year. Approximately 47.7 percent of this total amount constitutes unassigned fund balance. The remainder is reserved to indicate that it is not available for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

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

- \$47,705 positive variance in property taxes due to a deferred property tax adjustment of \$31,296 and supplemental taxes of \$16,409.
- \$20,840 negative variance in town office building due to mold/mildew removal in the building, putting in new carpet, abatement removal and painting.
- \$17,895 negative variance in police department due to police details at Penobscot Bay Hospital, which was offset by an increase in police detail revenue.

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-type activities amounts to \$20,799,283, net of accumulated depreciation of \$8,370,260 leaving a net book value of \$12,429,023. Current year additions include \$22,153 for library air conditioning, \$83,616 for a new public works truck with dump body, \$32,065 for harbor equipment, \$23,325 for a police vehicle, and \$63,059 for paving and sidewalk reconstruction.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rockport, Maine's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

TOWN OF ROCKPORT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,346,542	312,637	2,659,179
Investments	1,343,989	248,738	1,592,727
Receivables			
Taxes	642,287		642,287
Tax Liens	104,100		104,100
Accounts	882	195,659	196,541
Prepaid Expense	89		89
Due from Other Governments	116,281		116,281
Internal Balances	(179,971)	179,971	-
Capital Assets:			
Land and Art Work	2,858,786		2,858,786
Other Capital Assets, Net of Depreciation	4,496,649	5,073,588	9,570,237
Total Assets	11,729,634	6,010,593	17,740,227
 <i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	113,324	19,616	132,940
Payroll Taxes/Deductions	5,206		5,206
Due to Other Governments	10,956		10,956
Accrued Salaries Payable	32,136		32,136
Accrued Interest Payable		4,855	4,855
Prepaid Taxes	13,589		13,589
Escrow and Security Deposits	10,000		10,000
Compensated Absences Payable	219,519		219,519
Long-term Liabilities:			
Due Within One Year	127,271	210,000	337,271
Due in More Than One Year	183,474	280,000	463,474
Total Liabilities	715,475	514,471	1,229,946
 Net Assets			
Investment in Capital Assets, net of Related Debt	7,044,690	4,583,588	11,628,278
Restricted Net Assets	1,545,189	241,176	1,786,365
Unrestricted	2,424,280	671,358	3,095,638
Total Net Assets	11,014,159	5,496,122	16,510,281
Total Liabilities and Net Assets	11,729,634	6,010,593	17,740,227

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

**TOWN OF ROCKPORT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	Governmental Activities	Business-like Activities	Total
Primary Government						
<i>Governmental Activities</i>						
General Government	1,128,684	204,443	142,250	(781,991)		(781,991)
Public Safety	969,661	36,608		(933,053)		(933,053)
Public Works	1,587,446	8,226	10	(1,579,210)		(1,579,210)
Health and Social Services	19,746			(19,746)		(19,746)
Cultural and Recreation	664,581	107,269	98,833	(458,479)		(458,479)
Unclassified	18,851			(18,851)		(18,851)
Assessments	9,698,611			(9,698,611)		(9,698,611)
Total Governmental Activities	14,087,580	356,546	241,093	(13,489,941)		(13,489,941)
<i>Business-type Activities</i>						
Wastewater Enterprise	846,727	803,729	132,577		89,579	89,579
Total Business-type Activities	846,727	803,729	132,577		89,579	89,579
Total Primary Government	14,934,307	1,160,275	373,670	(13,489,941)	89,579	(13,400,362)
<i>General Revenues:</i>						
Taxes						
Property				12,202,236		12,202,236
Auto Excise				616,687		616,687
Boat Excise				14,875		14,875
Intergovernmental Revenues				361,783		361,783
Other Local Sources				270,642	24,732	295,374
Gain/(Loss) on Disposal of Asset				(6,032)		(6,032)
Transfer to Enterprise Fund				38,650	(38,650)	-
Total Revenues, Special Items and Transfers				13,498,841	(13,918)	13,484,923
Changes in Net Assets				8,900	75,661	84,561
Net Assets - Beginning				11,005,259	5,420,461	16,425,720
Net Assets - Ending				11,014,159	5,496,122	16,510,281

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

TOWN OF ROCKPORT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

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	2,254,671	20,118	71,753	2,346,542
Investments		592,593	751,396	1,343,989
Receivables				
Taxes	642,287			642,287
Tax Liens	104,100			104,100
Accounts	882			882
Prepaid Expense	89			89
Due from Other Governments	116,281			116,281
Due from Other Funds			358,013	358,013
Total Assets	<u>3,118,310</u>	<u>612,711</u>	<u>1,181,162</u>	<u>4,912,183</u>
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable	113,324			113,324
Due to Other Governments	10,956			10,956
Payroll Taxes/Deductions	5,206			5,206
Accrued Salaries Payable	32,136			32,136
Deferred Revenue				
Property Tax	263,271			263,271
Other	8,007			8,007
Prepaid Taxes	13,589			13,589
Due to Other Funds	537,984			537,984
Escrow and Security Deposits	10,000			10,000
Total Liabilities	<u>994,473</u>		<u>-</u>	<u>994,473</u>
 <i>Fund Balances</i>				
Non-Spendable		288,262	437,954	726,216
Restricted	36,942	324,449	457,688	819,079
Committed	89,411		285,520	374,931
Assigned	130,677			130,677
Unassigned	1,866,807			1,866,807
Total Fund Balances	<u>2,123,837</u>	<u>612,711</u>	<u>1,181,162</u>	<u>3,917,710</u>
Total Liabilities and Fund Balances	<u>3,118,310</u>	<u>612,711</u>	<u>1,181,162</u>	<u>4,912,183</u>

(Continued)

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

TOWN OF ROCKPORT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

Exhibit C
Page 2 of 2

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

Total Fund Balance	3,917,710
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,226,183	<u>7,355,435</u>
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	271,278
	<u>271,278</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(187,500)
Accrued Compensated Absences	(219,519)
Capital Leases Payable	(123,245)
	<u>(530,264)</u>
Net Assets of Governmental Activities	<u><u>11,014,159</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, 2012

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	12,925,514			12,925,514
Intergovernmental Revenues	361,793		241,083	602,876
Departmental Revenues	247,171			247,171
Other Local Sources	223,523	14,574	91,945	330,042
Total Revenues	13,758,001	14,574	333,028	14,105,603
Expenditures				
General Government	917,538		140,064	1,057,602
Public Safety	942,428			942,428
Public Works	1,554,926		58,595	1,613,521
Health and Social Services	16,680		3,066	19,746
Cultural and Recreation	624,350		65,368	689,718
Unclassified	92,951			92,951
Assessments	9,698,611			9,698,611
Total Expenditures	13,847,484	-	267,093	14,114,577
Excess of Revenues Over (Under) Expenditures	(89,483)	14,574	65,935	(8,974)
Other Financing Sources (Uses)				
Lease Proceeds	83,615			83,615
Transfers from Other Funds	468,210		76,397	544,607
Transfers to Other Funds	(332,742)	(29,880)	(41,985)	(404,607)
Total Other Financing Sources (Uses)	219,083	(29,880)	34,412	223,615
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	129,600	(15,306)	100,347	214,641
Fund Balance - July 1	1,994,237	628,017	1,080,815	3,703,069
Fund Balance - June 30	2,123,837	612,711	1,181,162	3,917,710

(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, 2012

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	214,641
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	219,218
Gain/(Loss) on Disposal of Asset	(6,032)
Depreciation expense	(352,874)
	<u>(139,688)</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	(101,350)
Deferred Revenues	(5,444)
Deferred Taxes	(31,297)
	<u>(138,091)</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	(83,615)
Capital lease obligation principal payments	88,454
General obligation bond principal payments	74,100
	<u>78,939</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	(6,901)
Change in net assets of governmental activities	<u><u>8,900</u></u>

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

TOWN OF ROCKPORT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2012

Exhibit E

	<u><i>Wastewater Enterprise</i></u>
<i>Assets</i>	
<i>Current Assets:</i>	
Cash and Equivalents	312,637
Investments	248,738
Receivables	
User Fees, net	195,659
Due from Other Funds	<u>179,971</u>
<i>Total Current Assets</i>	<u>937,005</u>
<i>Noncurrent Assets:</i>	
Capital Assets, net	<u>5,073,588</u>
<i>Total Noncurrent Assets</i>	<u>5,073,588</u>
<i>Total Assets</i>	<u><u>6,010,593</u></u>
<i>Liabilities</i>	
<i>Current Liabilities:</i>	
Accounts Payable	19,616
Accrued Interest Payable	4,855
Bonds and Notes Payable	<u>210,000</u>
<i>Total Current Liabilities</i>	<u>234,471</u>
<i>Noncurrent Liabilities:</i>	
Bonds and Notes Payable	<u>280,000</u>
<i>Total Noncurrent Liabilities</i>	<u>280,000</u>
<i>Total Liabilities</i>	<u>514,471</u>
<i>Net Assets</i>	
Invested in Capital Assets, net of related debt	4,583,588
Restricted for:	
Capital Projects	241,176
Unrestricted	<u>671,358</u>
<i>Total Net Assets</i>	<u>5,496,122</u>
<i>Total Liabilities and Net Assets</i>	<u><u>6,010,593</u></u>

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, 2012

Exhibit F

	<i>Wastewater Enterprise</i>
Operating Revenues:	
Charges for Services	800,658
Interest/Fees	3,071
Total Operating Revenues:	<u>803,729</u>
Operating Expenses:	
Administration	47,353
Contract Operations	176,694
Camden Treatment	104,217
Rockland Treatment	143,458
Samoset Treatment	87,503
Repairs and Maintenance	25,404
Depreciation and Amortization	229,941
Total Operating Expenses	<u>814,570</u>
Net Operating Income	<u>(10,841)</u>
Nonoperating Revenues (Expenses)	
Interest Revenue	19,857
Other Revenues	4,875
Transfer to General Fund	(140,000)
Interest Expense	(32,157)
Total Nonoperating Revenues (Expenses)	<u>(147,425)</u>
Net Income (Loss) before contributions and transfers	(158,266)
Capital Contributions	<u>132,577</u>
Change in Net Assets	(25,689)
Total Net Assets - Beginning	<u>5,521,811</u>
Total Net Assets - Ending	<u><u>5,496,122</u></u>
Change in Net Assets	(25,689)
Amounts reported for business-type activities in the statement of activities are different because:	
Transfers to general fund for TIF funding and contributed capital	<u>101,350</u>
Change in net assets of business-type activities	<u><u>75,661</u></u>

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, 2012

Exhibit G

	<u>Wastewater Enterprise</u>
Cash Flows from Operating Activities;	
Received from Customers	803,729
Payments to Suppliers	(562,689)
Payments to Employees	(21,940)
Other Receipts (Payments)	4,875
	<u>223,975</u>
Net Cash Provided by (Used in) Operating Activities	<u>223,975</u>
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	(140,000)
	<u>(140,000)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(140,000)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	-
Principal Paid on Capital Debt	(210,000)
Interest Paid on Capital Debt	(32,157)
	<u>(242,157)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(242,157)</u>
Cash Flows from Investing Activities	
Redemption of Investments	36,709
Interest and Dividends	19,857
	<u>56,566</u>
Net Cash Provided by (Used in) Investing Activities	<u>56,566</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(101,616)
Balances - beginning of the year	<u>414,253</u>
Balances - end of the year	<u><u>312,637</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	(10,841)
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	229,941
(Increase) Decrease in Accounts Receivable	21,008
(Increase) Decrease in Due from Other Funds	(26,561)
Increase (Decrease) in Accrued Interest	(4,277)
Increase (Decrease) in Deferred Revenue	(3,116)
Increase (Decrease) in Accounts Payable	17,821
	<u>223,975</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>223,975</u></u>

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

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012

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, 2012**

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 not 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, \$263,271 has been so classified and reported on the general fund balance sheet.

Property taxes were levied on September 7, 2011 on property values assessed on April 1. Taxes were due in two installments due on October 17 and April 18, with interest at 7% beginning October 18 and April 19. 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, 2012

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 2012 fiscal year assessment was calculated as follows:

Camden	43.61%
Hope	8.79%
Lincolnville	16.89%
Rockport	30.71%

The Town of Rockport’s cost for June 30, 2012 was \$150,722.

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, 2012

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 5th through the 14th year of service.

20 work days per year during the 15th 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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balances/Net Assets

Fund Balances

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

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

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

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

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

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

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

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

	<u>General Fund</u>	<u>Library Permanent Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>Non-Spendable</u>				
Cemetery Trust Fund			387,174	387,174
Welfare Trust Fund			50,780	50,780
Chatfield Fund		10,076		10,076
Rockport Library Fund		245,969		245,969
Dodge Fund		9,280		9,280
Gardner Fund		22,937		22,937
Total Committed	-	288,262	437,954	726,216

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balances/Net Assets (Continued)

<u>Restricted</u>			
Walker Park Playground	14,134		14,134
Opera House Donations	1,494		1,494
Rockport Harbor Land Acquisition	2,670		2,670
Miscellaneous Donations	3,700		3,700
Urban Rural Initiative Program Funds	2,452		2,452
Municipal Revenue Sharing	12,386		12,386
Public Safety Building	106		106
Cemetery Trust Fund		32,225	32,225
Welfare Trust Fund		274,691	274,691
Chatfield Fund		975	975
Rockport Library Fund	324,133		324,133
Dodge Fund	(2,227)		(2,227)
Gardner Fund	1,568		1,568
Comprehensive Planning Grant		2,719	2,719
State Planning Grant		2,250	2,250
Energy Grant Opera House		9,405	9,405
General Assistance Heating		161	161
General Assistance Stewart		671	671
Legacy Rockport Donation		140	140
Cascade Foundation Grant		20,062	20,062
Davis Foundation Grant		9,943	9,943
Rotary Club of West Bay		2,031	2,031
Rohrbough Fund		35,640	35,640
Boyd Fund		15,100	15,100
Ellis Fund		35,614	35,614
Sand/Salt Shed		1,611	1,611
Jacobs Quarry Path		15,425	15,425
Total Restricted	36,942	324,449	457,688
<u>Committed</u>			
Recreation Reserve	39,136		39,136
Labor Reserve	50,275		50,275
Capital Reserves		285,520	285,520
Total Committed	89,411	-	285,520
<u>Assigned</u>			
Encumbrances	79,674		79,674
Library Operating Fund	38,424		38,424
Police Forfeiture Account	12,579		12,579
Total Assigned	130,677	-	130,677

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balances/Net Assets (Continued)

<u>Unassigned</u>	<u>1,866,807</u>	<u> </u>	<u> </u>	<u>1,866,807</u>
Total	<u>2,123,837</u>	<u>612,711</u>	<u>1,181,162</u>	<u>3,917,710</u>

Net Assets

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

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

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

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

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

**TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

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 \$79,674 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, 2012, IOLTA accounts and NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the 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.

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

A. Deposits and Investments (Continued)

Deposits (continued)

At year-end, the government’s carrying amount of deposits was \$2,659,179 and the bank balance was \$2,673,759. 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>1</i>	<i>Category 2</i>	<i>3</i>
Cash and Equivalents	<u>2,673,759</u>	<u>360,585</u>	<u>2,313,174</u>	<u>-</u>

Investments

Included in the Town’s cash equivalents at June 30, 2012, 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, 2012

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

A. Deposits and Investments (Continued)

Investments (continued)

At June 30, 2012, the Towns investments, maturities and credit ratings are as follows:

Type	June 30, 2012						
	Fair Value	Maturities in Years				Credit Rating	
		Less Than 1	1-5	6-10	More than 10	S&P	Moody's
General City:							
Fixed Income Securities	51,719		51,719			AA+	Aaa
Fixed Income Securities	62,793	62,793				Not Rated	Not Rated
Fixed Income Securities	-					BB	B1
Mutual Funds	122,510	122,510				Not Rated	Not Rated
Equities	955,559	955,559				Not Rated	Not Rated
US Treasury Obligations	71,493		71,493			AAA	Aaa
Mortgage Securities	153		16	137		Not Rated	Not Rated
Corporate Bonds	15,892		15,892			A+	A1
Corporate Bonds	32,604		32,604			A	A2
Corporate Bonds	10,205		10,205			A-	Not Rated
Corporate Bonds	10,503		10,503			BBB+	Not Rated
Corporate Bonds	10,558		10,558			BBB	BAA1
Total	1,343,989	1,140,862	202,990	137	-		
Wastewater Enterprise Fund:							
Fixed Income Securities	19,262		19,262			AA+	Aaa
Mutual Funds	45,626	45,626				Not Rated	Not Rated
Equities	183,850	183,850				Not Rated	Not Rated
Total	248,738	229,476	19,262	-	-		
Total	1,592,727	1,370,338	222,252	137	-		

Investment Policy

The Town does not currently have an investment policy.

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012:

Deposits and Cash on Hand (including invested repurchase agreement)	<u>\$ 4,251,906</u>			
		Government-wide Statement of Net Assets	Business-Type Statement of Net Assets	Totals
Cash and Cash Equivalents	\$ 2,346,542	\$ 312,637	\$ 2,659,179	
Investments (including repurchase agreement)	<u>\$ 1,343,989</u>	<u>\$ 248,738</u>	<u>\$ 1,592,727</u>	
	<u>\$ 3,690,531</u>	<u>\$ 561,375</u>	<u>\$ 4,251,906</u>	

B. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	998,020,100
Tax Rate (per \$1,000)	<u>12.21</u>
Commitment	<u>12,185,825</u>
Appropriations	13,932,607
Less:	
State Municipal Revenue Sharing	182,485
Estimated Revenues	1,455,203
BETE Reimbursement	47,698
Homestead Reimbursement	<u>61,396</u>
	<u>1,746,782</u>
Net Assessment for Commitment	<u>12,185,825</u>

Supplemental taxes totaling \$16,407 were committed for collection during the year. Uncollected taxes at June 30 for the current year commitment totaled \$635,512, which represents tax collection of 94.78% of current year commitment. Unpaid liens at June 30 totaled \$104,100.

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		537,984
Special Revenue Funds		
Comprehensive Planning Grant	2,719	
Davis Foundation Grant	9,943	
Rotary Club	2,031	
General Assistance Funds	832	
Legacy Rockport	140	
State Planning Grant	2,250	
Energy Grant	9,405	
Cascade Foundation	20,062	
Capital Projects		
Jacobs Quarry Pathway	15,425	
Sand/Salt Shed	1,611	
Capital Improvement Reserves	285,520	
Wastewater Fund	179,971	
Cemetery Trust Fund	<u>8,075</u>	<u> </u>
Totals	<u>537,984</u>	<u>537,984</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. The balance 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, 2012

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

D. Capital Assets

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

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,850,286			2,850,286
Painting	8,500			8,500
<i>Total capital assets not being depreciated</i>	<u>2,858,786</u>	-	-	<u>2,858,786</u>
<i>Capital assets being depreciated</i>				
Buildings	4,894,499	22,153		4,916,652
Equipment	2,538,087	139,006	(70,837)	2,606,256
Infrastructure	1,136,866	63,059		1,199,925
<i>Total capital assets being depreciated</i>	<u>8,569,452</u>	<u>224,218</u>	<u>(70,837)</u>	<u>8,722,833</u>
<i>Less accumulated depreciation for</i>				
Buildings	2,079,802	101,753		2,181,555
Equipment	1,629,529	175,489	(59,805)	1,745,213
Infrastructure	223,784	75,632		299,416
<i>Total accumulated depreciation</i>	<u>3,933,115</u>	<u>352,874</u>	<u>(59,805)</u>	<u>4,226,184</u>
<i>Net capital assets being depreciated</i>	<u>4,636,337</u>	<u>(128,656)</u>	<u>(11,032)</u>	<u>4,496,649</u>
<i>Governmental Activities</i>				
<i>Capital Assets, net</i>	<u>7,495,123</u>	<u>(128,656)</u>	<u>(11,032)</u>	<u>7,355,435</u>

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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>
<i>Business-type Activities;</i>				
<i>Capital assets being depreciated</i>				
Sewer System	9,211,887	5,780		9,217,667
<i>Total capital assets being depreciated</i>	<u>9,211,887</u>	<u>5,780</u>		<u>9,217,667</u>
<i>Less accumulated depreciation for</i>				
Sewer System	3,914,136	229,943		4,144,079
<i>Total accumulated depreciation</i>	<u>3,914,136</u>	<u>229,943</u>		<u>4,144,079</u>
<i>Net capital assets being depreciated</i>	<u>5,297,751</u>	<u>(224,163)</u>		<u>5,073,588</u>
<i>Business-type Activities</i>				
<i>Capital Assets, net</i>	<u><u>5,297,751</u></u>	<u><u>(224,163)</u></u>		<u><u>5,073,588</u></u>

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

Governmental Activities

General Government	64,413
Public Safety	51,514
Public Works, including general infrastructure assets	206,564
Leisure Time Services	<u>30,383</u>
Total Depreciation Expense - Governmental Activities	<u><u>352,874</u></u>

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>
2013	93,870
2014	31,325
2015	2,148
2016	<u>1,253</u>
Total Minimum Lease Payments	128,596
Less: Amount Representing Interest	<u>(5,351)</u>
Present Value of Future Minimum Lease Payments	<u><u>123,245</u></u>

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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	40,000
1992 Sewer Improvements	11/1/2012	5.90-6.75	135,000
2001 TIF Project Bond	11/1/2020	4.676-5.571	<u>315,000</u>
			<u>490,000</u>

<i>General Obligation</i>	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Amount</i>
2006 Salt/Sand Shed	11/1/2016	2.15 - 4.4	<u>187,500</u>
			<u>187,500</u>

Annual debt service requirements to maturity for general and proprietary obligation bonds and notes including interest of \$103,675 are as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Proprietary</i>	<i>Total</i>
2013	44,306	232,817	277,123
2014	42,431	50,005	92,436
2015	40,556	48,018	88,574
2016	38,963	46,031	84,994
2017	37,903	44,045	81,948
2018 - 2022	-	156,100	156,100
Total	<u>204,159</u>	<u>577,016</u>	<u>781,175</u>

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012:

	General Obligation		
	Debt	Proprietary	Total
<i>Long-term Debt payable July 1, 2011</i>	261,600	700,000	961,600
Debt Issued			-
Debt Retired	(74,100)	(210,000)	(284,100)
<i>Long-term Debt payable June 30, 2012</i>	<u>187,500</u>	<u>490,000</u>	<u>677,500</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:

Units	Net debt outstanding June 30, 2012	Percentage applicable to the Town	Town's proportionate share of debt
School Administrative District No. 28	14,729,100	46.44%	6,840,194
Five Town CSD	9,414,410	36.33%	3,420,255
MCSWC	209,837	30.71%	64,441
Knox County	-	0.00%	-
Totals	<u>24,353,347</u>		<u>10,324,890</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:

Purpose	Non-spendable	Restricted
Welfare Trust Fund	50,780	274,691
Library Trust Fund	288,262	324,448
Cemetery Trust Fund	387,174	32,225
Totals	<u>726,216</u>	<u>631,364</u>

TOWN OF ROCKPORT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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	4,345,232
Additions	
Debt Service - TIF Fund	132,577
Deductions:	
Depreciation Provided by Contributed Capital	<u>(144,689)</u>
Balance - June 30	<u><u>4,333,120</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, 2012

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, 2010, 2011, and 2012, was \$28,173, \$30,138 and \$29,714 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 2.4% for employers for its Initial Unfunded Unpooled Actuarial Liability (IUUAL) less a monthly credit of 149. 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, 2012 was \$10,499.

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, 2012.

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

Exhibit H

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	12,880,828	12,880,828	12,925,514	44,686
Intergovernmental Revenues	114,069	114,069	118,408	4,339
Departmental Revenues	219,939	219,939	247,171	27,232
Other Local Sources	171,200	171,200	173,301	2,101
Total Revenues	13,386,036	13,386,036	13,464,394	78,358
Expenditures (Net of Departmental Revenues)				
General Government	919,146	919,646	910,246	9,400
Public Safety	943,784	943,784	951,581	(7,797)
Public Works	1,558,148	1,650,263	1,593,426	56,837
Health and Social Services	16,416	16,416	16,680	(264)
Cultural and Recreation	559,271	586,546	558,259	28,287
Unclassified	92,424	92,424	92,951	(527)
Assessments	9,725,795	9,725,795	9,698,611	27,184
Total Expenditures	13,814,984	13,934,874	13,821,754	113,120
Excess Revenues Over Expenditures	(428,948)	(548,838)	(357,360)	191,478
Other Financing Sources				
Lease Proceeds	-	83,615	83,615	-
Transfers from Other Funds	430,345	430,345	429,670	675
Transfers to Other Funds	(81,397)	(81,397)	(81,397)	-
Total Other Financing Sources	348,948	432,563	431,888	675
Net Change in Fund Balance	(80,000)	(116,275)	74,528	190,803
Beginning Fund Balances - Budgetary Basis			1,792,385	
Ending Fund Balances - Budgetary Basis			1,866,913	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			79,674	
Ending Fund Balances - GAAP Basis			1,946,587	

TOWN OF ROCKPORT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-1
Page 1 of 2

	<u>Estimated</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Taxes			
Property	12,185,828	12,233,533	47,705
Auto Excise	630,000	616,687	(13,313)
Boat Excise	12,000	14,875	2,875
Interest/Fees on Taxes/Liens	53,000	60,419	7,419
	<u>12,880,828</u>	<u>12,925,514</u>	<u>44,686</u>
Intergovernmental Revenues			
State of Maine			
General Assistance	4,225	4,589	364
Homestead Reimbursement	61,396	61,396	-
BETE Reimbursement	47,698	47,740	42
Veterans Reimbursement	-	4,037	4,037
Gas Tax Refund	100	10	(90)
Snowmobile Reimbursement	650	636	(14)
	<u>114,069</u>	<u>118,408</u>	<u>4,339</u>
Departmental Revenues			
Police			
All Other	6,300	35,197	28,897
Animal Control	2,000	789	(1,211)
Fire	-	622	622
Planning			
Building Permits	50,000	45,744	(4,256)
Plumbing Permits	6,000	7,300	1,300
Planning Board Fees	5,000	4,018	(982)
All Other	2,075	2,385	310
Harbor Fees			
Moorings	57,575	56,400	(1,175)
Tie Offs	10,400	13,060	2,660
Winter Boat Storage	4,600	7,254	2,654
Lease Income	5,844	6,219	375
Schooner Berthing	4,000	8,199	4,199
All Other	14,760	16,137	1,377
Public Works			
Cemetery - Sale of Lots	3,000	5,175	2,175
All Other-Public Works	8,500	5,111	(3,389)

TOWN OF ROCKPORT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-1
Page 2 of 2

	<u>Estimated</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Departmental Revenues (Continued)			
Town Clerk			
Clerk Fees	21,000	25,474	4,474
Agent Fees	10,000	3,403	(6,597)
Election Reimbursement Fees	3,000	1,591	(1,409)
All Other	4,000	1,870	(2,130)
Town Manager	125	210	85
Finance	1,200	135	(1,065)
Assessing	100	453	353
Town Office	460	425	(35)
	<u>219,939</u>	<u>247,171</u>	<u>27,232</u>
Other Local Sources			
Interest on Investments	2,300	8,827	6,527
Payment in Lieu of Taxes	8,500	9,100	600
Opera House	15,000	9,106	(5,894)
Cable TV Franchise	30,000	30,314	314
PBMC Traffic Light	1,670	989	(681)
Old County Road Traffic Light	1,840	1,951	111
WW Reimb. Wage, Benefits, Other	30,156	31,705	1,549
MMA Insurance Dividend/Reimbursement	4,000	5,102	1,102
Purchase of TAP	-	3,260	3,260
Library Reimbursements	74,234	71,847	(2,387)
Library Grant	3,000	-	(3,000)
Rockland Elementary School	500	1,100	600
	<u>171,200</u>	<u>173,301</u>	<u>2,101</u>
Other Financing Sources			
Lease Proceeds	83,615	83,615	-
Municipal Revenue Sharing	182,485	182,485	-
Urban Rural Initiative Program Funds	54,860	54,860	-
TIF Sewer Retained Earnings	140,000	140,000	-
Public Works Reserve	24,000	23,325	(675)
Recreation Reserve	14,000	14,000	-
Cemetery Trust Funds	15,000	15,000	-
	<u>513,960</u>	<u>429,670</u>	<u>(675)</u>
Total Revenues and Other Financing Sources	13,899,996	<u>13,894,064</u>	<u>77,683</u>
Beginning Fund Balance Used	<u>116,275</u>		
Total	<u>14,016,271</u>		

TOWN OF ROCKPORT
GENERAL FUND
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
JUNE 30, 2012

	Encumbered from 6/30/11	Appropriations	Expenditures Net of Refund	Encumbered to 6/30/13	(Over) Under Budget
General Government					
Administration		24,045	22,921		1,124
Legacy Rockport	12,012	-	1,372	10,640	-
Town Manager		216,229	206,230		9,999
Town Clerk	14,400	171,408	159,098	15,600	11,110
Planning and Community Development		180,213	176,805		3,408
Finance Department		82,046	80,242		1,804
Assessing		109,581	109,153		428
Town Office Building		91,526	112,366		(20,840)
Insurances		44,598	42,231		2,367
	26,412	919,646	910,418	26,240	9,400
Public Safety					
Police Department		475,327	493,222		(17,895)
Fire Department		300,645	290,571	9,153	921
Animal Control		10,749	10,535		214
Emergency Management		2,472	2,195		277
Street Lights		58,750	55,433		3,317
Public Safety Building		21,138	15,769		5,369
County Dispatch and E-911		74,703	74,703		-
	-	943,784	942,428	9,153	(7,797)
Public Works					
Public Works Department		1,438,861	1,344,931	38,500	55,430
Sanitation		153,022	153,022		-
Cemeteries		58,380	56,973		1,407
	-	1,650,263	1,554,926	38,500	56,837

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

Exhibit A-2
Page 2 of 2

	<i>Encumbered from 6/30/11</i>	<i>Appropriations</i>	<i>Expenditures Net of Refund</i>	<i>Encumbered to 6/30/13</i>	<i>(Over Under Budget</i>
Health and Social Services					
General Assistance	-	16,416	16,680	-	(264)
Cultural and Recreation					
Recreation and Parks		79,799	69,663	1,398	8,738
Library		305,035	291,193		13,842
Opera House		90,337	75,392	4,383	10,562
Conservation Commission		7,645	3,763		3,882
Harbor Operations		103,730	112,467		(8,737)
Unclassified					
Debt Service	-	586,546	552,478	5,781	28,287
Rockport Elementary School		84,318	83,549		769
		8,106	9,402		(1,296)
Assessments					
MSAD #28	-	92,424	92,951	-	(527)
Knox County		5,258,447	5,258,447		-
CSD School Assessment		875,357	875,357		-
Tax Increment Financing		3,401,400	3,401,400		-
Overlay		132,577	132,577		-
		58,014	30,830		27,184
Operating Transfers Out and Other Uses					
Grants	-	9,725,795	9,698,611	-	27,184
Reserves		31,775	31,775		-
		49,622	49,622		-
		81,397	81,397		-
Totals	26,412	14,016,271	13,849,889	79,674	113,120

TOWN OF ROCKPORT
GENERAL FUND
STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit A-3

Unassigned Fund Balance, July 1	1,792,279	
Unassigned Fund Balance, June 30	<u>1,866,807</u>	
Increase (Decrease)		<u><u>74,528</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	77,683	
(Increase) Decrease in Restricted Public Safety Funds	-	
Unexpended Balance of Appropriations (Exhibit A-2)	<u>113,120</u>	
		190,803
Deductions		
Fund Balance Used to Fund Appropriations		<u>(116,275)</u>
Increase (Decrease)		<u><u>74,528</u></u>

**TOWN OF ROCKPORT
 GENERAL RESTRICTED/COMMITTED ACCOUNTS
 COMBINING BALANCE SHEET
 FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit A-4
 Page 1 of 2*

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>U.R.I.P. Funds</i>	<i>Library Operating Fund</i>	<i>Miscellaneous Donations</i>	<i>Rockport Harbor Land Acquisition</i>
Cash and Equivalents			51,031		
Investments					
Due From Other Funds	12,386	2,452		3,700	2,670
Total Assets	12,386	2,452	51,031	3,700	2,670
Liabilities & Fund Balances					
Liabilities					
Due to Other Funds			12,607		
Total Liabilities	-	-	12,607	-	-
Fund Balances					
Restricted	12,386	2,452		3,700	2,670
Committed			38,424		
Assigned					
Total Fund Balances	12,386	2,452	38,424	3,700	2,670
Total Liabilities and Fund Balances	12,386	2,452	51,031	3,700	2,670

**TOWN OF ROCKPORT
GENERAL RESTRICTED/COMMITTED ACCOUNTS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit A-4
Page 2 of 2**

<i>Assets</i>	<i>Opera House Donations</i>	<i>Police Forfeiture Account</i>	<i>Walker Park Playground</i>	<i>G/F Recreation Reserve</i>	<i>G/F Labor Reserve</i>	<i>Total</i>
Cash and Equivalents						51,031
Investments						-
Due From Other Funds	1,494	12,579	14,134	39,136	50,275	138,826
Total Assets	1,494	12,579	14,134	39,136	50,275	189,857
 Liabilities & Fund Balances						
Liabilities						
Due to Other Funds						12,607
Total Liabilities	-	-	-	-	-	12,607
Fund Balances						
Restricted	1,494		14,134			36,836
Committed				39,136	50,275	89,411
Assigned		12,579				51,003
Total Fund Balances	1,494	12,579	14,134	39,136	50,275	177,250
Total Liabilities and Fund Balances	1,494	12,579	14,134	39,136	50,275	189,857

TOWN OF ROCKPORT
 GENERAL RESTRICTED/COMMITTED ACCOUNTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012

	Municipal Revenue Sharing	U.R.I.P. Funds	Library Operating Fund	Miscellaneous Donations	Rockport Harbor Land Acquisition	Opera House Donations	Police Forfeiture Account	Walker Park Playground	G/F Recreation Reserve	G/F Labor Reserve	Total
Revenues											
Intergovernmental Revenues	186,537	56,848	49,461	200	1	8			284	268	243,385
Local Sources											50,222
Total Revenues	186,537	56,848	49,461	200	1	8			284	268	293,607
Expenditures											
General Government										7,120	7,120
Library Operations			71,872								71,872
Total Expenditures	-	-	71,872	-	-	-	-	-	-	7,120	78,992
Excess of Revenues Over (Under) Expenditures	186,537	56,848	(22,411)	200	1	8	-	-	284	(6,852)	214,615
Other Financing Sources (Uses)											
Transfers from Other Funds			33,540							5,000	38,540
Transfers to Other Funds	(182,485)	(54,860)							(14,000)		(251,345)
Total Other Financing Sources (Uses)	(182,485)	(54,860)	33,540	-	-	-	-	-	(14,000)	5,000	(212,805)
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	4,052	1,988	11,129	200	1	8	-	-	(13,716)	(1,852)	1,810
Fund Balance - July 1	8,334	464	27,295	3,500	2,669	1,486	12,579	14,134	52,852	52,127	175,440
Fund Balance - June 30	12,386	2,452	38,424	3,700	2,670	1,494	12,579	14,134	39,136	50,275	177,250

**TOWN OF ROCKPORT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

*Exhibit B-1
Page 1 of 2*

<i>Assets</i>	<i>Comprehensive Planning Grant</i>	<i>Pump Out System Grant</i>	<i>State Planning Grant</i>	<i>Energy Grant Opera House</i>	<i>General Assistance Heating</i>	<i>General Assistance Stewart</i>	<i>Legacy Rockport Donation</i>
Cash and Equivalents							
Investments							
Due From Other Funds	2,719	-	2,250	9,405	161	671	140
Total Assets	2,719	-	2,250	9,405	161	671	140
<i>Liabilities & Fund Balances</i>							
Liabilities							
Due to Other Funds							
Total Liabilities	-	-	-	-	-	-	-
<i>Fund Balances</i>							
Fund Balances							
Restricted	2,719	-	2,250	9,405	161	671	140
Total Liabilities and Fund Balances	2,719	-	2,250	9,405	161	671	140

**TOWN OF ROCKPORT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

*Exhibit B-1
Page 2 of 2*

<i>Assets</i>	<i>Davis Foundation Grant</i>	<i>Rotary Club of West Bay</i>	<i>Cascade Foundation Grant</i>	<i>Rohrbough Fund</i>	<i>Boyd Fund</i>	<i>Ellis Fund</i>	<i>Total</i>
Cash and Equivalents				1,170	496	1,169	2,835
Investments				34,470	14,604	34,445	83,519
Due From Other Funds	9,943	2,031	20,062				47,382
Total Assets	9,943	2,031	20,062	35,640	15,100	35,614	133,736
<i>Liabilities & Fund Balances</i>							
Liabilities							
Due to Other Funds							-
Total Liabilities	-	-	-	-	-	-	-
<i>Fund Balances</i>							
Fund Balances							
Restricted	9,943	2,031	20,062	35,640	15,100	35,614	133,736
Total Liabilities and Fund Balances	9,943	2,031	20,062	35,640	15,100	35,614	133,736

TOWN OF ROCKPORT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	CDBG Business Assistance Grant	Comprehensive Planning Grant	Pump Out System Grant	Harbor SHIP Grant	State Planning Grant	Energy Grant Opera House	General Assistance Heating	General Assistance Stewart
Revenues								
Intergovernmental	140,000		21,999	40,609	2,250	36,225		
Donations							155	1,000
Local Sources	64						6	
Total Revenues	140,064	-	21,999	40,609	2,250	36,225	161	1,000
Expenditures								
Construction			21,999	36,264		54,376		
Repairs & Maintenance								
General Assistance				4,242				329
Professional Services	140,064			103		4,219		
Other								
Total Expenditures	140,064	-	21,999	40,609	-	58,595	-	329
Excess of Revenues Over (Under) Expenditures	-	-	-	-	2,250	(22,370)	161	671
Other Financing Sources (Uses)								
Transfers from Other Funds						31,775		
Transfers to Other Funds								
Total Other Financing Sources (Uses)	-	-	-	-	-	31,775	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-	2,250	9,405	161	671
Fund Balance - July 1		2,719						
Fund Balance - June 30	-	2,719	-	-	2,250	9,405	161	671

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

Exhibit B-2
Page 2 of 2

	Legacy Rockport Donation	Davis Foundation Grant	Rotary Club of West Bay	Cascade Foundation Grant	Rohrbough Fund	Boyd Fund	Ellis Fund	Total
Revenues								
Intergovernmental								241,083
Donations	2,900		1,000	20,000				25,055
Local Sources			14	62	841	359	842	2,188
Total Revenues	2,900	-	1,014	20,062	841	359	842	268,326
Expenditures								
Construction								112,639
Repairs & Maintenance								-
General Assistance			2,737					3,066
Professional Services	2,760							7,002
Other								144,386
Total Expenditures	2,760	-	2,737	-	-	-	-	267,093
Excess of Revenues Over (Under) Expenditures	140	-	(1,723)	20,062	841	359	842	1,233
Other Financing Sources (Uses)								
Transfers from Other Funds								31,775
Transfers to Other Funds					(1,440)	(720)	(1,500)	(3,660)
Total Other Financing Sources (Uses)	-	-	-	-	(1,440)	(720)	(1,500)	28,115
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	140	-	(1,723)	20,062	(599)	(361)	(658)	29,348
Fund Balance - July 1	-	9,943	3,754	-	36,239	15,461	36,272	104,388
Fund Balance - June 30	140	9,943	2,031	20,062	35,640	15,100	35,614	133,736

**TOWN OF ROCKPORT
ALL CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012**

Exhibit C-1

<i>Assets</i>	<i>Sand/ Salt Shed</i>	<i>Jacobs Quarry Pathway</i>	<i>Capital Improvement Reserves</i>	<i>Totals</i>
Due from Other Funds	1,611	15,425	285,520	302,556
Total Assets	1,611	15,425	285,520	302,556
 <i>Liabilities & Fund Balances</i>				
<i>Liabilities</i>				
Retainage Payable				-
Total Liabilities	-	-	-	-
 <i>Fund Balances</i>				
Restricted	1,611	15,425		17,036
Committed			285,520	285,520
Total Fund Balances	1,611	15,425	285,520	302,556
Total Liabilities & Fund Balances	-	15,425	285,520	302,556

**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, 2012**

	<i>Sand/ Salt Shed</i>	<i>Jacobs Quarry Pathway</i>	<i>Capital Improvement Reserves</i>	<i>Total</i>
Revenues				
Local Sources			6,470	6,470
Total Revenues	-	-	6,470	6,470
Expenditures				
Other			-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	6,470	6,470
Other Financing Sources (Uses)				
Transfers from Other Funds			44,622	44,622
Transfers to Other Funds			(23,325)	(23,325)
Total Other Financing Sources (Uses)	-	-	21,297	21,297
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	-	-	27,767	27,767
Fund Balance - July 1	1,611	15,425	257,753	274,789
Fund Balance - June 30	1,611	15,425	285,520	302,556

**TOWN OF ROCKPORT
CAPITAL IMPROVEMENT PROJECTS - RESERVES
SCHEDULE OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit C-3

	<i>Balance July 1</i>	<i>Revenues</i>	<i>Transfer In (Transfers Out)</i>	<i>Expenditures</i>	<i>Balance June 30</i>
Computer Reserve	13,916	75			13,991
Police Department Equipment	25,544	5,058	(23,325)		7,277
Fire Equipment	186,887	1,142	30,000		218,029
Opera House Building	2,914	20	1,000		3,934
Public Works	10,034	54			10,088
Video Equipment	1,708	9			1,717
Harbor Float	5,042	34	1,500		6,576
Harbor Boat Reserve	7,072	45	1,400		8,517
Downtown TIF District Reserve	-	-	9,122		9,122
Harbor Boat Engine	4,636	33	1,600		6,269
Totals	257,753	6,470	21,297	-	285,520

**TOWN OF ROCKPORT
 COMBINING BALANCE SHEET
 ALL PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

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	38,474	30,444	20,118	89,036
Investments	372,850	295,027	592,593	1,260,470
Due From Other Funds	<u>8,075</u>			<u>8,075</u>
Total Assets	<u><u>419,399</u></u>	<u><u>325,471</u></u>	<u><u>612,711</u></u>	<u><u>1,357,581</u></u>
Fund Balances				
Non-spendable	387,174	50,780	288,262	726,216
Restricted	<u>32,225</u>	<u>274,691</u>	<u>324,449</u>	<u>631,365</u>
Total Fund Balances	<u><u>419,399</u></u>	<u><u>325,471</u></u>	<u><u>612,711</u></u>	<u><u>1,357,581</u></u>

TOWN OF ROCKPORT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Cemetery</u>	<u>Welfare</u>	<u>Library</u>	<u>Total</u>
Revenues				
Local Sources	23,075			23,075
Investment Income	8,253	6,555	9,729	24,537
Change in Fair Value	11,207	9,142	4,845	25,194
	<u>42,535</u>	<u>15,697</u>	<u>14,574</u>	<u>72,806</u>
Expenditures				
Professional Services			-	-
Cemetery				-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>42,535</u>	<u>15,697</u>	<u>14,574</u>	<u>72,806</u>
Other Financing Sources (Uses)				
Transfers from Other Funds			-	-
Transfers to Other Funds	(15,000)		(29,880)	(44,880)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>-</u>	<u>(29,880)</u>	<u>(44,880)</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	27,535	15,697	(15,306)	27,926
Fund Balance - July 1	<u>391,864</u>	<u>309,774</u>	<u>628,017</u>	<u>1,329,655</u>
Fund Balance - June 30	<u>419,399</u>	<u>325,471</u>	<u>612,711</u>	<u>1,357,581</u>

**TOWN OF ROCKPORT
 COMBINING BALANCE SHEET
 ALL LIBRARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

Exhibit D-3

<i>Assets</i>	<u>Chatfield Fund</u>	<u>Rockport Library</u>	<u>Dodge Fund</u>	<u>Gardner Fund</u>	<u>Total</u>
Cash and Equivalents	363	18,718	232	805	20,118
Investments	<u>10,688</u>	<u>551,384</u>	<u>6,821</u>	<u>23,700</u>	<u>592,593</u>
Total Assets	<u><u>11,051</u></u>	<u><u>570,102</u></u>	<u><u>7,053</u></u>	<u><u>24,505</u></u>	<u><u>612,711</u></u>
 <i>Fund Balances</i>					
Fund Balances					
Non-spendable	10,076	245,969	9,280	22,937	288,262
Restricted	<u>975</u>	<u>324,133</u>	<u>(2,227)</u>	<u>1,568</u>	<u>324,449</u>
Total Fund Balances	<u><u>11,051</u></u>	<u><u>570,102</u></u>	<u><u>7,053</u></u>	<u><u>24,505</u></u>	<u><u>612,711</u></u>

TOWN OF ROCKPORT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
LIBRARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

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	175	9,058	111	385	9,729
Change in Fair Value	86	4,512	56	191	4,845
	<u>261</u>	<u>13,570</u>	<u>167</u>	<u>576</u>	<u>14,574</u>
Expenditures					
Professional Services	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>261</u>	<u>13,570</u>	<u>167</u>	<u>576</u>	<u>14,574</u>
Other Financing Sources (Uses)					
Transfers from Other Funds					-
Transfers to Other Funds	(480)	(28,200)	(300)	(900)	(29,880)
Total Other Financing Sources (Uses)	<u>(480)</u>	<u>(28,200)</u>	<u>(300)</u>	<u>(900)</u>	<u>(29,880)</u>
Excess of Revenues and Other Financing Sources (Uses) Over Expenditures	<u>(219)</u>	<u>(14,630)</u>	<u>(133)</u>	<u>(324)</u>	<u>(15,306)</u>
Fund Balance - July 1	<u>11,270</u>	<u>584,732</u>	<u>7,186</u>	<u>24,829</u>	<u>628,017</u>
Fund Balance - June 30	<u><u>11,051</u></u>	<u><u>570,102</u></u>	<u><u>7,053</u></u>	<u><u>24,505</u></u>	<u><u>612,711</u></u>