

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

TOWN NEW SHOREHAM, RHODE ISLAND

June 30, 2014

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The Honorable First Warden and Members of the Town Council
Town of New Shoreham, Rhode Island
New Shoreham, Rhode Island

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2014, and the respective changes in financial position and, where applicable cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Shoreham, Rhode Island's basic financial statements. The supplementary schedules on pages 63 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules on pages 63 through 68 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
December 9, 2014

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

The management of the Town of New Shoreham, Rhode Island (herein, the Town), offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the financial statements.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights

The assets plus deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources at June 30, 2014 by \$33,248,226 (net position). Net position include \$25,963,502 invested in capital assets, net of related debt; \$4,586,741 of restricted net position; and \$2,697,983 of unrestricted net position that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets plus deferred outflows were \$57,591,641 and total liabilities plus deferred inflows were \$24,343,415 at June 30, 2014. The Town's total net position increased by \$1,865,704 in FY 2014.

As of June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$6,855,338, a decrease of \$58,326 from the prior year.

As of June 30, 2014, the unassigned fund balance for the General Fund was \$974,535, or 8% of total budgeted 2014 General Fund expenditures and other financial uses of \$12,141,327. This amount is available for spending at the Town's discretion.

The Town total debt decreased by \$1,462,174 (6.4%) during the current fiscal year. The key factors in this decrease was the retirement of principal and other long-term obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of New Shoreham's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus the individual components of the Town's government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the fiscal year.

The government-wide financial statements include two statements:

Statement of Net Position - Presents all of the government's assets and liabilities along with any deferred inflows and/or outflows of resources, with the difference being reported as net position. The amount of net position is widely considered a good measure of the Town's financial health as increases and decreases in the Town's net position serves as a useful indicator of whether the financial position is improving or deteriorating.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Government-Wide Financial Statements (Continued)

Statement of Activities - Presents information showing how the government's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not only result in cash flows in future fiscal periods (e.g., uncollected taxes or earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions and activities that are intended to recover all or a significant portion of the Town's costs through user fees or charges (*business-type activities*). The governmental activities of the Town include general government; finance administration; fire, rescue and emergency services; police; highways and maintenance; state roads; harbors; building official; recreation; library; GIS/Technology; boards and commissions; community support and education. The business-type activities of the Town include a Sewer Fund and a Water Fund.

The government-wide financial statements include not only the Town itself (known as the *primary government*), but also a legally separate land trust for which the Town is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government.

In the statement of activities, the operations of the Town are presented in a format that reports the net expenses and revenues of its individual functions - the objective being to report the relative burden of each of the Town's functions to the taxpayers. Revenues offsetting related functional expenses are separated into three categories: charges for services, operating grants and contributions, and capital grants and contributions.

The government-wide financial statements can be found on pages 12-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds:

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town maintains twenty one individual governmental funds and one component unit fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and School Department, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. The individual Component Unit fund has been separately presented.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The basic governmental fund financial statements can be found on pages 16-17 of this report.

The Town adopts an annual budget for its general fund and school unrestricted fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary Funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Both of the Town's enterprise funds, Sewer Fund and Water Fund, are major funds. The Town has no internal service funds.

The basic proprietary fund financial statements can be found on pages 20-24 of this report.

The Town adopts an annual budget for its Sewer and Water funds. Budgetary comparison statements have been provided to demonstrate compliance with those budgets.

Fiduciary Funds. Such 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 those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The North Light Fund and the School Student Activities Fund are fiduciary funds.

The basic fiduciary fund financial statement can be found on page 25 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government and fund financial statements. The notes to the basic financial statements can be found on pages 26-54 of this report.

Other Required Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund and the School Unrestricted Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages 55-61 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$33,252,760 at June 30, 2014.

Net position invested in capital assets, net of related debt, comprises \$25,963,502, or 78% of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report 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.

A portion of the Town's net position totaling \$4,586,741 or 14%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$191,617 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$2,697,983, may be used to meet the government's ongoing obligations to citizens and creditors.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Government-Wide Financial Analysis (Continued)

**Town of New Shoreham's Net Position - Primary Government
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total		\$ Change
	2014	2013	2014	2013	2014	2013	
Assets							
Current assets	\$ 8,570,669	\$ 8,568,212	\$ 1,655,471	\$ 1,160,795	\$ 10,226,140	\$ 9,729,007	\$ 497,133
Capital assets	<u>36,710,310</u>	<u>37,270,034</u>	<u>10,655,191</u>	<u>9,955,678</u>	<u>47,365,501</u>	<u>47,225,712</u>	<u>139,789</u>
Total assets	<u>45,280,979</u>	<u>45,838,246</u>	<u>12,310,662</u>	<u>11,116,473</u>	<u>57,591,641</u>	<u>56,954,719</u>	<u>636,922</u>
Deferred outflows of resources							
None	-	-	-	-	-	-	-
Total deferred outflows of resource:	-	-	-	-	-	-	-
Liabilities							
Current liabilities	3,029,023	3,159,643	1,154,139	844,853	4,183,162	4,004,496	178,666
Long-term liabilities	<u>17,447,513</u>	<u>18,787,593</u>	<u>2,712,740</u>	<u>2,775,574</u>	<u>20,160,253</u>	<u>21,563,167</u>	<u>(1,402,914)</u>
Total liabilities	<u>20,476,536</u>	<u>21,947,236</u>	<u>3,866,879</u>	<u>3,620,427</u>	<u>24,343,415</u>	<u>25,567,663</u>	<u>(1,224,248)</u>
Deferred inflows of resources							
None	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-
Net Assets							
Investment in capital assets, net of related debt	18,083,960	17,084,438	7,879,542	7,123,619	25,963,502	24,208,057	1,755,445
Restricted	4,561,741	5,901,854	25,000	20,000	4,586,741	5,921,854	(1,335,113)
Unrestricted	<u>2,158,742</u>	<u>904,718</u>	<u>539,241</u>	<u>352,427</u>	<u>2,697,983</u>	<u>1,257,145</u>	<u>1,440,838</u>
Total net assets	<u>\$ 24,804,443</u>	<u>\$ 23,891,010</u>	<u>\$ 8,443,783</u>	<u>\$ 7,496,046</u>	<u>\$ 33,248,226</u>	<u>\$ 31,387,056</u>	<u>\$ 1,861,170</u>

Component unit. The assets plus deferred outflows of the Town's Component Unit, the Block Island Land Trust (Land Trust), exceeded its liabilities plus deferred inflows by \$23,663,720. Net position invested in capital assets, net of related debt, comprises \$22,712,307, or 96% of total net position. The remaining balance of net position of the Land Trust, totaling \$951,413 is restricted.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Changes in Net Position

The Town's net position increased by \$1,861,170 in FY 2014. Approximately 58% of the Town's total revenue came from taxes and payments in lieu of taxes, while 13% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 29% of total revenue. The Town's expenses cover a range of services, the largest of which were for schools, public works and harbors, administration costs, and employee benefits. In 2014, governmental activities expenses exceeded program revenues by \$9,379,178. Net revenues from business-type activities exceed program expenses in 2014 by \$900,943.

Town of New Shoreham's Changes in Net Position - Primary Government For the Year Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Total		\$ Change
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program Revenues:							
Charges for service	\$ 2,135,247	\$ 2,026,552	\$ 1,692,292	\$ 1,523,480	\$ 3,827,539	\$ 3,550,032	\$ 277,507
Operating grants & contributions	187,561	318,885			187,561	318,885	(131,324)
Capital grants & contributions	144,462	63,400	932,301	446,903	1,076,763	510,303	566,460
General Revenues:							
Property taxes	8,838,434	8,548,983			8,838,434	8,548,983	289,451
Grants and contributions	1,292,191	1,547,145			1,292,191	1,547,145	(254,954)
Other	22,832	3,633	46,794	13,152	69,626	16,785	52,841
Total revenue	<u>12,620,727</u>	<u>12,508,598</u>	<u>2,671,387</u>	<u>1,983,535</u>	<u>15,292,114</u>	<u>14,492,133</u>	<u>799,981</u>
Expenses:							
General government	2,069,001	2,180,998			2,069,001	2,180,998	(111,997)
Public safety	1,076,483	898,733			1,076,483	898,733	177,750
Education	5,156,175	5,121,641			5,156,175	5,121,641	34,534
Public works	1,541,203	1,581,565			1,541,203	1,581,565	(40,362)
Recreation, library, and other	1,308,996	1,332,890			1,308,996	1,332,890	(23,894)
Interest on debt	699,124	896,742			699,124	896,742	(197,618)
Water			1,331,267	1,521,059	1,331,267	1,521,059	(189,792)
Sewer	-	-	392,383	372,878	392,383	372,878	19,505
Total expenses	<u>11,850,982</u>	<u>12,012,569</u>	<u>1,723,650</u>	<u>1,893,937</u>	<u>13,574,632</u>	<u>13,906,506</u>	<u>(331,874)</u>
Transfers	<u>143,688</u>	<u>314,521</u>	<u>-</u>	<u>-</u>	<u>143,688</u>	<u>314,521</u>	<u>(170,833)</u>
Increase(decrease) in net assets	913,433	810,550	947,737	89,598	1,861,170	900,148	961,022
Net assets-beginning of year, restated *	<u>23,891,010</u>	<u>23,080,460</u>	<u>7,496,046</u>	<u>7,406,448</u>	<u>31,387,056</u>	<u>30,486,908</u>	<u>900,148</u>
Net assets-end of year, restated	<u>\$ 24,804,443</u>	<u>\$ 23,891,010</u>	<u>\$ 8,443,783</u>	<u>\$ 7,496,046</u>	<u>\$ 33,248,226</u>	<u>\$ 31,387,056</u>	<u>\$ 1,861,170</u>

* See note 12 to the financial statements. Restatement was primarily due to the implementation of GASB 65.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Governmental Activities

Governmental activities increased the Town's net position by \$913,433, or less than 4%, over the prior year. Key elements of this increase are as follows:

- Property taxes were levied for debt service payments and program expenses.

A comparison of the total and net cost of services by function for the Town's governmental activities is shown below.

Expenses Net of Program Revenues

	Total Cost of Services		Net Cost of Services		\$ Change
	2014	2013	2014	2013	
Expenses net of program revenues:					
General government	\$ 2,069,001	\$ 2,180,998	\$ 1,685,717	\$ 1,811,334	\$ (125,617)
Public safety	1,076,483	898,733	1,037,999	856,212	181,787
Public works	1,541,203	1,581,565	73,281	208,899	(135,618)
Education	5,156,175	5,121,641	5,019,354	4,934,878	84,476
Recreation, library, and other	1,308,996	1,332,890	868,237	895,667	(27,430)
Interest on long-term debt	699,124	896,742	699,124	896,724	(197,600)
Total expenditures	<u>\$ 11,850,982</u>	<u>\$ 12,012,569</u>	<u>\$ 9,383,712</u>	<u>\$ 9,603,714</u>	<u>\$ (220,002)</u>

Component Unit

The net position of the Town's Component Unit increased by \$1,747,921. A key element in the increase is revenue derived from the 3% transfer fee. The Component Unit had several capital acquisitions of land and conservation easements during FY 2014 totaling \$1,323,292.

General Fund Budgetary Highlights

The original budget for FY 2014 adopted at the Financial Town Meeting on May 6, 2013 was \$12,141,327; no changes were made to the final budget.

Actual revenues reported in FY 2014 were greater than budgeted amounts by \$101,907, due principally to insurance recoveries related to various unforeseeable weather occurrences as well as grant revenue that was unbudgeted.

Budget expenditures exceeded actual amounts by \$87,159. The principal reasons for this include:

- Favorable variances noted in Town highways and maintenance as well as Library and GIS/technology.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$188,966.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$47,365,501 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$139,789, comprised of an increase related to business-type activities of \$699,513 (\$1,183,591 of additions to fixed assets less \$484,078 of current year depreciation) offset by a decrease of \$559,724 (\$557,958 of additions to fixed assets less \$1,172,682 of current year depreciation) related to governmental activities.

Additions to capital assets in 2014 for governmental activities included acquisition of property, various renovations and improvements, library books and continued improvements at the School, offset by depreciation expense.

Additions to capital assets for business-type activities were primarily electrical upgrades and extension of a water line, partially offset by depreciation expense.

Additional information regarding capital assets can be found in Note 6 on pages 38 and 39 of this report.

	Capital Asset Administration						
	Governmental Activities		Business-Type Activities		Total		\$ Change
	2014	2013	2014	2013	2014	2013	
Land and land easements	\$ 18,909,776	\$ 18,909,776	\$ 954,203	\$ 954,203	\$ 19,863,979	\$ 19,863,979	
Construction in progress	79,759	31,240		38,854	79,759	70,094	9,665
Infrastructure, net	1,411,323	1,473,130	7,105,782	6,179,484	8,517,105	7,652,614	864,491
Land improvements, net	3,485,412	3,652,193	-	-	3,485,412	3,652,193	(166,781)
Building & improvements, net	11,864,060	12,264,138	2,353,005	2,500,221	14,217,065	14,764,359	(547,294)
Automobiles and vessels, net	387,750	416,898	-	-	387,750	416,898	(29,148)
Machinery and equipment, net	365,557	323,037	242,201	282,916	607,758	605,953	1,805
Office equipment and furniture, net	177,394	165,884	-	-	177,394	165,884	11,510
Library books and textbooks net	29,279	33,738	-	-	29,279	33,738	(4,459)
Total	\$ 36,710,310	\$ 37,270,034	\$ 10,655,191	\$ 9,955,678	\$ 47,365,501	\$ 47,225,712	\$ 139,789

Long-term debt. As of June 30, 2014, the Town has total bonded debt outstanding of \$21,277,071, which is backed by the full faith and credit of the Town.

The Town has one capital lease outstanding at June 30, 2014 with a balance totaling \$5,910.

Long-term debt includes \$2,755,663 of outstanding loans to the Block Island Water Company and New Shoreham Sewer Commission (business-type activities).

The Town's Component Unit has total notes payable outstanding of \$4,228,942, consisting primarily of general obligation bonds issued through the Town.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Capital Asset and Debt Administration (Continued)

Long-term debt (continued).

Town of New Shoreham's Outstanding Debt - Primary Government

	Governmental Activities		Business-type Activities		Total		\$ Change
	2014	2013	2014	2013	2014	2013	
General obligation bonds	\$ 18,521,409	\$ 19,863,902	\$ 2,755,663	\$ 2,817,943	\$ 21,277,072	\$ 22,681,845	\$ (1,404,773)
Capital leases	5,910	28,707			5,910.00	28,707	(22,797)
Accrued compensated absences	371,654	376,735	42,789	37,355	414,443	414,090	353
Other post-employment benefits	<u>78,000</u>	<u>77,000</u>	-	-	<u>78,000</u>	<u>77,000</u>	<u>1,000</u>
							-
Total expenditures	<u>\$ 18,976,973</u>	<u>\$ 20,346,344</u>	<u>\$ 2,798,452</u>	<u>\$ 2,855,298</u>	<u>\$ 21,775,425</u>	<u>\$ 23,201,642</u>	<u>\$ (1,426,217)</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to three percent (3%) of its total equalized valuation. The debt limitation for the Town is \$49,921,795 as of the December 31, 2012 assessment, which significantly exceeds the Town's outstanding general debt.

In January 2009, S&P upgraded the Town's bond rating from A+ to AA. Primary factors driving the ratings increase include sound financial position, low per capita debt levels and strong market value per capita. This rating was affirmed in June 2009, June 2010 and June 2012. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 40-47 of this report.

In June 2012, the Town issued \$7,704,000 of the general obligation bonds, including \$2,634,000 issued on behalf of the Block Island Land Trust for acquisitions. The balance was used to refund general obligation bonds from 1998 and 2002 in order to realize a lower interest rate. Debt service savings over the life of the refunding transaction will approximate 13%.

Component Unit

The Town's component unit, the Block Island Land Trust, was created by an Act of the Rhode Island General Assembly on January 15, 1986. The purpose of the Land Trust is to acquire, hold and manage real property and interests in real property situated in the Town consisting of open, agricultural or littoral property. With the exception of property acquired for public recreational purposes, the Land Trust is required to hold all property solely as open space or for agricultural use or for water protection purposes, as determined by the Board of Trustees.

The Land Trust is funded principally by fees levied on qualifying real property transfers within the Town. The transfer fee adopted by the Land Trust for the year ended June 30, 2014 was 3%.

The Land Trust may request the Town to issue bonds for the purpose of financing its activities. The Land Trust has used proceeds from portions of authorized bond amounts for land and land right acquisitions and is responsible for the repayment of all principal and interest. The Land Trust was authorized to bond up to \$6,000,000 in May 2001. It used \$3,500,000 to purchase the Hodge property in FY 2003, and \$450,000 to purchase the Turnip Farm land; there is \$2,050,000 in authority remaining. At the May 2, 2005 Financial Town Meeting, voters authorized an additional \$4,000,000 for total authority of \$6,050,000. During 2012, the Town issued a bond in the amount of \$2,364,000 to finance the Trust's acquisitions. The remaining authority is \$4,228,972.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2014

Economic Factors and Next Year's Budget and Rates

The Town of New Shoreham, popularly known as Block Island, enjoys a favorable economic environment and local indicators point to continued stability. Block Island is a 10 square mile island off the coast of Rhode Island at the mouth of Long Island Sound. The year-round population of approximately 1,051 ranks New Shoreham smallest among the 39 cities and towns in Rhode Island, but the summer population swells to between 15,000 and 20,000. Employment is primarily in service industries, focused on the tourism sector. The predominantly resident (92% residential) shows small but steady growth that brought the net assessed value to \$1,664,059,848 at December 31, 2012.

In October 2004, the Town entered into an agreement with the State of Rhode Island Department of Transportation for the management of the State-owned highways on the island. Under this agreement, the Town oversees the day-to-day maintenance and operations of the State highways. In exchange, the State compensates the Town \$358,424 annually. The State retains responsibility for any major capital improvements required.

Requests for Information

This financial report is designed to provide a general overview of the Town of New Shoreham's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, PO Box 220, 16 Old Town Road, Block Island, RI 02807.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position

June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
ASSETS				
Cash and investments	\$ 2,366,950	\$ 561,419	\$ 2,928,369	\$ 1,298,546
Receivables, net				
Personal property taxes	338,435		338,435	
User charges		210,224	210,224	
Intergovernmental	228,424	862,564	1,090,988	
Departmental and other	129,889	6,873	136,762	655
Due from other funds	1,210,973	14,391	1,225,364	
Due from component unit	67,056		67,056	
Notes receivable, net	4,228,942		4,228,942	
Capital assets:				
Land	18,909,776	954,203	19,863,979	26,941,249
Construction in progress	79,759		79,759	
Infrastructure, net	1,411,323	7,105,782	8,517,105	
Land improvements, net	3,485,412		3,485,412	
Building and improvements, net	11,864,060	2,353,005	14,217,065	
Automobiles and vessels, net	387,750		387,750	
Machinery and equipment, net	365,557	242,201	607,758	
Office equipment and furniture, net	177,394		177,394	
Library books and textbooks, net	29,279	-	29,279	-
Total capital assets	<u>36,710,310</u>	<u>10,655,191</u>	<u>47,365,501</u>	<u>26,941,249</u>
Total assets	<u>45,280,979</u>	<u>12,310,662</u>	<u>57,591,641</u>	<u>28,240,450</u>
DEFERRED OUTFLOWS OF RESOURCES				
None noted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 45,280,979</u>	<u>\$ 12,310,662</u>	<u>\$ 57,591,641</u>	<u>\$ 28,240,450</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position

June 30, 2014

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 804,552	\$ 384,783	\$ 1,189,335	\$ 9,499
Accrued interest	99,031	19,986	119,017	
Due to federal and state governments	27,144	7,130	34,274	
Due to other funds	568,836	656,528	1,225,364	67,056
Current portion of capital leases	5,910		5,910	
Current portion of bonds and notes payable	1,379,739	64,558	1,444,297	352,228
Current portion of OPEB	78,000		78,000	
Current portion of compensated absences	65,811	21,154	86,965	
Portion due or payable in more than one year:				
Bonds and notes payable	17,141,670	2,691,105	19,832,775	3,876,714
Compensated absences	<u>305,843</u>	<u>21,635</u>	<u>327,478</u>	<u>-</u>
Total liabilities	<u>20,476,536</u>	<u>3,866,879</u>	<u>24,343,415</u>	<u>4,305,497</u>
DEFERRED INFLOWS OF RESOURCES				
Gains on refunding of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,233</u>
NET POSITION				
Invested in capital assets, net of related debt	\$ 18,083,960	\$ 7,879,542	\$ 25,963,502	\$ 22,712,307
Restricted	4,561,741	25,000	4,586,741	951,413
Unrestricted	<u>2,158,742</u>	<u>539,241</u>	<u>2,697,983</u>	<u>-</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 45,280,979</u>	<u>\$ 12,310,662</u>	<u>\$ 57,591,641</u>	<u>\$ 28,240,450</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2014

	<u>Net (Expense) Revenue and Changes in Net Position</u>							
	<u>Program Revenues</u>				<u>Primary Government</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
Governmental Activities								
General government	\$ 2,069,001	\$ 383,284	\$ -	\$ -	\$ (1,685,717)	\$ -	\$ (1,685,717)	\$ -
Public safety	1,076,483	17,142	21,342		(1,037,999)		(1,037,999)	
Education	5,156,175	39,263	97,558		(5,019,354)		(5,019,354)	
Public works	1,541,203	1,421,023	17,548	29,351	(73,281)		(73,281)	
Recreation, library, and other	1,308,996	274,535	51,113	115,111	(868,237)		(868,237)	
Interest on debt	699,124	-	-	-	(699,124)	-	(699,124)	-
Total governmental activities	<u>11,850,982</u>	<u>2,135,247</u>	<u>187,561</u>	<u>144,462</u>	<u>(9,383,712)</u>	<u>-</u>	<u>(9,383,712)</u>	<u>-</u>
Business-Type Activities								
Water	1,331,267	1,116,967		647,760		433,460	433,460	
Sewer	392,383	575,325	-	284,541	-	467,483	467,483	-
Total business-type activities	<u>1,723,650</u>	<u>1,692,292</u>	<u>-</u>	<u>932,301</u>	<u>-</u>	<u>900,943</u>	<u>900,943</u>	<u>-</u>
Total primary government	<u>13,574,632</u>	<u>3,827,539</u>	<u>187,561</u>	<u>1,076,763</u>	<u>(9,383,712)</u>	<u>900,943</u>	<u>(8,482,769)</u>	<u>-</u>
Component Units								
Block Island Land Trust	81,344	1,787,536	-	-	-	-	-	1,706,192
Total component units	<u>81,344</u>	<u>1,787,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,706,192</u>
Total Town of New Shoreham	<u>\$ 13,655,976</u>	<u>\$ 5,615,075</u>	<u>\$ 187,561</u>	<u>\$ 1,076,763</u>	<u>\$ (9,383,712)</u>	<u>\$ 900,943</u>	<u>\$ (8,482,769)</u>	<u>\$ 1,706,192</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2014

	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
General revenues				
Real estate and personal property, net of reserve for abatements	\$ 8,838,434	\$ -	\$ 8,838,434	\$ -
Insurance recoveries	37,512		37,512	
Hotel and meals tax	571,056		571,056	
State construction aid	271,511		271,511	
Earnings on investments	4,551		4,551	53
State aid to town	116,428		116,428	
State aid to education	137,342		137,342	
State contribution to teachers' pension plan	153,791		153,791	
Miscellaneous	22,832	46,794	69,626	185,364
Total general revenues	<u>10,153,457</u>	<u>46,794</u>	<u>10,200,251</u>	<u>185,417</u>
Special Item - transfer from component unit	143,688		143,688	
Transfers between funds - operating		253,865	253,865	
Transfers between funds - operating	-	(253,865)	(253,865)	(143,688)
Total general revenues, special items, and transfers	<u>10,297,145</u>	<u>46,794</u>	<u>10,343,939</u>	<u>41,729</u>
Changes in net position	913,433	947,737	1,861,170	1,747,921
Net position - July 1, 2013, restated	<u>23,891,010</u>	<u>7,496,046</u>	<u>31,387,056</u>	<u>21,915,799</u>
Net position - June 30, 2014	<u>\$ 24,804,443</u>	<u>\$ 8,443,783</u>	<u>\$ 33,248,226</u>	<u>\$ 23,663,720</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2014

	Major Fund General Fund	Major Fund School Department	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,157,905	\$ 493,935	\$ 715,110	\$ 2,366,950
Receivables:				
Property taxes, net	338,435			338,435
Intergovernmental	217,400	6,527	4,497	228,424
Other	127,638	2,251		129,889
Due from other funds	646,656	555,442	8,875	1,210,973
Due from component unit	67,056			67,056
Notes receivable, component unit	<u>4,228,942</u>	<u>-</u>	<u>-</u>	<u>4,228,942</u>
Total assets	<u>6,784,032</u>	<u>1,058,155</u>	<u>728,482</u>	<u>8,570,669</u>
Deferred outflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 6,784,032</u>	<u>\$ 1,058,155</u>	<u>\$ 728,482</u>	<u>\$ 8,570,669</u>
Liabilities				
Accounts payable and accrued expenses	\$ 374,809	\$ 427,906	\$ 1,837	\$ 804,552
Due to federal and state governments	27,144	-		27,144
Due to other funds	<u>413,061</u>	<u>154,326</u>	<u>1,449</u>	<u>568,836</u>
Total liabilities	<u>815,014</u>	<u>582,232</u>	<u>3,286</u>	<u>1,400,532</u>
Deferred inflows of resources				
Unearned revenue	<u>314,799</u>	<u>-</u>	<u>-</u>	<u>314,799</u>
Total deferred inflows of resources	<u>314,799</u>	<u>-</u>	<u>-</u>	<u>314,799</u>
Fund balance				
Nonspendable	4,295,998		191,617	4,487,615
Restricted	114,373	4,000	22,809	141,182
Committed	71,060		-	71,060
Assigned	198,253	526,529	510,770	1,235,552
Unassigned	<u>974,535</u>	<u>(54,606)</u>	<u>-</u>	<u>919,929</u>
Total fund balance	<u>5,654,219</u>	<u>475,923</u>	<u>725,196</u>	<u>6,855,338</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,784,032</u>	<u>\$ 1,058,155</u>	<u>\$ 728,482</u>	<u>\$ 8,570,669</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2014

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Real estate and personal property taxes	\$ 8,723,263	\$ -	\$ -	\$ 8,723,263
Intergovernmental	1,060,748	229,900	13,492	1,304,140
Licenses, permits, and fees	472,113			472,113
Investment Income	3,684		867	4,551
State contribution to teachers' pension plan		153,791		153,791
Other Revenue	<u>1,643,711</u>	<u>45,290</u>	<u>158,697</u>	<u>1,847,698</u>
Total revenue	<u>11,903,519</u>	<u>428,981</u>	<u>173,056</u>	<u>12,505,556</u>
Expenditures				
General government	1,960,704			1,960,704
Public safety	988,588			988,588
Education		4,794,413	-	4,794,413
Public works	1,578,222			1,578,222
Recreation, library, and other	1,224,218		72,868	1,297,086
Debt service				
Principal	1,379,890			1,379,890
Interest	<u>708,667</u>	<u>-</u>	<u>-</u>	<u>708,667</u>
Total expenditures	<u>7,840,289</u>	<u>4,794,413</u>	<u>72,868</u>	<u>12,707,570</u>
Excess (deficiency) of revenues over expenditures	4,063,230	(4,365,432)	100,188	(202,014)
Other financing sources (uses)				
Transfer from component unit	143,688			143,688
Transfers in		4,489,293		4,489,293
Transfers out	<u>(4,489,293)</u>	<u>-</u>	<u>-</u>	<u>(4,489,293)</u>
Other financing sources (uses)	<u>(4,345,605)</u>	<u>4,489,293</u>	<u>-</u>	<u>143,688</u>
Excess of revenue and other sources over expenditures and other uses	(282,375)	123,861	100,188	(58,326)
Fund balance, July 1, 2013	<u>5,936,594</u>	<u>352,062</u>	<u>625,008</u>	<u>6,913,664</u>
Fund balance, June 30, 2014	<u>\$ 5,654,219</u>	<u>\$ 475,923</u>	<u>\$ 725,196</u>	<u>\$ 6,855,338</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position

June 30, 2014

Total governmental fund balances	\$ 6,855,338
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	36,710,310
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	
	314,799
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(99,031)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds	
Bonds and notes payable	(18,521,409)
Capital leases	(5,910)
Compensated absences	(371,654)
Other postemployment benefits	<u>(78,000)</u>
Net position of governmental activities	<u>\$ 24,804,443</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (58,326)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(559,723)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.	115,172
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,402,687
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	9,543
The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(1,000)
Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>5,080</u>
Change in net position of governmental activities	<u><u>\$ 913,433</u></u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Assets			
Current assets			
Cash and short-term investments	\$ 224,973	\$ 336,446	\$ 561,419
Receivables, net:			
User fees	128,388	81,836	210,224
Intergovernmental	580,333	282,231	862,564
Assessments and miscellaneous fees	6,873		6,873
Due from other funds	<u>10,274</u>	<u>4,117</u>	<u>14,391</u>
Total current assets	<u>950,841</u>	<u>704,630</u>	<u>1,655,471</u>
Non-current assets			
Land	892,880	61,323	954,203
Buildings, net	1,838,178	514,827	2,353,005
Infrastructure, net	3,069,105	4,036,677	7,105,782
Equipment, net	<u>145,018</u>	<u>97,183</u>	<u>242,201</u>
Total non-current assets	<u>5,945,181</u>	<u>4,710,010</u>	<u>10,655,191</u>
Total assets	<u>6,896,022</u>	<u>5,414,640</u>	<u>12,310,662</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 6,896,022</u>	<u>\$ 5,414,640</u>	<u>\$ 12,310,662</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 133,235	\$ 251,548	\$ 384,783
Current portion of serial bonds payable	20,767	43,791	64,558
Current portion of compensated absences	21,154		21,154
Accrued interest payable	13,654	6,332	19,986
Due to state	7,130		7,130
Due to other funds	<u>646,237</u>	<u>10,291</u>	<u>656,528</u>
Total current liabilities	<u>842,177</u>	<u>311,962</u>	<u>1,154,139</u>
Non-current liabilities			
Serial bonds payable	1,348,789	1,342,316	2,691,105
Compensated absences	<u>21,635</u>	<u>-</u>	<u>21,635</u>
Total non-current liabilities	<u>1,370,424</u>	<u>1,342,316</u>	<u>2,712,740</u>
Total liabilities	<u>2,212,601</u>	<u>1,654,278</u>	<u>3,866,879</u>
Deferred inflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Invested in capital assets, net of related debt	4,561,971	3,317,571	7,879,542
Restricted	25,000		25,000
Unrestricted	<u>96,450</u>	<u>442,791</u>	<u>539,241</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 6,896,022</u>	<u>\$ 5,414,640</u>	<u>\$ 12,310,662</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Operating revenues			
Charges for services	\$ 1,116,967	\$ 575,325	\$ 1,692,292
Other revenues	<u>35,325</u>	<u>11,469</u>	<u>46,794</u>
 Total operating revenues	 <u>1,152,292</u>	 <u>586,794</u>	 <u>1,739,086</u>
 Operating expenses			
Salaries and benefits	606,460	-	606,460
Services and supplies	361,386	160,130	521,516
Depreciation	<u>305,218</u>	<u>178,860</u>	<u>484,078</u>
 Total operating expenses	 <u>1,273,064</u>	 <u>338,990</u>	 <u>1,612,054</u>
 Operating income (loss)	 <u>(120,772)</u>	 <u>247,804</u>	 <u>127,032</u>
 Nonoperating revenues (expenses)			
Grant revenue	647,760	284,541	932,301
Interest expense	<u>(58,203)</u>	<u>(53,393)</u>	<u>(111,596)</u>
 Total nonoperating revenue (expenses)	 <u>589,557</u>	 <u>231,148</u>	 <u>820,705</u>
 Income (loss) before transfers	 <u>468,785</u>	 <u>478,952</u>	 <u>947,737</u>
 Transfers			
Transfer in - operating	253,865	-	253,865
Transfers out - operating	<u>-</u>	<u>(253,865)</u>	<u>(253,865)</u>
 Total Transfers	 <u>253,865</u>	 <u>(253,865)</u>	 <u>-</u>
 Change in net position	 722,650	 225,087	 947,737
Total net position, July 1, 2013	<u>3,960,771</u>	<u>3,535,275</u>	<u>7,496,046</u>
Total net position, June 30, 2014	<u>\$ 4,683,421</u>	<u>\$ 3,760,362</u>	<u>\$ 8,443,783</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total Enterprise</u>
Cash flows from operating activities			
Cash received from customers	\$ 821,102	\$ 385,827	\$ 1,206,929
Cash due from (to) governments	(585,123)	4,290	(580,833)
Payments to suppliers and employees	(651,212)	67,581	(583,631)
Cash received from (to) other funds	<u>498,246</u>	<u>38,064</u>	<u>536,310</u>
Net cash provided (used) by operating activities	<u>83,013</u>	<u>495,762</u>	<u>578,775</u>
Cash flows from noncapital financing activities			
Grant revenue	647,760	284,541	932,301
Transfers in (out)	<u>253,865</u>	<u>(253,865)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>901,625</u>	<u>30,676</u>	<u>932,301</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(777,394)	(406,197)	(1,183,591)
Acquisition of capital debt	38,188		38,188
Principal paid on debt	(58,203)	(42,252)	(100,455)
Interest paid on capital debt	<u>(52,004)</u>	<u>(53,735)</u>	<u>(105,739)</u>
Net cash used by capital and related financing activities	<u>(849,413)</u>	<u>(502,184)</u>	<u>(1,351,597)</u>
Cash flows from investing activities:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	135,225	24,254	159,479
Balances-beginning of the year	<u>89,748</u>	<u>312,192</u>	<u>401,940</u>
Balances-end of the year	<u>\$ 224,973</u>	<u>\$ 336,446</u>	<u>\$ 561,419</u>
Displayed as:			
Cash and short-term investments	<u>\$ 224,973</u>	<u>\$ 336,446</u>	<u>\$ 561,419</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds		
	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total Enterprise</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (120,772)	\$ 247,804	\$ 127,032
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	305,218	178,860	484,078
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	40,470	83,574	124,044
(Increase) decrease in due from other funds	17,815		17,815
(Increase) decrease in utility lien and other receivables	(10,274)	(280,251)	(290,525)
(Increase) decrease in due from government	(214,980)		(214,980)
Increase (decrease) in due to other funds	122,134	28,449	150,583
Increase (decrease) in compensated absences	5,434	9,615	15,049
Increase (decrease) accounts payable and accrued expenses	(57,242)	227,711	170,469
Increase (decrease) compensated absences	<u>(4,790)</u>	<u>-</u>	<u>(4,790)</u>
Net cash provided (used) by operating activities	<u>\$ 83,013</u>	<u>\$ 495,762</u>	<u>\$ 578,775</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2014

	Agency Funds		
	Student Activities	North Light Fund	Total
Assets			
Cash and investments	\$ 20,964	\$ 8,252	\$ 29,216
Total assets	<u>\$ 20,964</u>	<u>\$ 8,252</u>	<u>\$ 29,216</u>
Liabilities			
Deposits held	\$ 20,964	\$ 8,252	\$ 29,216
Total liabilities	<u>20,964</u>	<u>8,252</u>	<u>29,216</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 20,964</u>	<u>\$ 8,252</u>	<u>\$ 29,216</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies

The basic financial statements of the Town of New Shoreham, Rhode Island (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental entities (U.S. GAAP). In certain instances, summaries of the Town's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

A. Financial Reporting Entity

The Town was incorporated in 1672 and is governed under a home rule charter adopted in 1988 and revised in 2001 and 2011. The charter provides for a Town Council/Town Manager form of government. Legislative authority is vested in a five-member Town Council elected to biennial terms. A five-member School Committee is vested with autonomous legislative authority over the Town's public school system. Members of the School Committee are elected to biennial terms.

The council-appointed Town Manager serves as chief executive officer over all municipal services including public safety, public works (highway, harbors, maintenance, and sanitation), health and social services, recreation, public improvements, planning, zoning and inspection, and general administrative services. The Superintendent of Schools, appointed by the School Committee, serves as the chief executive officer for the School Department, which provides elementary and secondary education to Town residents.

All legislative powers of the Town, except such powers as are reserved by state law or vested in the Financial Town Meeting by the Charter and by-laws enacted by the Town Council, are vested in the Town Council by the Charter, including the ordering of any tax, making of appropriations and transacting of any other business pertaining to the financial affairs of the Town.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 61, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. It was further noted through GASB 61 that the Land Trust and Town share a material financial relationship. Through the application of GASB Statement Nos. 14 and GASB 61 criteria, the Block Island Land Trust (Land Trust) has been presented as a component unit of the Town, hereinafter referred to as "component unit," in the accompanying government-wide financial statements. The separate financial statements of the Land Trust can be obtained from the Block Island Land Trust, PO Box 220, Block Island, RI 02807.

An elected Board of Trustees governs the Land Trust. The purpose of the Land Trust is to promote preservation of the environment and character of the Town; preserve suitable open spaces for recreation and for the conservation of forestry and wildlife; promote responsible development of real estate and sound conservational practices; protect environmentally sensitive or threatened existing and/or future fresh-water wellfields, aquifer recharge areas and wetlands; and to promote public access and views of harbors, ponds, marshes, farmland or forest situated in the Town. Upon termination or dissolution of the Land Trust, title to all remaining funds, land and land rights will vest with the Town. The Land Trust is included in the Town's reporting entity because of the significance of its operational and financial relationships with the Town.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements - Government-Wide Statements

The government-wide statement of net position and statement of activities display information about the Town as a whole. They include all funds of the Town except for fiduciary funds and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Fund types used by the Town and a description of the funds comprising each are as follows:

1. Governmental Funds

Governmental funds are used to account for operations that supply basic government services. The Town uses the following governmental funds:

- a. **The General fund** is the primary operating fund of the Town and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.
- b. **Special Revenue funds** are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Town's only major special revenue fund is the School Department.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued)

1. Governmental Funds (Continued)

- c. **Capital Projects funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's capital project fund is the Old Harbor Dock Construction Fund, which is a nonmajor fund. The School's capital project fund is for School improvement projects, which is included within the combined School Department fund.
- d. **Permanent Funds** are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs. The Town's only permanent fund is the Cemetery Fund, which is a nonmajor fund.

2. Proprietary Funds

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. Both of the Town's enterprise funds, Sewer Fund and Water Fund, are major funds. The Town has no internal service funds.

3. Fiduciary Funds

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity; therefore, they cannot be used to support the Town's own programs. The Town's only fiduciary funds are agency funds which are established when the Town holds assets in custody for others in an agency capacity.

D. Measurement Focus and Basis of Accounting

The government wide-financial statements, proprietary and fiduciary fund financial statements, including the component unit, are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be available are recorded as deferred inflows of resources. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

GASB 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Implementation of New Accounting Principles

For the year ending June 30, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (early implementation in fiscal year 2013)
- GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management elected to implement this GASB Statement during fiscal year 2013 (early implementation) in order to improve financial reporting by clarifying the appropriate use of the financial statement elements (deferred outflows of resources and deferred inflows of resources) to ensure consistency in financial reporting.

The implementation of GASB Statement No.'s 66 and 70 had no material reporting impact for the Town.

Those revenues susceptible to accrual are property taxes, special assessments, payments in lieu of taxes, federal impact aid, state aid, telephone, hotel and meals taxes collected by the State of Rhode Island (the State) on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as deferred revenues.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses 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 Sewer Fund and the Water Fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, 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, and then unrestricted resources as they are needed.

E. Financial Statements Amounts

1. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

2. Investments

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds custodial credit risk or other risks.

The Town does not have a deposit policy for custodial credit risk or other risks.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

3. *Interfund transactions*

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no eliminations made between or within funds. Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables and payables are classified as "due from other funds" or "due to other funds".

4. *Farm, Forest and Open Space*

Certain taxpayers can file for reclassification of land assessments in accordance with farm, forest and open space guidelines. Subsequent land use changes within a ten-year period for farm or fifteen-year period for forest or open space result in the assessment of a land use change tax.

5. *Capital Assets*

Government-wide financial statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. 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 assets constructed. 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.

The Town is exempt from reporting the value of prior infrastructure assets in its financial statements; however, the Town elected to report infrastructure assets commencing July 1, 2005. The value of business-type fund infrastructure assets is fully reported and depreciated as applicable in the enterprise fund financial statements.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

5. Capital Assets (Continued)

Government-wide financial statements:

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

	<u>Years</u>
Land improvements	30
Buildings and improvements	10-30
Furniture and fixtures	5
Motor vehicles and vessels	5-10
Machinery and equipment	5-10
Infrastructure	30

Capital assets of the component unit consist principally of nondepreciable land, which is stated at cost, if acquired, or estimated fair value at date of donation, if donated.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Fund financial statements:

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

6. Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund(s) that will pay it.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations (including compensated absences) are reported as liabilities in the statement of net position. Bond issuance premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

7. Long-term obligations (Continued)

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The face amount of debt issued is reported as another financing source. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

8. Deferred Inflows of Resources (formerly known as 'deferred revenue')

In the governmental fund financial statement, deferred inflows of resources represent funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years.

In the General fund, deferred inflows of resources relate to revenue that is measurable, but not available.

In the Special Revenue funds, deferred inflows of revenues represents amounts received in advance of expenditures incurred for certain grants.

In the government-wide financial statements revenue is recorded when earned. Therefore, for these statements deferred inflows of resources represents only unearned revenues.

9. Fund equity/net position

Government-wide financial statements

The Town's net positions have been segregated into the following three components:

- a) Net Investment in Capital Assets - to account for capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted Net Position - Net position should be reported as restricted when constraints placed on net position used are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- c) Unrestricted Net Position - Unrestricted equity consists of net position that does not meet the definition of "restricted net position" or "net investment in capital assets".

The Town's fund balance is reported in the following categories:

- a) Nonspendable - amounts that cannot be spent because they are either a) not in spendable form or (b) legally or contractually required to be maintained intact.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position (continued)

- b) Restricted - amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- c) Committed - amounts constrained to specific purposes by the Town, using its highest level of decision-making authority

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council at a Financial Town Meeting. Formal action is required to approve, modify, or rescind a fund balance commitment.

Fund financial statements

Assigned - amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed

The Town Council has the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned - amounts available for any purpose.

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are available, restricted amounts will be considered to have been spent first (as allowed and in compliance with stated and specified terms or requirements), followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

10. Property taxes

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied in July on (a) eighty percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered, reduced by the amount exempt under the Motor Vehicle Phase-Out Program and local ordinance. Taxes levied in July are payable on the 15th day of August. Taxes may be paid in quarterly installments on August 15, November 15, February 15 and May 15.

Rhode Island general laws restrict the Town's ability to increase either its total tax levy or its tax rates by more than 4% over that of the preceding fiscal year for 2014.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

11. Intergovernmental revenues

State aid is recognized as revenue in the year in which funds are appropriated by the Rhode Island General Assembly, provided they are collected during the same fiscal year or during the period of availability.

12. Bond issuance costs

Bond issuance costs for government-wide operations and proprietary funds are no longer deferred and amortized over the terms of the bonds. Bond issuance costs are recognized as debt service expenditures in the period in which they occurred per GASB Statement 65. See restatement note.

13. Use of estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

The General Fund and the School Department are subject to an annual operating budget. The annual operating budgets' appropriation amounts are supported by revenue estimates and can be amended by either a special financial Town meeting or at the next annual financial Town meeting.

Actual revenue and expenditures in the budgetary basis statements of revenues and expenditures for the General Fund and the School Department are presented on the budgetary basis which includes the net effect of not budgeting for certain other items. Thus, the actual revenues and expenditures differ from those in the governmental fund financial statements which are presented in accordance with accounting principles generally accepted in the United States.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 3: Cash and Investments

At June 30, 2014, the carrying amount of the Town's deposits was \$2,957,585, including \$1,600,247 of cash equivalents, and the total bank balance was \$2,996,921. Included in these balances are deposits of agency funds totaling \$29,216.

The Town continues to maintain its collateralization and custodian agreement with the Washington Trust Company whereby certain funds are collateralized and held in the Town's name.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Town has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management feels that the Town is not exposed to any significant credit risk related to cash.

Interest rate risk is the risk that changes in market interest rates will adversely affect that fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

At June 30, 2014, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Maturities	Total Bank Balance	Carrying Amount
Deposits:				
Demand deposits	\$ 1,298,461		\$ 1,440,058	\$ 1,352,411
Restricted cash and cash equivalents	1,684		1,684	1,684
Petty cash				3,243
Certificates of deposit	750,823	7/11/14 - 8/8/14	750,823	751,159
Money market	<u>804,356</u>		<u>804,356</u>	<u>849,088</u>
	<u>\$ 2,855,324</u>		<u>\$ 2,996,921</u>	<u>\$ 2,957,585</u>

At June 30, 2014, deposits and investment of the component unit are categorized as follows:

Type	Maturities	Total Bank Balance	Carrying Value
Deposits, demand deposits		<u>\$ 799,341</u>	<u>\$ 798,491</u>
Investment, United States Treasury Bill	N/A		<u>\$ 500,055</u>

NOTE 4: Assets Held In Trust

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2014 totaled approximately \$42,782.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 5: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2014 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds:		
General fund	\$ 646,656	\$ 413,061
School department	555,442	155,775
Nonmajor governmental funds	<u>8,875</u>	<u>-</u>
Proprietary funds:		
Sewer	10,274	646,237
Water	<u>4,117</u>	<u>10,291</u>
	<u>\$ 1,225,364</u>	<u>\$ 1,225,364</u>

The interfund receivables and payable arose from normal operations - principally payroll and school appropriations.

	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
Governmental Funds		
General Fund	\$ -	\$ 4,489,293
School Department	4,489,293	
Proprietary Funds		
Sewer	253,865	
Water	<u>-</u>	<u>253,865</u>
Totals	<u>\$ 4,743,158</u>	<u>\$ 4,743,158</u>

Funds were transferred from water to sewer in fiscal year 2014 in order to cover operating costs that are more appropriately related to the water fund.

There were \$4,489,293 worth of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation, therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 6: Capital Assets

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 18,909,776	\$ -	\$ -	\$ 18,909,776
Construction in progress	31,240	125,469	76,950	79,759
Subtotal	18,941,016	125,469	76,950	18,989,535
Other Capital Assets:				
Infrastructure	1,810,045			1,810,045
Land improvements	4,687,559			4,687,559
Buildings and improvements	20,351,277	289,259		20,640,536
Machinery and equipment	1,194,409	120,524		1,314,933
Office equipment and furniture	552,474	41,193		593,667
Library books and textbooks	164,935	8,463		173,398
Automobiles & Vessels	2,045,924	50,000	-	2,095,924
Subtotal	30,806,623	509,439	-	31,316,062
Accumulated Depreciation:				
Infrastructure	336,915	61,807		398,722
Land improvements	1,035,366	166,781		1,202,147
Buildings and improvements	8,087,139	689,337		8,776,476
Machinery and equipment	871,372	78,004		949,376
Office equipment and furniture	386,590	29,683		416,273
Library books and textbooks	131,197	12,922		144,119
Automobiles & Vessels	1,629,026	79,148	-	1,708,174
Subtotal	12,477,605	1,117,682	-	13,595,287
Net other capital assets	18,329,018	(608,243)	-	17,720,775
Net capital assets	\$ 37,270,034	\$ (482,774)	\$ 76,950	\$ 36,710,310

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 6: Capital Assets (Continued)

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Not Being Depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	<u>38,854</u>	<u>398,447</u>	<u>437,301</u>	<u>-</u>
Subtotal	<u>993,057</u>	<u>398,447</u>	<u>437,301</u>	<u>954,203</u>
Other Capital Assets:				
Buildings and improvements	4,969,521	14,439		4,983,960
Equipment	1,450,806	20,199		1,471,005
Underground piping	12,106,725	750,506		12,857,231
Wells / reserves osmosis / water supply	<u>1,194,448</u>	<u>437,301</u>	<u>-</u>	<u>1,631,749</u>
Subtotal	<u>19,721,500</u>	<u>1,222,445</u>	<u>-</u>	<u>20,943,945</u>
Accumulated Depreciation				
Buildings and improvements	2,469,300	161,335		2,630,635
Equipment	1,167,890	58,370		1,226,260
Underground piping	6,781,482	232,971		7,014,453
Wells / reserves osmosis / water supply	<u>340,207</u>	<u>31,402</u>	<u>-</u>	<u>371,609</u>
Subtotal	<u>10,758,879</u>	<u>484,078</u>	<u>-</u>	<u>11,242,957</u>
Net other capital assets	<u>8,962,621</u>	<u>738,367</u>	<u>-</u>	<u>9,700,988</u>
Net capital assets	<u>\$ 9,955,678</u>	<u>\$ 1,136,814</u>	<u>\$ 437,301</u>	<u>\$ 10,655,191</u>
Depreciation was charged to functions as follows:				
Business-type activities:				
Sewer Fund	\$ 305,218			
Water Fund	<u>178,860</u>			
	<u>\$ 484,078</u>			

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations

At summary of long-term obligations as of June 30, 2014 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 18,348,088	\$ 2,755,663	\$ 21,103,751
Deferred amounts:			
On refunding	(207,207)		(207,207)
On premium	380,527	-	380,527
Subtotal	18,521,408	2,755,663	21,277,071
Capital leases	5,910		5,910
Other post-employment benefit obligation	78,000		78,000
Accrued compensated absences	371,654	42,789	414,443
Total debt outstanding	18,976,972	2,798,452	21,775,424
Less portion due within one year	1,523,550	85,700	1,609,262
Total long term debt outstanding	\$ 17,453,422	\$ 2,712,752	\$ 20,166,162

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 19,718,231	\$ -	\$ 1,370,143	\$ 18,348,088	\$ 1,391,241
Deferred amounts:					
For issuance costs					
On refunding, restated	(237,008)		(29,801)	(207,207)	26,995
On premium	<u>420,075</u>	<u>-</u>	<u>39,548</u>	<u>380,527</u>	<u>(38,497)</u>
Total bonds payable	<u>19,901,298</u>	<u>-</u>	<u>1,379,890</u>	<u>18,521,408</u>	<u>1,379,739</u>
Capital leases	28,707		22,797	5,910	5,910
Other post-employment benefit obligation	77,000	1,000	-	78,000	78,000
Accrued compensated absences	<u>376,735</u>	<u>-</u>	<u>5,081</u>	<u>371,654</u>	<u>65,811</u>
Total long-term obligations	<u>\$ 20,383,740</u>	<u>\$ 1,000</u>	<u>\$ 1,407,768</u>	<u>\$ 18,976,972</u>	<u>\$ 1,529,460</u>
Business-type activities:					
Bonds and notes	\$ 2,817,917	-	62,254	2,755,663	64,558
Accrued compensated absences	<u>37,355</u>	<u>5,434</u>	<u>-</u>	<u>42,789</u>	<u>21,154</u>
Total long-term obligations	<u>\$ 2,855,272</u>	<u>\$ 5,434</u>	<u>\$ 62,254</u>	<u>\$ 2,798,452</u>	<u>\$ 85,712</u>
Total government-wide obligations	<u>\$ 23,239,012</u>	<u>\$ 6,434</u>	<u>\$ 1,470,022</u>	<u>\$ 21,775,424</u>	<u>\$ 1,615,172</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes:

General obligation bonds currently outstanding for governmental activities are as follows:

Purpose	Amount of <u>original issue</u>	Fiscal year <u>of issue</u>	<u>Interest rate</u>	Fiscal year <u>of maturity</u>	Balance, <u>July 1, 2013</u>	<u>New issues</u>	<u>Retirements</u>	Balance, <u>June 30, 2014</u>
Governmental activities:								
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 3,095,000	\$ -	\$ 125,000	\$ 2,970,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	2,440,000		150,000	2,290,000
Town Hall Construction 2006	1,350,000	2006	4.0-4.75%	2026	860,000		70,000	790,000
School Construction 2006	1,100,000	2006	4.0-4.75%	2026	715,000		55,000	660,000
School Construction 2005	7,160,000	2005	3.5-4.25%	2025	5,105,000		320,000	4,785,000
Thomas Property	240,000	2012	5.25%	2022	213,231		20,143	193,088
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	2,265,000		95,000	2,170,000
1998 BILT (Refunding)	311,000	2012	2.0-4.0%	2022	260,000		60,000	200,000
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	588,830		57,772	531,058
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	2,061,170		202,228	1,858,942
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	1,035,560		105,270	930,290
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	675,747		68,693	607,054
Town hall (Refunding)	<u>444,540</u>	2012	2.0-4.0%	2022	<u>403,693</u>	<u>-</u>	<u>41,037</u>	<u>362,656</u>
 Total	 <u>\$ 23,969,000</u>				 <u>\$ 19,718,231</u>	 <u>\$ -</u>	 <u>\$ 1,370,143</u>	 <u>\$ 18,348,088</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes:

Bonds and notes currently outstanding for business-type activities are as follows:

Purpose	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2013</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2014</u>
Enterprise Funds:								
<i>Wastewater Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 325,235	\$ -	\$ 4,534	\$ 320,701
Sewer Improvements	192,500	2006	4.375%	2046	177,688	-	2,502	175,186
Land	472,175	2005	4.25%	2045	428,623	-	6,535	422,088
Sewer Improvements	<u>458,000</u>	2012	2.75%	2052	<u>458,000</u>	<u>-</u>	<u>6,431</u>	<u>451,569</u>
Total wastewater	<u>1,471,675</u>				<u>1,389,546</u>	<u>-</u>	<u>20,002</u>	<u>1,369,544</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	411,941	-	5,757	406,184
Water supply	450,000	2011	3.25%	2051	438,539	-	6,011	432,528
Water supply	179,445	2005	4.25%	2045	162,891	-	2,484	160,407
Clean Water GOB	<u>614,287</u>	2004	3.26%	2024	<u>415,000</u>	<u>-</u>	<u>28,000</u>	<u>387,000</u>
Total water	<u>1,685,732</u>				<u>1,428,371</u>	<u>-</u>	<u>42,252</u>	<u>1,386,119</u>
Total enterprise	<u>\$ 3,157,407</u>				<u>\$ 2,817,917</u>	<u>\$ -</u>	<u>\$ 62,254</u>	<u>\$ 2,755,663</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

At June 30, 2014, scheduled annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Governmental activities:

Year ending June 30,	Principal	Interest	Total
2015	1,391,241	670,067	2,061,308
2016	1,447,377	623,556	2,070,933
2017	1,488,620	574,337	2,062,957
2018	1,464,910	524,448	1,989,358
2019	1,511,268	474,483	1,985,751
2020-2024	6,999,672	1,570,930	8,570,602
2025-2029	3,330,000	504,211	3,834,211
2030-2032	715,000	47,600	762,600
	<u>\$ 18,348,088</u>	<u>\$ 4,989,632</u>	<u>\$ 23,337,720</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2015	64,547	103,440	167,987
2016	66,899	101,037	167,936
2017	69,290	98,524	167,814
2018	71,736	95,900	167,636
2019	75,237	93,144	168,381
2020-2024	419,828	419,738	839,566
2025-2029	320,143	344,922	665,065
2030-2034	335,426	286,769	622,195
2035-2039	404,824	217,369	622,193
2040-2044	488,960	133,235	622,195
2045-2049	329,392	43,264	372,656
2050-2053	109,381	6,811	116,192
	<u>\$ 2,755,663</u>	<u>\$ 1,944,153</u>	<u>\$ 4,699,816</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

Component unit:

This component unit general obligation bond is being paid by the Town's general government with funds being transferred from the component unit. This amount is already being accounted for within the governmental activities portion of this note.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	352,228	133,921	486,149
2016	368,895	124,304	493,199
2017	381,673	114,187	495,860
2018	354,451	103,737	458,188
2019	342,229	93,854	436,083
2020-2024	1,314,466	327,039	1,641,505
2025-2029	650,000	173,000	823,000
2030-2032	<u>465,000</u>	<u>37,600</u>	<u>502,600</u>
	<u>\$ 4,228,942</u>	<u>\$ 1,107,642</u>	<u>\$ 5,336,584</u>

Capital leases:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 5,910</u>	<u>\$ 58</u>	<u>\$ 5,968</u>

Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities, and are direct obligations and pledge the full faith and credit of the Town. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2012 was \$1,664,059,848 limiting the amount of non-exempted general obligation bonds outstanding to \$49,421,795. At June 30, 2014, general obligation bonds outstanding totaled \$18,348,088, including amounts which are exempt from the cap.

On June 6, 2012, the Town issued \$5,340,000 in general obligation bonds with an average interest rate of 3.0% to advance refund \$5,500,000 of outstanding 2002 various purpose general obligation bonds with an average interest rate of 4.25%. The net proceeds of \$5,594,732, which reflect \$324,872 of bond premium monies used to purchase U.S. Government securities, and the payment of \$31,079 in underwriting fees and \$39,061 in cost of issuance fees were deposited with an escrow agent to provide for all future debt service payments on the 2002 various purpose general obligation bonds. As a result, the 2002 various purpose general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$123,184. The Town completed the advance refunding to reduce its total debt service payments over the next 11 years by \$819,487 and to obtain an economic gain of \$719,827.

The component unit may request that the Town issue bonds for the purpose of financing its activities. On November 15, 2002, the Town issued general obligation bonds in the amount of \$4,500,000, of which \$3,500,000 was designated to finance the acquisition of open space and farmland by the component unit. These funds were used to purchase the 24.8 acre Hodge Property for an aggregate sale price of \$8,500,000. The component unit, the Town, and each of the other two unrelated third parties are identified as the buyers, and the agreement between the buyers and seller is executed as a single contract, according an undivided interest in the property among the four parties. On June 6, 2012, the Town issued \$2,364,000 in general obligation bonds with an average interest rate of 3.0% to refinance the acquisition of open space by the component unit.

In 2003, the component unit issued a note to the Town in the amount of \$3,500,000 as its portion of the Town's general obligation bond related to the acquisition of the Hodge Property. The terms and payments required on this note generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. As a result of the refunding and the additional bond, as discussed above, the balance of the note receivable from the component unit at June 30, 2014 was \$4,228,942.

Accrued compensated absences:

Compensated absences typically have been liquidated in the General and School Department governmental funds and in the Sewer Fund.

Other post-employment benefits:

Plan Description

The School Department of New Shoreham Post-Employment benefit is a single employer defined benefit postretirement health insurance plan. The School Department provides health benefits to its public school professional staff with 20 years of accumulated service. A teacher at the Block Island School may continue to receive the same health care coverage as offered to the bargaining unit for five contract years, until Medicare takes over or age 65, whichever occurs first. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through provisions of Rhode Island General Law, Town Ordinances and through collective bargaining. The plan is financed based on pay as you go basis.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 7: Long-Term Obligations (Continued)

Other post-employment benefits (continued):

Annual OPEB and Net OPEB Obligation

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions" (GASB-45). The Town's annual OPEB cost is calculated using an alternative measurement method. As set forth in paragraph 11 of Implementation Guide GASB 45, a sole employer may use the alternative measurement method if the plan (single-employer plan) has fewer than one hundred total plan members and the Town of New Shoreham has a total of 30 plan members. The Town's annual other post-employment benefit (OPEB) cost is calculated using the estimated amounts that will be paid or payable to covered employees based upon their current actual years of service and the current premium cost (without regard to inflation). For the year ended June 30, 2014, covered payroll under the plan amounts to \$1,915,200 and OPEB expense is \$78,000; which is included in the obligation reported by the Town. The estimated undiscounted total liability for post-employment benefits is as follows:

	2014	2013
Fully vested employees	\$ 1,299,358	\$ 766,367
Non-vested employees	-	101,072
Total liability	\$ 1,299,358	\$ 867,439

NOTE 8: Employee Retirement Systems

All eligible employees of the Town are covered by one of two pension plans: the Employees' Retirement System of the State of Rhode Island (Teachers' Plan) or the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan). The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Business managers are also eligible to participate. The Municipal Plan covers substantially all of the Town's employees except public school teachers. Total covered payroll under both plans during 2014 was \$4,163,313. Total Town payroll was \$4,695,730 for the same period.

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Teacher Employees' Retirement System (ERS) - Defined Benefit Plan

Plan Description:

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the Town of New Shoreham's school system must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 8: Employee Retirement Systems (Continued)

Teacher Employees' Retirement System (ERS) - Defined Benefit Plan (Continued)

Plan Description (Continued):

Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employee's Retirement System, 50 Service Avenue, 2nd floor, Warwick, RI 02886. Total covered payroll under the Teachers' Plan for the year ended June 30, 2014 was approximately \$1,915,200.

Funding Policy:

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town of New Shoreham and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2014, the total employer rate 19.71% (8.03% State share and 11.68% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

The Town of New Shoreham contributed \$224,338, \$207,768 and \$228,330 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Plan Description:

All full-time Town of New Shoreham (general and police) employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

General Employee Units:

Retirement eligibility and plan benefits – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 8: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Police and Fire units

Retirement eligibility and plan benefits - Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

For MERS units electing the Cost of Living Adjustment option

Cost of Living Adjustments – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

For all MERS units

Disability retirement provisions - The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

Plan Funding Policy:

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21.2-14 and 45-21-52 (which can be amended by the Rhode Island General Assembly).

General Employee Units:

Active non police and fire members must contribute 2% with COLA of his/her compensation.

Police and Fire Units:

Active police and fire members must contribute 8% with COLA of his/her compensation.

The Town of New Shoreham is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2014 was 18.64%.

Annual Pension Cost:

The Town of New Shoreham's annual pension cost of \$230,273 for MERS was equal to the Town of New Shoreham's required and actual contributions.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 8: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Annual Pension Cost (Continued):

General Employee Unit:

<u>Three Year Trend Information for MERS (amounts in thousands)</u>			
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2014	\$165,528	100%	\$165,528
6/30/2013	176,395	100%	176,395
6/30/2012	259,682	100%	259,682

Police Employee Unit:

<u>Three Year Trend Information for MERS (amounts in thousands)</u>			
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2014	\$64,746	100%	\$64,746
6/30/2013	64,118	100%	64,118
6/30/2012	84,430	100%	84,430

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2013. The actuarial methods and assumptions used in those valuations are summarized in the following table:

**Summary of Actuarial Assumptions Used in the MERS
June 30, 2011 and June 30, 2013 Valuations**

Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
	<u>General Employees</u>
Projected Salary Increases	4.00% to 8.00%
	<u>Police & Fire Employees</u>
	4.25% to 14.25%
Inflation	2.75%

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 8: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Funded Status and Funding Progress

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

General Employees Unit:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	\$5,821,505	\$6,005,567	\$184,062	96.9%	\$2,062,334	8.9 %

Police Employees Unit:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	\$968,964	\$1,462,094	\$493,130	66.3%	\$208,579	236.4%

Defined Contribution Plan

Plan Description:

Employees participating in the defined benefit plan(s), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 8: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan (Continued)

Defined Contribution Plan (Continued)

Plan Funding Policy:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town of New Shoreham is required to contribute 1%. The plan members and Town of New Shoreham contributed \$113,907 and \$22,781, respectively, during the fiscal year ended June 30, 2014.

NOTE 9: Commitments and Contingencies

During 2007, the component unit acquired a partial interest in a fee title ownership of the Kalba property for approximately \$483,000. The remainder of the ownership was acquired by The Nature Conservancy (TNC) for \$490,000, payable in 10 annual installments of \$49,000 plus interest at 6% commencing January 15, 2008. The component unit and TNC entered into an agreement whereby in the event that the component unit pays any or all of the amounts due under TNC's promissory note, the parties will equitably adjust their respective interests in the ownership. In 2014, the component unit made the fifth installment plus interest totaling \$63,700.

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 Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$1,050,000 for the year ended June 30, 2014.

NOTE 10: Fund Balance Classification

	<u>Major Funds</u>		<u>Non-Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>School Department</u>	<u>Special Revenue</u>	<u>Permanent Trust</u>	
Fund Balances:					
Nonspendable:					
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ 191,617	\$ 191,617
In Form	67,056				67,056
Trust fund receivable	4,228,942				4,228,942
Restricted for:					
Bond proceeds for Thomas Property	114,373				114,373
Educational purposes		4,000			4,000
Bond proceeds for Old Harbor Dock			22,809		22,809
Committed to:					
North light purposes	24,829				24,829
Old harbor dock purposes	46,231				46,231
Assigned to:					
Reserve for encumbrances	198,253				198,253
Educational purposes		526,529			526,529
Recreational, library, and other purposes			510,770		510,770
Unassigned:	974,535	(54,606)	-	-	919,929
	<u>\$ 5,654,219</u>	<u>\$ 475,923</u>	<u>\$ 533,579</u>	<u>\$ 191,617</u>	<u>\$ 6,855,338</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 11: Fund Balance Deficits

The following funds had fund balance deficits as of June 30, 2014:

School Improvement	\$	22,674
RTTT Education Effectiveness		658
School Lunch		31,274
	\$	54,606

The School Lunch and RTTT deficits above will be funded via the School Unrestricted Fund or General Fund while the School Improvement Fund will continue to run a deficit until the projects are complete and funding has been obtained.

NOTE 12: Restatement

The following was the restatement at the government-wide level. This includes the adjustments above plus any additional adjustments.

		Government-Wide Financial Statements
		Governmental Activities
Beginning balance, July 1, 2013	\$	24,075,423
To restate discount refunding on discount which was improperly amortized in prior years		(37,397)
Restatement to write off prior years bond issuance costs to be in accordance with GASB 65		(147,016)
Beginning balance, July 1, 2013, restated	\$	23,891,010

NOTE 13: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool Rhode Island Interlocal Risk Management Trust, Inc. (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts.

The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2014.

The Town insures five properties located in Flood Zone A through First American Property & Casualty Insurance Company and the National Flood Insurance Program (NFIP).

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2014

NOTE 13: Risk Management

The Town also participates in the Health Pool (the Pool), a non-profit, public entity risk pool which provides programs of liability, workers' compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. Upon joining the Pool, members execute a member agreement. That document, pursuant to which the Pool was established and operates, outlines the rights and responsibilities of both the members and the Pool. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI). The Pool sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are deposited into the pool and are used to pay for claims, reinsurance and all administrative expenses.

NOTE 14: Litigation

The Town is a party to various claims, legal actions, and complaints. It is not presently possible to determine the outcome of these cases; as a result, no liability has been recorded in the financial statements. In the opinion of the Town's management and Town Solicitor, these matters are not anticipated to have a material financial impact on the Town.

NOTE 15 Subsequent Events

Management has evaluated subsequent events through December 9, 2014, the date the financial statements were available to be issued. No subsequent events were identified.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2014

	Original Budget			Actual	Encumbrances Carried To FY 15	Variance Favorable (Unfavorable)
	Encumbrances Carried to FY 14	Budget As Adopted	Total Available			
Revenues:						
Taxes	\$ -	\$ 8,818,603	\$ 8,818,603	\$ 8,652,018	\$ -	\$ (166,585)
Intergovernmental		821,816	821,816	970,692		148,876
Licenses, permits, and fees		372,668	372,668	472,113		99,445
Interest and investment		4,000	4,000	3,684		(316)
Other revenues		1,623,324	1,623,324	1,643,711		20,387
Total revenues		11,640,411	11,640,411	11,742,218		101,807
Expenditures :						
General government	-	1,098,571	1,098,571	1,093,671	8,194	(3,294)
Finance administration		303,742	303,742	308,182		(4,440)
Fire, rescue, and emergency services		279,933	279,933	296,987		(17,054)
Police		640,208	640,208	605,808		34,400
Town highways and maintenance		440,446	440,446	364,030		76,416
State roads		358,424	358,424	356,565		1,859
Harbors		447,396	447,396	513,880		(66,484)
Building official		200,177	200,177	197,392		2,785
Recreation		352,923	352,923	349,237		3,686
Library		468,252	468,252	444,056		24,196
GIS / Technology		134,688	134,688	107,500		27,188
Boards and commissions		165,991	165,991	155,296		10,695
Community support		331,490	331,490	320,088	1,215	10,187
Capital Outlay	93,844	341,482	435,326	259,217	188,844	(12,735)
Debt Service		2,088,311	2,088,311	2,088,557		(246)
Total expenditures	93,844	7,652,034	7,745,878	7,460,466	198,253	87,159
Excess (deficiency) of revenues over expenditures	(93,844)	3,988,377	3,894,533	4,281,752	(198,253)	188,966
Other financing sources and (uses):						
Transfer from component unit		500,916	500,916	500,916		-
Transfer to other funds	-	(4,489,293)	(4,489,293)	(4,489,293)	-	-
	-	(3,988,377)	(3,988,377)	(3,988,377)		-
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (93,844)	\$ -	\$ (93,844)	\$ 293,375	\$ (198,253)	\$ 188,966
Adjutment of budgetary basis to U.S. GAAP				(575,750)		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				(282,375)		
Fund balance, beginning of year				5,936,594		
Fund balance, end of year				\$ 5,654,219		

See notes to the required supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - School Unrestricted

For the Year Ended June 30, 2014

	<u>Original Budget</u>					
	<u>Encumbrances Carried to FY 14</u>	<u>Budget As Adopted</u>	<u>Total Available</u>	<u>Actual</u>	<u>Encumbrances Carried to FY 15</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues						
Federal and State governments	\$ -	\$ 139,863	\$ 139,863	\$ 148,241	\$ -	\$ 8,378
Other revenues	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>40,290</u>	<u>-</u>	<u>(4,710)</u>
Total revenues	<u>-</u>	<u>184,863</u>	<u>184,863</u>	<u>188,531</u>	<u>-</u>	<u>3,668</u>
Expenditures						
Salaries		2,692,001	2,692,001	2,640,695		51,306
Employee benefits		1,056,713	1,056,713	1,016,356		40,357
Purchased services		581,032	581,032	565,062		15,970
Supplies and materials	196	289,210	289,406	276,680	-	12,726
Capital outlay	<u>-</u>	<u>55,200</u>	<u>55,200</u>	<u>52,130</u>	<u>-</u>	<u>3,070</u>
Total expenditures	<u>196</u>	<u>4,674,156</u>	<u>4,674,352</u>	<u>4,550,923</u>	<u>-</u>	<u>123,429</u>
Excess of expenditures over revenues, budgetary basis	<u>(196)</u>	<u>(4,489,293)</u>	<u>(4,489,489)</u>	<u>(4,362,392)</u>	<u>-</u>	<u>127,097</u>
Other financing sources (uses)						
Transfer from Town of New Shoreham	-	4,489,293	4,489,293	4,489,293		-
Appropriations of Unrestricted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>4,489,293</u>	<u>4,489,293</u>	<u>4,489,293</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u><u>(196)</u></u>	<u><u>-</u></u>	<u><u>(196)</u></u>	126,901	<u><u>-</u></u>	<u><u>127,097</u></u>
Adjustment of budgetary basis to U.S. GAAP basis				<u>49,249</u>		
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis				<u>176,150</u>		
Fund balance, beginning of year				<u>350,379</u>		
Fund balance, end of year				<u><u>\$ 526,529</u></u>		

See notes to the required supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - Sewer Enterprise Fund

For the Year Ended June 30, 2014

	Original Budget As Adopted	Additional Appropriations and Transfers	Total Available	Actual	Variance Favorable (Unfavorable)
Revenue:					
Charges for services	\$ 1,116,913	\$ -	\$ 1,116,913	\$ 1,108,145	\$ (8,768)
Interest income	8,000		8,000	8,822	822
Water contract	253,865		253,865	253,865	-
Miscellaneous	<u>48,300</u>	-	<u>48,300</u>	<u>35,325</u>	<u>(12,975)</u>
Total revenue	<u>1,427,078</u>	-	<u>1,427,078</u>	<u>1,406,157</u>	<u>(20,921)</u>
Expenses:					
Personnel services	585,981		585,981	606,460	(20,479)
Purchase of services	264,163		264,163	194,493	69,670
Supplies	109,745		109,745	136,442	(26,697)
Other charges and expenditures	70,600		70,600	30,451	40,149
Capital outlay	40,000		40,000	-	40,000
Debt service	72,293		72,293	72,018	275
Depreciation	<u>400,000</u>	-	<u>400,000</u>	<u>305,218</u>	<u>94,782</u>
Total expenses	<u>1,542,782</u>	-	<u>1,542,782</u>	<u>1,345,082</u>	<u>197,700</u>
Excess (deficiency) of revenues over expenses	<u>(115,704)</u>	-	<u>(115,704)</u>	<u>61,075</u>	<u>176,779</u>
Other financing sources (uses):					
Transfers from retained earnings	190,704		190,704		(190,704)
Transfers between funds	<u>(75,000)</u>	-	<u>(75,000)</u>	-	<u>75,000</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	61,075	<u>\$ 61,075</u>
Adjustments of budgetary basis for US GAAP basis				<u>661,575</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>722,650</u>	
Fund balance, beginning of year				<u>3,960,771</u>	
Fund balance, end of year				<u>\$ 4,021,846</u>	

See notes to the required supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - Water Enterprise Fund

For the Year Ended June 30, 2014

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenue:					
Charges for services	\$ 567,985	\$ -	\$ 567,985	\$ 566,893	\$ (1,092)
Interest income	5,000		5,000	8,432	3,432
Miscellaneous	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>11,469</u>	<u>(8,531)</u>
Total revenues	<u>592,985</u>	<u>-</u>	<u>592,985</u>	<u>586,794</u>	<u>(6,191)</u>
Expenditures:					
Purchase of services	149,396		149,396	99,481	49,915
Supplies	40,000		40,000	39,666	334
Other charges and expenditures	36,500		36,500	20,983	15,517
Depreciation	185,000		185,000	178,860	6,140
Debt service	<u>96,537</u>	<u>-</u>	<u>96,537</u>	<u>95,645</u>	<u>892</u>
Total expenditures	<u>507,433</u>	<u>-</u>	<u>507,433</u>	<u>434,635</u>	<u>72,798</u>
Excess(deficiency) of revenues over expenses	85,552	-	85,552	152,159	66,607
Other financing sources (uses):					
Contributions from Reserves	168,313		168,313	-	(168,313)
Transfers between funds	<u>(253,865)</u>	<u>-</u>	<u>(253,865)</u>	<u>(253,865)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(101,706)	<u>\$ (101,706)</u>
Adjustments of budgetary basis for US GAAP basis				<u>326,793</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>225,087</u>	
Fund balance, beginning of year				<u>3,535,275</u>	
Fund balance, end of year				<u>\$ 3,433,569</u>	

See notes to the required supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Notes to Required Supplementary Information - Reconciliation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

For the Year Ended June 30, 2014

Budget preparation and budgetary basis of accounting:

In accordance with the Town Charter, the Town Manager must present to the Council, not later than the third Monday in March of each year, recommended annual operating and capital budgets for the operations of each department, agency, board and commission of town government whose activities are to be supported in whole or in part by Town funds during the next fiscal year. The School Committee makes such submissions of estimates no later than the first Monday in March. The Town Council schedules at least one public hearing on the budget. The Town Council schedules at least one public hearing on the budget recommendations it receives from the Town Manager, which takes place prior to final Council approval of the Town budgets for submission to the Financial Town Meeting, with whatever changes the Council deems appropriate to be voted no later than the third Monday in April. The electors of the Town assemble annually at a Financial Town Meeting on the first Monday in May for the purpose of approving the budget. The recommended budget must include an appropriation to fund school expenditures in excess of their anticipated revenues as requested by the Superintendent and approved by the School Committee. Estimates of sums expected to become available from federal and state grants for the support of the public schools are to be included in the total requested for school expenditures. The Town Council appropriates these funds for expenditure by the School Committee, and appropriates such additional funds from local tax revenues as may be required to meet the total school budget which the Town Council approves. The School Committee does not have the authority to obligate the Town financially beyond the total budgetary amount voted by the Town Council. The Town Council can change only the total amount of the School Committee's recommended budget. The Town Council can authorize, as required, capital expenditures, grants, and expenditures over a certain dollar amount, as set by ordinance, after the Financial Town Meeting, and oversee implementation of budget proposals.

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States of America (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include reappropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed. Enterprise fund budgetary expenses include expenses for fixed asset additions, debt service issuance costs and debt service principal payments not recognized under U.S. GAAP but exclude depreciation and amortization, U.S. GAAP basis expenses.

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department. Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by three of the five-member Town Council. The Town Council may authorize other over-expenditures of certain appropriations, which were due to circumstances that could not be anticipated in budget preparations provided that the over-expenditures do not exceed the total budget amount for the fiscal year.

The Town Council is authorized to expend grant funds applied for and awarded to the Town, and, to the extent proceeds from grants exceed the amount budgeted by the Town, the Town Treasurer is authorized with the advice and consent of the Town Council to expend these excess proceeds for the purposes designated in the grant.

See independent auditors' report

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Notes to Required Supplementary Information -
Reconciliation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>School Unrestricted</u>	<u>Sewer</u>	<u>Water</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 293,375	\$ 126,901	\$ 61,075	\$ (101,706)
Unbudgeted grant revenues	90,056	-	647,760	284,541
Unbudgeted grant expenditures	(125,644)	-	-	-
Unbudgeted one time hurricane relief contingency expenditures	(254,179)	-	-	-
Budgeted health insurance payment not included on governmental fund statement	-	16,294	-	-
Budgeted Pension not included on governmental funds statement	-	-	-	-
State contribution to teachers' pension plan revenue on behalf	-	153,791	-	-
State contribution to teacher's pension plan expense on behalf	-	(153,791)	-	-
Budgeted restricted revenue (school lunch)	-	(50,162)	-	-
Budgeted restricted expenses (school lunch)	-	83,117	-	-
Budgeted debt principal not considered an expense on full accrual statements	-	-	13,815	42,252
Budgeted principal for Block Island Land Trust bond which offsets note payable	(357,228)	-	-	-
Increase (decrease) in 60 day accrual	<u>71,245</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (282,375)</u>	<u>\$ 176,150</u>	<u>\$ 722,650</u>	<u>\$ 225,087</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Schedules of Funding Progress (Unaudited)

For the Year Ended June 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<i>Municipal Employees Retirement System, Police</i>						
June 30, 2013	968,964	1,462,094	493,130	66.27%	208,579	236.42%
June 30, 2012	947,945	1,488,538	540,593	63.68%	227,275	237.86%
June 30, 2011	907,407	1,397,245	489,838	64.94%	262,941	186.29%
<i>Municipal Employees Retirement System, Other</i>						
June 30, 2013	5,821,505	6,005,567	184,062	96.94%	2,062,334	8.92%
June 30, 2012	5,452,997	5,459,677	6,680	99.88%	2,099,553	0.32%
June 30, 2011	5,031,517	5,176,585	145,068	97.20%	2,094,541	6.93%

(1) N/A not available

(2) The latest actuarial valuation for the plan is as of June 30, 2013

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Schedule of Employer Contributions (Unaudited)

For the Year Ended June 30, 2014

Pension Plan

Fiscal Year	Annual Required Contribution	Actual Contributions	Percentage Contributed
2014	\$ 165,528	\$ 165,528	100.00%
2013	176,395	176,395	100.00%
2012	259,682	259,682	100.00%

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Tax Collector's Annual Report

For the Year Ended June 30, 2014

Real estate and personal property tax receivable:

<u>Tax Roll Year</u>	<u>Balance July 1, 2013</u>	<u>Assessment</u>	<u>Abatements Refunds</u>	<u>Transfers</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance June 30, 2014</u>
2013	\$ -	\$ 8,727,159	\$ (2,257)	\$ 583	8,725,485	\$ 8,418,286	307,199
2012	221,145	-	10	5,322	226,477	170,217	56,260
2011	1,588		(17)		1,571	521	1,050
2010	561				561	74	487
2009	553				553	5	548
2008	3,438				3,438	14	3,424
2007	495			2	497	12	485
2006	1,231				1,231	-	1,231
2005	428				428	-	428
2004	634		-	(579)	55	-	55
2003	166		-		166	-	166
2002	1,252		-		1,252	-	1,252
2001	1,079		-		1,079	-	1,079
2000 and prior	<u>4,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,771</u>	<u>-</u>	<u>4,771</u>
	<u>\$ 237,341</u>	<u>\$ 8,727,159</u>	<u>\$ (2,264)</u>	<u>\$ 5,328</u>	<u>\$ 242,079</u>	<u>\$ 8,589,129</u>	<u>\$ 378,435</u>
						Less reserve for abatements	<u>(40,000)</u>
							<u>\$ 338,435</u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Tax Collector's Annual Report

For the Year Ended June 30, 2014

Schedule of most recent net assessed property value by category:

<u>Description of property</u>	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 1,664,059,848	\$ 8,559,226
Motor vehicles	18,708,869	144,125
Tangible personal	<u>3,924,681</u>	<u>20,583</u>
Total	1,686,693,398	8,723,934
Exemptions	<u>25,138,817</u>	<u>-</u>
Current year assessment	<u>\$ 1,661,554,581</u>	<u>\$ 8,723,934</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 8,471,120
Revenue collected within 60 days subsequent to year ended June 30, 2014	<u>160,062</u>
	8,631,182
Prior year revenue received in current year	<u>(88,817)</u>
Current year real estate and personal property tax revenue	<u>\$ 8,542,365</u>

See independent auditors' report

OWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Combining Balance Sheet - Non Major Governmental Funds

June 30, 2014

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and investments	\$ 532,368	\$ 182,742	\$ 715,110
Federal and state grants receivable	4,497		4,497
Due from other funds	<u>-</u>	<u>8,875</u>	<u>8,875</u>
Total assets	<u>536,865</u>	<u>191,617</u>	<u>728,482</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 536,865</u>	<u>\$ 191,617</u>	<u>\$ 728,482</u>
Liabilities			
Accounts payable and accrued expenses	\$ 1,837	\$ -	\$ 1,837
Due to other funds	<u>1,449</u>	<u>-</u>	<u>1,449</u>
Total liabilities	<u>3,286</u>	<u>-</u>	<u>3,286</u>
Deferred inflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance			
Nonspendable		191,617	191,617
Restricted	22,809		22,809
Committed			-
Assigned	510,770		510,770
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>533,579</u>	<u>191,617</u>	<u>725,196</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 536,865</u>	<u>\$ 191,617</u>	<u>\$ 728,482</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Non Major Governmental Funds

For the Year Ended June 30, 2014

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Federal and state grant income	\$ 13,492	\$ -	\$ 13,492
Other revenue	149,822	8,875	158,697
Investment income	<u>591</u>	<u>276</u>	<u>867</u>
Total revenue	<u>163,905</u>	<u>9,151</u>	<u>173,056</u>
Expenditures			
Education			-
Recreation, library, and other	<u>72,868</u>	<u>-</u>	<u>72,868</u>
Total Expenditures	<u>72,868</u>	<u>-</u>	<u>72,868</u>
Excess (deficiency) of revenues over expenditures	91,037	9,151	100,188
Other financing sources (uses)			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over expenditures and other uses	91,037	9,151	100,188
Fund balance, July 1, 2013	<u>442,542</u>	<u>182,466</u>	<u>625,008</u>
Fund balance, June 30, 2014	<u><u>\$ 533,579</u></u>	<u><u>\$ 191,617</u></u>	<u><u>\$ 725,196</u></u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Combining Balance Sheet - School Department

June 30, 2014

	School Unrestricted	School Restricted			Total School Department Funds
		School Special Revenue	Capital Projects	School Lunch	
Assets					
Cash and investments	\$ 481,890	\$ -	\$ -	\$ 12,045	\$ 493,935
Receivables, other	2,251				2,251
Due from state and federal government	2,076	2,912		1,539	6,527
Due from Town of New Shoreham	314,085	94,103			408,188
Due from other funds	147,254	-	-	-	147,254
Total assets	<u>947,556</u>	<u>97,015</u>	<u>-</u>	<u>13,584</u>	<u>1,058,155</u>
Deferred outflows of resources					
None	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 947,556</u>	<u>\$ 97,015</u>	<u>\$ -</u>	<u>\$ 13,584</u>	<u>\$ 1,058,155</u>
Liabilities					
Accounts payable and accrued expenses	\$ 417,956	\$ 82	\$ -	\$ 9,868	\$ 427,906
Due to other funds	3,071	93,591	22,674	34,990	154,326
Total liabilities	<u>421,027</u>	<u>93,673</u>	<u>22,674</u>	<u>44,858</u>	<u>582,232</u>
Deferred inflows of resources					
None	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balance					
Restricted		4,000			4,000
Assigned	526,529				526,529
Unassigned	-	(658)	(22,674)	(31,274)	(54,606)
Total fund balance	<u>526,529</u>	<u>3,342</u>	<u>(22,674)</u>	<u>(31,274)</u>	<u>475,923</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 947,556</u>	<u>\$ 97,015</u>	<u>\$ -</u>	<u>\$ 13,584</u>	<u>\$ 1,058,155</u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - School Department

For the Year Ended June 30, 2014

	<u>School Restricted</u>				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Revenues					
Federal and state grant income	\$ 137,342	\$ 81,660	\$ -	\$ 10,898	\$ 229,900
Other revenue	1,027	5,000		39,263	45,290
State contribution to teachers' pension plan	<u>153,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,791</u>
Total revenue	<u>292,160</u>	<u>86,660</u>	<u>-</u>	<u>50,161</u>	<u>428,981</u>
Expenditures					
Education	<u>4,605,303</u>	<u>83,318</u>	<u>22,674</u>	<u>83,118</u>	<u>4,794,413</u>
Total Expenditures	<u>4,605,303</u>	<u>83,318</u>	<u>22,674</u>	<u>83,118</u>	<u>4,794,413</u>
Excess (deficiency) of revenues over expenditures	(4,313,143)	3,342	(22,674)	(32,957)	(4,365,432)
Other financing sources (uses):					
Transfers in	4,489,293				4,489,293
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,489,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,489,293</u>
Excess of revenue and other sources over expenditures and other uses	176,150	3,342	(22,674)	(32,957)	123,861
Fund balance, July 1, 2013	<u>350,379</u>	<u>-</u>	<u>-</u>	<u>1,683</u>	<u>352,062</u>
Fund balance, June 30, 2014	<u>\$ 526,529</u>	<u>\$ 3,342</u>	<u>\$ (22,674)</u>	<u>\$ (31,274)</u>	<u>\$ 475,923</u>

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