

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

TOWN OF PORTSMOUTH, RHODE ISLAND

YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE(S)</u>
<b>FINANCIAL SECTION:</b>		
Independent Auditors' Report.....		1 – 2
Management's Discussion and Analysis .....		3 – 9
<b>Basic Financial Statements:</b>		
<b>Government-wide Financial Statements:</b>		
Statement of Net Position.....	A-1	10
Statement of Activities.....	A-2	11
<b>Fund Financial Statements:</b>		
<b>Governmental Funds:</b>		
Balance Sheet and Reconciliation Schedule (A-1 to B-1).....	B-1	12 – 13
Statement of Revenues, Other Financing Sources, Expenditures and Other Financing Uses, and Changes in Fund Balances .....	B-2	14
Reconciliation Schedule (A-2 to B-2) .....	B-3	15
<b>Proprietary Funds:</b>		
Statement of Net Position.....	C-1	16
Statement of Revenues, Expenses and Changes in Net Position .....	C-2	17
Statement of Cash Flows .....	C-3	18
<b>Fiduciary Funds:</b>		
Statement of Fiduciary Net Position .....	D-1	19
Statement of Changes in Fiduciary Net Position.....	D-2	20
<b>Notes to Financial Statements</b> .....		21 – 63
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule for the General Fund .....	E-1	64 – 65
Budgetary Comparison Schedule for the School Unrestricted Fund.....	E-2	66
Budgetary to GAAP Basis Reconciliation .....	E-3	67-68
Schedule of Funding Progress for Pension Plan and for Other Post Employment Benefits	E-4	69
Schedule of Employer Contributions for Pension Plan and for Other Post Employment Benefits .....	E-5	70
Notes to Schedule of Employer Contributions for Pension Plan and for Other Post Employment Benefits .....	E-6	71
Schedule of Changes in Net Pension Liability.....	E-7	72
Schedule of Contributions .....	E8	73
Annual Money-Weighted Rate of Return.....	E9	74

(CONTINUED)

TOWN OF PORTSMOUTH, RHODE ISLAND

YEAR ENDED JUNE 30, 2014

---

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE(S)</u>
<b>FINANCIAL SECTION (CONTINUED):</b>		
<b>Other Supplementary Information:</b>		
<b>Non-major Governmental Funds:</b>		
Combining Balance sheet – Town General Fund and School Unrestricted Fund.....	F - 1	75
Combining Statement of Revenues, Other Financing Sources, Expenditures and Other Financing Uses and Changes in Fund Balance – Town General Fund and School Unrestricted Fund.....	F - 2	76
Combining Balance sheet – Non-Major Governmental Funds.....	G - 1	77
Combining Statement of Revenues, Other Financing Sources, Expenditures and Other Financing Uses and Changes in Fund Balance – Non-Major Governmental Funds .....	G - 2	78
<b>Agency Funds:</b>		
Combining Statement of Changes in Assets and Liabilities-Town Activities.....	H - 1	79
Combining Statement of Changes in Assets and Liabilities- School Activities .....	H - 2	80
<b>General Fund:</b>		
Schedule of Property Taxes Receivable .....	I - 1	81

# **FINANCIAL SECTION**

This Section contains the Following Subsections:

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Town Council  
Town of Portsmouth, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Portsmouth, Rhode Island 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.

**Auditors' 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 auditors' 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, each major fund, and the aggregate remaining fund information of the Town of Portsmouth, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress and Schedule of Employer Contributions for Pension Plans, and the Schedule of Funding Progress and Schedule of Employer Contributions for OPEB Plans, Changes in Net Pension Liability and Related Ratios, Contributions and Investment Returns on Pages 3 through 9, Pages 64 through 74, respectively, 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 Portsmouth, Rhode Island's basic financial statements. The combining town general fund and school unrestricted fund financials statements, the combining nonmajor fund financial statements, the combining agency fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining town general fund and school unrestricted fund financials statements, the combining nonmajor fund financial statements, the combining agency fund financial statements and other supplementary information 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, combining town and school general fund financials statements, the combining nonmajor fund financial statements, the combining agency fund financial statements and other supplementary information are 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 February 25, 2015, on our consideration of the Town of Portsmouth, Rhode Island's 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 the Town of Portsmouth, Rhode Island's internal control over financial reporting and compliance.

*Marcum LLP*

Providence, Rhode Island  
February 25, 2015

## Management's Discussion and Analysis

As management of the Town of Portsmouth, Rhode Island (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of 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 the Town's basic financial statements that follow this section.

### Financial Highlights

The Town of Portsmouth's total net position for the fiscal year ended June 30, 2014 were \$23,044,004 which is an increase of \$1,887,704 over the fiscal year ended June 30, 2013. Net assets at June 30, 2014 included \$17,959,643 investment in capital assets, an increase of \$4,039,565 over June 30, 2013; \$41,468 of restricted net assets at June 30, 2014, a decrease of \$748 over June 30, 2013 and \$5,042,893 of unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors, a decrease of \$2,151,113 over June 30, 2013.

- Total assets and deferred outflows of resources at June 30, 2014 were \$48,798,153, which is an increase of \$650,237 or 1.35% over June 30, 2013.
- Total liabilities at June 30, 2014 were \$25,754,149, which is a decrease of \$1,041,699 or 3.9% over June 30, 2013.
- The government's total net position increased by \$1,887,704.
- As of the close of the current fiscal year, the Town of Portsmouth's governmental funds reported combined ending fund balances of \$10,855,019 which is a decrease of \$1,576,335 from June 30, 2013. Approximately 72 percent of this total amount or \$7,767,295 is available for spending at the government's discretion (committed, assigned or unassigned fund balance).
- At the end of the current fiscal year, fund balance for the general fund (excluding the school general fund per schedule F-1 on page 74) was \$6,616,331 or 11.4 percent of the Fiscal Year 2014-15 Adopted Expenditure Budget of \$57,878,383. This represents an increase of \$755,329 over June 30, 2013.
- The Town of Portsmouth's total long-term and short-term obligations (i.e., general obligation bonds, capital leases, notes payable, compensated absences, net pension obligation and OPEB liabilities) decreased by \$1,041,669 (3.9 percent) during the current fiscal year. The key factors in this decrease were the increase in net pension and OPEB obligation of \$1,489,638, the retirement of \$1,607,138 in general obligation bonds and decrease in combination of accounts payable and accrued expenses.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 statement of net position presents information on all of the Town's assets, deferred outflows of resources and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement

for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of a government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, education and community services. The Town has four business-type activities. These include the School Lunch Fund, Summer School Fund, Wind Turbine Generator Fund and the Transfer Station Fund.

The government-wide financial statements include only the activities of the Town of Portsmouth. There are no component units within the Town's jurisdiction.

The government-wide financial statements can be found on pages 10-11 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 legal requirements. All of the funds of the Town can be divided into three categories, governmental funds, fiduciary funds and proprietary funds.

**Governmental 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 funds with similar 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 of Portsmouth maintains one hundred and two individual governmental funds. 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 the school unrestricted funds, which are considered to be major funds. Data from the other one hundred governmental funds are combined into a single, aggregated presentation.

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

**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. The proprietary funds of the Town are considered major funds. The Town has no internal service funds. The Wind Turbine Generator enterprise fund has generated net income of approximately \$400,000 in its first three years of operation. However, in June 2012, the gearbox failed and the wind turbine has not been operational. The Town has entered into a public/private partnership to restore the wind turbine to an operational status. See note 17 on page 63)

The basic proprietary fund financial statements can be found on pages 16-18 of this report.



**Fiduciary funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 basic fiduciary fund financial statements can be found on pages 19-20 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-63 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. It presents schedules detailing certain pension and OPEB information, as well as budgetary comparison schedules for the General Fund and the School Department to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 63-68 of this report.

Note 12, found on page 55, disclose the Annual Pension Cost and Net Pension Obligation. In FY 2013 and 2014 the Town started negotiations with its unions to address pension reform. The Town's budgeted based on unions accepting pension reform and not the actuary prepared report. For this reason Note 12 shows that the Town's contribution had a shortfall of \$884,624 for FY 14. As of June 30, 2014, all union and non union employees except for the Police Union had accepted pension reform that resulted in significant savings and is reflected in future actuarially reports.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Portsmouth, assets exceeded liabilities by \$23,044,004 at the close of the most recent fiscal year, as compared to assets exceeding liabilities by \$21,352,098 at the close of the previous fiscal year.

A portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire these assets that is still outstanding. The current year's figure for invested in capital assets, net of related debt is \$17,959,643.

**Town of Portsmouth Net Assets**  
**June 30, 2014**

	Governmental activities		Business-type Activities		Total		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
Current and other assets	\$ 15,381,021	\$ 16,886,411	\$ 236,841	\$ 287,992	\$ 15,617,862	\$ 17,174,403	\$ 1,556,541	9.1%
Capital Assets	30,286,698	27,840,305	2,704,534	2,718,500	32,991,232	30,558,805	(2,432,427)	-8.0%
<b>Total Assets</b>	<b>45,667,719</b>	<b>44,726,716</b>	<b>2,941,375</b>	<b>3,006,492</b>	<b>48,609,094</b>	<b>47,733,208</b>	<b>(875,886)</b>	<b>-1.8%</b>
Deferred outflow of resources	189,059	218,910			189,059	218,910	29,851	13.6%
Long-term liabilities outstanding	20,146,397	19,918,026	1,926,325	2,160,212	22,072,722	22,078,238	\$ 5,516	0.0%
Other Liabilities	3,550,818	4,071,833	130,609	645,747	3,681,427	4,717,580	1,036,153	22.0%
<b>Total Liabilities</b>	<b>23,697,215</b>	<b>23,989,859</b>	<b>2,056,934</b>	<b>2,805,959</b>	<b>25,754,149</b>	<b>26,795,818</b>	<b>1,041,669</b>	<b>3.9%</b>
<b>Net assets:</b>								
Invested in capital assets	17,181,434	13,361,790	778,209	558,288	17,959,643	13,920,078	(4,039,565)	-29.0%
Restricted	-	-	41,468	42,216	41,468	42,216	748	1.8%
Unrestricted	4,978,129	7,593,977	64,764	(399,971)	5,042,893	7,194,006	2,151,113	29.9%
<b>Total Net Position</b>	<b>\$ 22,159,563</b>	<b>\$20,955,767</b>	<b>\$884,441</b>	<b>\$200,533</b>	<b>\$23,044,004</b>	<b>\$21,156,300</b>	<b>(\$1,887,704)</b>	<b>-8.9%</b>

**Governmental activities** Governmental activities increased Portsmouth's net position by \$1,887,704.

**Town of Portsmouth Changes in Net Position  
June 30, 2014**

	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2014	2013	2014	2013	2014	2013		
Revenues:								
Program revenues:								
Charges for services	\$4,033,148	\$3,934,831	\$1,054,618	\$1,064,338	\$5,087,766	\$4,999,169	\$88,597	1.8%
Operating grants and contributions	2,872,433	2,640,398	200,640	181,779	3,073,073	2,822,177	250,896	8.9%
Capital grants and contributions	115,000	106,790			115,000	106,790	8,210	7.7%
General revenues:								
Property taxes and payments in lieu of taxes	47,965,049	46,517,787			47,965,049	46,517,787	1,447,262	3.1%
State Aid, unrestricted	6,778,745	7,005,457			6,778,745	7,005,457	(226,712)	-3.2%
Investment and interest income	13,792	(123,492)	13	15	13,805	(123,477)	137,282	-111.2%
Other revenues	1,678,576	719,182			1,678,576	719,182	959,394	133.4%
Transfers	(788,063)		788,063			-	-	
Total revenues	62,668,680	60,800,953	2,043,334	1,246,132	64,712,014	62,047,085	2,664,929	4.3%
Expenses:								
General government	5,992,387	5,022,256			5,992,387	5,022,256	970,131	19.3%
Public safety	9,860,969	9,606,117			9,860,969	9,606,117	254,852	2.7%
Public services	2,870,292	3,120,357			2,870,292	3,120,357	(250,065)	-8.0%
Community services	1,376,200	1,045,438			1,376,200	1,045,438	330,762	31.6%
Education	38,316,994	39,516,556			38,316,994	39,516,556	(1,199,562)	-3.0%
Interest on long-term debt	466,731	588,161			466,731	588,161	(121,430)	-20.6%
Capital outlay	2,551,458	106,499			2,551,458	106,499	2,444,959	2295.8%
Amortization expense	29,851	50,501			29,851	50,501	(20,650)	-40.9%
School lunch fund			644,770	649,650	644,770	649,650	(4,880)	-0.8%
Transfer station fund			539,373	513,140	539,373	513,140	26,233	5.1%
Wind turbine generator fund			155,319	99,702	155,319	99,702	55,617	55.8%
Non-major funds			19,964	19,938	19,964	19,938	26	0.1%
Total expenses	61,464,882	59,055,885	1,359,426	1,282,430	62,824,308	60,338,315	2,485,993	4.1%
Change in Net Position	1,203,798	1,745,068	683,908	(36,298)	1,887,706	1,708,770	178,936	10.5%
Net Position - beginning of year , restated	20,955,767	19,210,699	200,533	236,831	21,156,300	19,447,530	1,708,770	8.8%
Net Position- end of year	\$22,159,565	\$20,955,767	\$884,441	\$200,533	\$23,044,006	\$21,156,300	\$1,887,706	8.9%

## Financial Analysis of the Government's Funds

As noted earlier, Portsmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** The focus of Portsmouth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Portsmouth's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, Portsmouth's governmental funds reported a combined ending fund balance of \$10,855,019, a decrease of \$1,576,338 in comparison with the prior year's fund balance. Most of this total amount, \$9,331,025 constitutes committed, assigned or unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable or restricted to indicate that it is not available for new spending because it is not in spendable form or it is subject to external restrictions.

The General Fund is the operating fund of the Town of Portsmouth. At the end of the current fiscal year, committed, assigned and unassigned fund balance of the General Fund was \$9,827,189, while total fund balance reached \$10,057,799. As a measure of the General Fund's liquidity, it may be useful to compare committed, assigned and unassigned fund balances and total fund balance to total fund expenditures. Committed, assigned and unassigned fund balances and total fund balance represent 16.98 and 17.38 percent of total general fund budgeted expenditures, respectively, which includes funds transferred to the School Department.

The fund balance of Portsmouth's General Fund increased by \$216,060 during the current fiscal year.

### General Fund Budgetary Highlights

Actual revenues at June 30, 2014 were more than budgeted amounts by \$202,795. The principal reason for this was greater than anticipated police detail, ambulance and other revenue items. Tax Revenue and Department Revenue (licenses & permits were below budget as a slow construction cycle and lower than anticipation collection of past due taxes. These two items were \$483,125 and \$421,215 below budgeted amounts.

Actual expenditures were less than budgeted amounts by \$33,052. Increased overtime resulting in budget overage of \$483,133 in public safety was off set by savings in other departments and \$335,626 in debt service.

### Special Revenue Fund Budgetary Highlights (School Department)

In the 2013-2014 fiscal year, School Department net revenues were less than budgeted amounts by \$52,925.

Actual expenditures were less than budgeted amounts by \$1,052,380. The principal reasons for this were savings in special education tuitions, health care costs and less than expected professional development expenditures.

### Capital Asset and Debt Administration

**Capital Assets** The Town of Portsmouth's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$30,286,698 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, buildings, building improvements, furniture and equipment, construction equipment and vehicles. Current year additions for general infrastructure assets are also included. The total increase in the Town's investment in governmental activity capital assets for the current fiscal year was \$2,446,393.

**Long-term Debt** At the end of the current fiscal year, the Town of Portsmouth had total bonded debt outstanding of \$14,900,507, entirely backed by the full faith and credit of the Town. This includes \$1,100,000 incurred in Fiscal Year 2013-14.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of the net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2014 the Town had a debt limit of \$92,283,048, which significantly exceeds the Town's outstanding general debt.

The Town of Portsmouth maintains an "AAA" rating from Standard & Poor's Ratings Service on its general obligation debt.

Additional information on the Town of Portsmouth's long-term debt can be found in Note #7 on pages 40-41 of this report.

**Requests for Information**

This report is designed to provide a general overview of the Town of Portsmouth's financial results. Questions concerning any of the information provided in this report for requests for additional financial information should be addressed to the Finance Director, Portsmouth Town Hall, 2200 East Main Road, Portsmouth, RI 02871.

TOWN OF PORTSMOUTH, RHODE ISLANDStatement of Net Position  
June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 11,066,917	\$ 128,158	\$ 11,195,075
Cash on deposit at NCRSEP	840,032		840,032
Investments	140,454		140,454
Real estate and personal property tax receivable, net	1,892,832		1,892,832
Ambulance receivables	320,131		320,131
Due from federal and state governments	807,536	11,929	819,465
Internal balances	(47,001)	47,001	-
Inventories	31,236	19,156	50,392
Prepaid expenditures	199,374		199,374
Other receivables, net	129,510	30,597	160,107
<b>Total Current Assets</b>	<b>15,381,021</b>	<b>236,841</b>	<b>15,617,862</b>
<b>Noncurrent Assets:</b>			
Capital assets (non-depreciable)	7,161,488	37,251	7,198,739
Capital assets (net of depreciation)	23,125,210	2,667,283	25,792,493
<b>Total Non-Current Assets</b>	<b>30,286,698</b>	<b>2,704,534</b>	<b>32,991,232</b>
<b>TOTAL ASSETS</b>	<b>45,667,719</b>	<b>2,941,375</b>	<b>48,609,094</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	189,059		189,059
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>189,059</b>	<b>-</b>	<b>189,059</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	2,254,767	126,411	2,381,178
Accrued interest payable	84,112	4,198	88,310
Accrued expenses	848,048		848,048
Current portion of long-term debt	2,628,804	234,026	2,862,830
<b>Total Current Liabilities</b>	<b>5,815,731</b>	<b>364,635</b>	<b>6,180,366</b>
<b>Noncurrent Liabilities:</b>			
Unearned revenue	363,891	-	363,891
Accrued compensated absences	1,647,168		1,647,168
Net OPEB obligation	4,509,341		4,509,341
Net pension obligation	884,624		884,624
Long-term liabilities (net)	10,476,460	1,692,299	12,168,759
<b>Total Noncurrent Liabilities</b>	<b>17,881,484</b>	<b>1,692,299</b>	<b>19,573,783</b>
<b>TOTAL LIABILITIES</b>	<b>23,697,215</b>	<b>2,056,934</b>	<b>25,754,149</b>
<b>NET POSITION</b>			
Net investment in capital assets	17,181,434	778,209	17,959,643
Restricted for specific programs		41,468	41,468
Unrestricted	4,978,129	64,764	5,042,893
<b>TOTAL NET POSITION</b>	<b>\$ 22,159,563</b>	<b>\$ 884,441</b>	<b>\$ 23,044,004</b>

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

TOWN OF PORTSMOUTH, RHODE ISLAND

A-2

**Statement of Activities  
For the year ended June 30, 2014**

<i>Functions/Programs</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>								
General government	\$ 5,992,387	\$ 207,860	\$ 292,600	\$ -	\$ (5,491,927)		\$ (5,491,927)	
Public safety	9,860,970	1,928,936	51,093		(7,880,941)		(7,880,941)	
Public services	2,870,292			115,000	(2,755,292)		(2,755,292)	
Education	38,316,994	1,284,080	2,477,841		(34,555,073)		(34,555,073)	
Community service	1,376,200	612,272	50,899		(713,029)		(713,029)	
Capital outlay	2,551,459				(2,551,459)		(2,551,459)	
Interest on long-term debt	466,731				(466,731)		(466,731)	
Amortization expense	29,851				(29,851)		(29,851)	
<b>Total governmental activities</b>	<b>61,464,884</b>	<b>4,033,148</b>	<b>2,872,433</b>	<b>115,000</b>	<b>(54,444,303)</b>		<b>(54,444,303)</b>	
<b>Business-type Activity:</b>								
School lunch fund	644,770	474,039	200,640			\$ 29,909	29,909	
Transfer station	539,373	567,679				28,306	28,306	
Wind turbine generator fund	155,319	-				(155,319)	(155,319)	
Non-major funds	19,964	12,900				(7,064)	(7,064)	
<b>Total business type activity</b>	<b>1,359,426</b>	<b>1,054,618</b>	<b>200,640</b>			<b>(104,168)</b>	<b>(104,168)</b>	
<b>Totals</b>	<b>\$ 62,824,310</b>	<b>\$ 5,087,766</b>	<b>\$ 3,073,073</b>	<b>\$ 115,000</b>	<b>(54,444,303)</b>	<b>(104,168)</b>	<b>(54,548,471)</b>	
General revenues:								
Property taxes and payments in lieu of taxes					47,965,049		47,965,049	
State aid, unrestricted					6,778,745		6,778,745	
Investment and interest income (loss)					13,792	13	13,805	
Other revenues					1,678,576		1,678,576	
Transfers					(788,063)	788,063	0	
					<b>55,648,099</b>	<b>788,076</b>	<b>56,436,175</b>	
					<b>Change in Net Position</b>	<b>1,203,796</b>	<b>683,908</b>	<b>1,887,704</b>
					<b>Net Position - beginning of year, restated</b>	<b>20,955,767</b>	<b>200,533</b>	<b>21,156,300</b>
					<b>Net Position - ending of year</b>	<b>\$ 22,159,563</b>	<b>\$ 884,441</b>	<b>\$ 23,044,004</b>

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

**TOWN OF PORTSMOUTH, RHODE ISLAND**

B-1

**Balance Sheet  
Governmental Funds  
June 30, 2014**

	General Fund	Town Capital Project Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 9,558,263	\$ 1,072,009		\$ 436,645	\$ 11,066,917
Cash on deposit at NCRSEP	840,032				840,032
Investments	-			140,454	140,454
Real estate and personal property tax receivable (net)	1,892,832				1,892,832
Due from federal and state governments	339,734			467,802	807,536
Due from other funds	5,023,920	162,946	\$ 3,568,469	1,640,609	10,395,944
Ambulance receivable	410,848				410,848
Other receivables	116,631			12,879	129,510
Inventory	31,236				31,236
Prepaid expenditures	199,374				199,374
<b>TOTAL ASSETS</b>	<b>\$ 18,412,870</b>	<b>\$ 1,234,955</b>	<b>\$ 3,568,469</b>	<b>\$ 2,698,389</b>	<b>\$ 25,914,683</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 863,992	\$ 138,511	\$ 750,694	\$ 52,496	\$ 1,805,693
Accrued expenses	136,715			11,333	148,048
Due to other funds	5,055,277	2,075,077	1,538,692	1,773,899	10,442,945
Unearned revenue	-			363,891	363,891
Other liabilities	449,074				449,074
<b>TOTAL LIABILITIES</b>	<b>6,505,058</b>	<b>2,213,588</b>	<b>2,289,386</b>	<b>2,201,619</b>	<b>13,209,651</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable property tax revenue	1,439,165				1,439,165
Unavailable Ambulance revenue	410,848				410,848
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,850,013</b>				<b>1,850,013</b>
<b>FUND BALANCES:</b>					
Non-spendable	230,610			146,218	376,828
Restricted			1,279,083	1,431,813	2,710,896
Committed	3,441,468			107,908	3,549,376
Assigned	309,378				309,378
Unassigned	6,076,343	(978,633)		(1,189,169)	3,908,541
<b>TOTAL FUND BALANCES</b>	<b>10,057,799</b>	<b>(978,633)</b>	<b>1,279,083</b>	<b>496,770</b>	<b>10,855,019</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 18,412,870</b>	<b>\$ 1,234,955</b>	<b>\$ 3,568,469</b>	<b>\$ 2,698,389</b>	<b>\$ 25,914,683</b>

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



TOWN OF PORTSMOUTH, RHODE ISLAND

B-1(Continued)

*Reconciliation of the Governmental Funds Balance Sheet (B-1)  
to the Government-Wide Statement of Net Assets (A-1)  
June 30, 2014*

---

<b>TOTAL FUND BALANCES - Total Governmental Funds (B-1)</b>	\$ 10,855,019
<b>Amounts reported for governmental activities in the statement of net assets differ because:</b>	
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	
Depreciable capital assets, net of accumulated depreciation	23,125,210
Nondepreciable capital assets	7,161,488
Other long-term assets are recognized as revenue in the period for which they are billed in the Government-Wide financial statements, but are reported as unearned revenue (a liability) in Governmental Fund financial statements.	
Unavailable property tax revenue	1,439,165
Unavailable ambulance revenue	410,848
Allowance for doubtful accounts for ambulance receivables are not recorded in the Governmental Fund financial statements because they are offset by unearned revenue.	(90,717)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(84,112)
Claims and judgments do not require current financial resources. Therefore, additional accrued expenses are not reported as a liability in Governmental Funds Balance Sheet.	(700,000)
Deferred gain on refunding and premium on bonds are deferred and amortized over the life of the related debt in the Government-Wide Financial Statements, but are reported as an expenditure and other financing source in the year of issuance in the Governmental Fund financial statements.	189,059
Long-term liabilities (including bonds payable, compensated absences and leases payable) are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.	(14,752,432)
OPEB liability is recorded in the governmental activities, but not recorded in the funds.	(4,509,341)
Pension liability is recorded in the governmental activities, but not recorded in the funds.	(884,624)
<b>Net Position of Governmental Activities</b>	<u><u>\$ 22,159,563</u></u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

B-2

**Statement of Revenues, Other Financing Sources  
Expenditures, Other Financing Uses and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2014**

	General Fund	Town Capital Project Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes and payments in lieu of taxes	\$ 47,580,546	\$ -	\$ -		\$ 47,580,546
State aid and grants	6,778,745			\$ 1,260,279	8,039,024
Licenses, permits and fees	490,585				490,585
Charges for services	1,859,016			70,605	1,929,621
Melville Ponds Campgrounds	219,947				219,947
Glen Manor House	392,325				392,325
Rescue wagon income	788,305				788,305
Fines and forfeitures	314,427				314,427
Interest and investment income	8,026			5,766	13,792
Contributions and private grants				231,073	231,073
Other revenues	665,630		512,500	-	1,178,130
Intergovernmental pension contribution	1,496,081				1,496,081
<b>Total revenues</b>	<b>60,593,633</b>	<b>-</b>	<b>512,500</b>	<b>1,567,723</b>	<b>62,673,856</b>
<b>Expenditures</b>					
<i>Current:</i>					
General government	4,166,454			34,078	4,200,532
Public safety	9,550,836			96,836	9,647,672
Public works	2,207,845			140,956	2,348,801
Education	36,605,793			1,047,970	37,653,763
Community services:					
Public and social services	698,281			56,313	754,594
Park & recreation	496,395				496,395
Intergovernmental pension contribution	1,496,081				1,496,081
<i>Debt Service:</i>					
Principal payments	2,387,229				2,387,229
Interest and debt issuance costs	480,596	27,991		-	508,587
<i>Capital:</i>					
Capital expenditures		2,066,574	1,724,438	1,277,465	5,068,477
<b>Total expenditures</b>	<b>58,089,510</b>	<b>2,094,565</b>	<b>1,724,438</b>	<b>2,653,618</b>	<b>64,562,131</b>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	2,504,123	(2,094,565)	(1,211,938)	(1,085,895)	(1,888,275)
<b>Other financing sources (uses)</b>					
Transfers in	-	135,885	1,000,000	647,014	1,782,899
Transfers out	(2,288,063)	(147,014)		(135,885)	(2,570,962)
Bond proceeds	-	1,100,000		-	1,100,000
<b>Net other financing sources (uses)</b>	<b>(2,288,063)</b>	<b>1,088,871</b>	<b>1,000,000</b>	<b>511,129</b>	<b>311,937</b>
Net change in fund balances	216,060	(1,005,694)	(211,938)	(574,766)	(1,576,338)
<b>Fund balances - beginning of the year</b>	<b>9,841,739</b>	<b>27,061</b>	<b>1,491,021</b>	<b>1,071,536</b>	<b>12,431,357</b>
<b>Fund balances (deficit) - ending of the year</b>	<b>\$ 10,057,799</b>	<b>\$ (978,633)</b>	<b>\$ 1,279,083</b>	<b>\$ 496,770</b>	<b>\$ 10,855,019</b>

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

TOWN OF PORTSMOUTH, RHODE ISLAND

B-3

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (B-2) to the Statement of Activities (A-2)  
For the year ended June 30, 2014**

---

Net change in fund balances - total governmental funds (B-2)	\$ (1,576,338)
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 of capital assets reported in the period.	4,388,663
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental fund statements.	(1,942,270)
Long-term compensated absences is reported in the Government-Wide Statement of Activities and Changes in Net Position, but does not require the use of current financial resources. Therefore, compensated absences is not reported as expenditures in Governmental fund financial statements. This is the change in long-term compensated absences for the year.	(111,984)
Repayment of bonds and capital leases is an expenditure in the Governmental Fund financial statements, but the payments reduce long-term liabilities in the Government-Wide financial statements.	2,440,471
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental Fund financial statements. This is the change in accrued interest for the year.	41,856
Bond proceeds are reported as other financing sources in the Governmental Fund financial statements. However, the proceeds are recorded as long-term liabilities in the Government-Wide financial statements.	(1,100,000)
Amortization of debt premium on bonds and gains on advance refunding are not reflected in Governmental Fund financial statements.	(29,851)
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Fund financial statements.	782,887
Claims and judgments expense is reported in the Government-Wide Statement of Activities and Changes in Net Position, but not reported in the Governmental Fund financial statements.	(200,000)
The increase in pension liability is not recorded in the Governmental Fund. The change from prior year is reflected in the Statement of Activities and Changes in Net Position	(884,624)
The increase in OPEB liability is not recorded in the Governmental Fund. The change from prior year is reflected in the Statement of Activities and Changes in Net Position	(605,014)
<b>Change in net assets of Governmental Activities</b>	<b>\$ <u>1,203,796</u></b>

---

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

**Statement of Net Position  
Proprietary Funds  
June 30, 2014**

	School Cafeteria Fund	Transfer Station	Wind Turbine Generator Fund	Non-major Summer School	Total
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 128,158	\$ -	\$ -		\$ 128,158
Due from other governmental units	11,929				11,929
Due from other funds	267,033	120,207		\$ 7,819	395,059
Accounts receivable		30,597			30,597
Inventory	19,156				19,156
<b>Total current assets</b>	<u>426,276</u>	<u>150,804</u>	<u>-</u>	<u>7,819</u>	<u>584,899</u>
<b>Non-current assets:</b>					
Capital assets:					
Nondepreciable assets		37,251			37,251
Depreciable assets - net	45,788	150,003	2,471,492		2,667,283
<b>Total non-current assets</b>	<u>45,788</u>	<u>187,254</u>	<u>2,471,492</u>	<u>-</u>	<u>2,704,534</u>
<b>TOTAL ASSETS</b>	<u>472,064</u>	<u>338,058</u>	<u>2,471,492</u>	<u>7,819</u>	<u>3,289,433</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	58,003	68,408			126,411
Current portion of long term debt		34,312	199,714		234,026
Accrued interest payable		112	4,086		4,198
Due to other funds	348,058				348,058
<b>Total current liabilities</b>	<u>406,061</u>	<u>102,832</u>	<u>203,800</u>	<u>-</u>	<u>712,693</u>
<b>Non-current liabilities:</b>					
Bonds payable, net of current portion		68,204	1,624,095		1,692,299
<b>Total non-current liabilities</b>	<u>-</u>	<u>68,204</u>	<u>1,624,095</u>	<u>-</u>	<u>1,692,299</u>
<b>TOTAL LIABILITIES</b>	<u>406,061</u>	<u>171,036</u>	<u>1,827,895</u>	<u>-</u>	<u>2,404,992</u>
<b>NET POSITION</b>					
Net investment in capital assets	45,788	84,738	647,683		778,209
Restricted for recycling		41,468			41,468
Unrestricted	20,215	40,816	(4,086)	7,819	64,764
<b>TOTAL NET POSITION</b>	<u>\$ 66,003</u>	<u>\$ 167,022</u>	<u>\$ 643,597</u>	<u>\$ 7,819</u>	<u>\$ 884,441</u>

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

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the year ended June 30, 2014

	School Cafeteria Fund	Transfer Station	Wind Turbine Generator Fund	Non-major Summer School	Total
<b>Operating Revenues:</b>					
Intergovernmental	\$ 200,640				\$ 200,640
Other revenues	474,039		\$ -		474,039
Charges for services		\$ 567,679		\$ 12,900	580,579
<b>Total Operating Revenues</b>	<u>674,679</u>	<u>567,679</u>	<u>-</u>	<u>12,900</u>	<u>1,255,258</u>
<b>Operating Expenses:</b>					
Cafeteria operations	640,265				640,265
Transfer Station operations		530,801			530,801
Wind Turbine Generator operations			130,611		130,611
Education				19,964	19,964
Depreciation and amortization	4,505	8,572			13,077
<b>Total Operating Expenses</b>	<u>644,770</u>	<u>539,373</u>	<u>130,611</u>	<u>19,964</u>	<u>1,334,718</u>
<b>Income from operations</b>	<u>29,909</u>	<u>28,306</u>	<u>(130,611)</u>	<u>(7,064)</u>	<u>(79,460)</u>
<b>Non-operating Revenues (Expenses):</b>					
Interest expense			(24,708)		(24,708)
Interest income	13				13
Transfer in from Town General Fund			710,279		710,279
Transfer in from School General Fund			57,784	20,000	77,784
<b>Net Non-operating Revenues (Expenses)</b>	<u>13</u>	<u>-</u>	<u>743,355</u>	<u>20,000</u>	<u>763,368</u>
<b>Change in net position</b>	<u>29,922</u>	<u>28,306</u>	<u>612,744</u>	<u>12,936</u>	<u>683,908</u>
<b>Net position - beginning of the year</b>	<u>36,081</u>	<u>138,716</u>	<u>30,853</u>	<u>(5,117)</u>	<u>200,533</u>
<b>Net position - ending of the year</b>	<u>\$ 66,003</u>	<u>\$ 167,022</u>	<u>\$ 643,597</u>	<u>\$ 7,819</u>	<u>\$ 884,441</u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2014**

	School Cafeteria Fund	Transfer Station	Wind Turbine Generator	Non-major Summer School	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 474,039	\$ 560,106	\$ -	\$ 7,450	\$ 1,041,595
Intergovernmental	199,701				199,701
Cash payments to suppliers for goods and services	<u>(702,743)</u>	<u>(486,761)</u>	<u>(51,073)</u>	<u>(19,964)</u>	<u>(1,260,541)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(29,003)</u>	<u>73,345</u>	<u>(51,073)</u>	<u>(12,514)</u>	<u>(19,245)</u>
<b>Cash flows from non-capital financing activities:</b>					
Operating transfers (to) from other funds				20,000	20,000
Interfund borrowings	<u>87,799</u>	<u>(39,173)</u>	<u>275,495</u>	<u>(7,486)</u>	<u>316,635</u>
<b>Net cash provided by (used) in non-capital financing activities</b>	<u>87,799</u>	<u>(39,173)</u>	<u>275,495</u>	<u>12,514</u>	<u>336,635</u>
<b>Cash flows from capital-related financing activities:</b>					
Acquisition and construction of capital assets					-
Interest income	13				13
Principal paid on bonds		(34,172)	(199,714)		(233,886)
Interest paid on bonds			<u>(24,708)</u>		<u>(24,708)</u>
<b>Net cash provided (used) for capital-related financing activities</b>	<u>13</u>	<u>(34,172)</u>	<u>(224,422)</u>		<u>(258,581)</u>
<b>Net increase in cash</b>	58,809	-	-	-	58,809
<b>Cash and cash equivalents, beginning of the year</b>	<u>69,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,349</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 128,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,158</u>
<b>Reconciliation of net income to net cash provided by operating activities:</b>					
Income (loss) from operations	\$ 29,909	\$ 28,306	\$ (130,611)	\$ (7,064)	\$ (79,460)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	4,505	8,572	889		13,966
Changes in assets and liabilities:					
Increase in:					
Due from other governmental units	(939)				(939)
Inventory	(1,047)	44,040			42,993
Decrease in:					
Accounts receivable		(7,573)	54,676		47,103
Accounts payable	(61,431)		270		(61,161)
Deferred issuance costs			23,703		23,703
Prepaid tuition				(5,450)	(5,450)
Total adjustments	<u>(58,912)</u>	<u>45,039</u>	<u>79,538</u>	<u>(5,450)</u>	<u>60,215</u>
<b>Net cash provided by (used) in operating activities</b>	<u>\$ (29,003)</u>	<u>\$ 73,345</u>	<u>\$ (51,073)</u>	<u>\$ (12,514)</u>	<u>\$ (19,245)</u>

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

**TOWN OF PORTSMOUTH, RHODE ISLAND**

D-1

**Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014**

---

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 594,574	\$ 486,809	\$ 617,098
Investments, at fair value	46,234,824		
Accounts Receivable	18,000	57,728	299,772
<b>TOTAL ASSETS</b>	<u>46,847,398</u>	<u>544,537</u>	<u>916,870</u>
<b>LIABILITIES</b>			
Other Liabilities	3,516		
Deposits held in custody for others			916,870
<b>TOTAL LIABILITIES</b>	<u>3,516</u>	<u>-</u>	<u>916,870</u>
<b>NET POSITION</b>			
Held in trust for pension and OPEB benefits	46,843,882	544,537	
<b>TOTAL NET POSITION</b>	<u>46,843,882</u>	<u>544,537</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 46,847,398</u>	<u>\$ 544,537</u>	<u>\$ 916,870</u>

---

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

**TOWN OF PORTSMOUTH, RHODE ISLAND**

D-2

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the year ended June 30, 2014**

---

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>
	<u>                    </u>	<u>                    </u>
<b><i>Additions:</i></b>		
Contributions:		
Employer	\$ 2,810,576	\$ 685,131
Plan member	347,448	57,618
Total contributions	<u>3,158,024</u>	<u>742,749</u>
Investment income:		
Net gain (loss) on value of investments	<u>6,469,745</u>	<u>953</u>
Net investment income (loss)	<u>6,469,745</u>	<u>953</u>
<b><i>Total additions</i></b>	<u>9,627,769</u>	<u>743,702</u>
<b><i>Deductions:</i></b>		
Benefits paid	3,416,191	653,681
Administrative and other	<u>163,154</u>	<u>3,000</u>
<b><i>Total deductions</i></b>	<u>3,579,345</u>	<u>656,681</u>
<b><i>Changes in net position</i></b>	6,048,424	87,021
<b><i>Net position - beginning of year</i></b>	<u>40,795,458</u>	<u>457,516</u>
<b><i>Net position - ending of the year</i></b>	<u>\$ 46,843,882</u>	<u>\$ 544,537</u>

---

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



**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Portsmouth was established in 1638 and incorporated as a Town in 1640. The Town of Portsmouth (the Town) is governed largely under the 1958 Home Rule Charter, which provides for a Council-Administrator form of government. The Town provides various services including education, solid waste disposal, public safety (police and fire), public works, (engineering, highway, recycling, public buildings, parks and recreation), social services and general government services.

As a general rule, the effect of inter-fund activity has been eliminated from the Government-Wide financial statements.

***Reporting Entity***

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a) The primary government is legally entitled to or can otherwise access the organization's resources.
- b) The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c) The primary government is obligated in some manner for the debt of the organization.

The following entities were considered for classification as component units for fiscal year 2013:

- \* Portsmouth School Department
- \* Portsmouth Water and Fire District
- \* Portsmouth Redevelopment Agency

The Portsmouth School Department did not meet the criteria to be classified as a Special Revenue Fund. Accordingly, the Town's unrestricted fund and the School Department's unrestricted fund have been combined and are reported as one called the General Fund.

The Portsmouth Water and Fire District is a separate legal entity that appoints its own board members, sets its own billing rates and is not fiscally dependent upon the Town of Portsmouth. As a result, the Portsmouth Water and Fire District has not been included as a component unit.

The Portsmouth Redevelopment Agency is a Town committee budgeted in the Town's general fund and does not meet the definition of a separate legal entity. As a result, the Portsmouth Redevelopment Agency has not been included as a component unit.

The Town of Portsmouth does not have any component units.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Recently Issued Accounting Standards***

The Town has implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, for the year ended June 30, 2014. See Note 1.
- ✓ GASB Statement No. 66 – Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62, for the year ended June 30, 2014. The adoption of this Statement did not have an impact of the Town's 2014 financial statements.
- ✓ GASB Statement No. 67 – Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25, for the year ended June 30, 2014. See Note 12.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, for the year ended June 30, 2014. The adoption of this Statement did not have a significant impact on the Town's 2014 financial statements.

The Town will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 68 – Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 69 – Government Combinations and Disposals of Government operations, effective for the Town's fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68, effective for the Town's year ending June 30, 2015.

The impact of these pronouncements on the Town's financial statements has not been determined.

***Basis of Presentation***

***Government-Wide Financial Statements***

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

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Financial Statements***

Fund financial statements of the reporting entity 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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund as the primary operating fund of the Town is always a major fund. Other funds are considered major if the fund meets the following criteria:

- (a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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
- (b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town has the option to designate a fund as major if it desires to do so.

***Governmental Funds***

The funds of the financial reporting entity are described below:

**General Fund**

The General Fund is used to account for resources devoted to financing the general services the Town performs for its citizens.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes other than debt service or capital projects.

**Capital Project Funds**

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Permanent Funds**

Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town's permanent funds are the Sherman Trust Fund and the Cemetery Fund.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Governmental Funds (Continued)***

The funds of the financial reporting entity are described below:

**Proprietary Funds**

Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include Enterprise and Internal Service Funds. The Town currently maintains four enterprise funds (School Cafeteria Fund, Transfer Station Fund, Wind Turbine Generator Fund, Summer School Fund). The Town's currently does not have Internal Service Funds.

**Fiduciary Funds (Not included in government-wide statements)**

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes eleven agency funds (Soil Fund, Library State Fund, GMH Deposit Fund, Probate Court Fund, Glen Part Damage Deposit Fund, Prescott Point Fund and five Student Activities funds). Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

**Pension Trust Fund**

Pension trust fund is used to account for resources held in trust for future pension obligations of the Town. The Town maintains one pension trust fund at June 30, 2014.

**OPEB Trust Fund**

This fund accounts for resources held in trust for members and beneficiaries of the Town administered retiree health plan.

***Major and Non-Major Funds***

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description
Town Capital Project Fund	Accounts for the Town's acquisition or construction of specific capital project or items.

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Major and Non-Major Funds (Continued)***

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
School Capital Project Fund	Accounts for the School's acquisition or construction of specific capital project or items.
<b>Proprietary Funds:</b>	
Wind Turbine Generator Fund	Accounts for the operation of the Town's wind turbine generator.
Transfer Station Fund	Accounts for the Town's transfer station operations.
School Cafeteria Fund	Accounts for the operation of the school breakfast and lunch program of the School Department.
Summer School Fund	Accounts for the operation of the summer school program of the School Department. This fund did not meet the criteria for reporting as a major fund however, management elected to present the fund as a major fund.
<b>Non-Major:</b>	
Special Revenue Funds:	The Town currently maintains sixty seven (67) Special Revenue Funds which have been classified as non-major governmental funds
Capital Project Funds:	The Town of Portsmouth currently maintains eleven (11) Capital Project Funds which have been classified as non-major governmental funds.

***Measurement Focus***

On the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b.) below and the accrual basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Measurement Focus (Continued)***

- (a) All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets, deferred outflows of resources liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes as available if they are collected within 60 days after year end. Grant revenue (for expenditure reimbursement grants) of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after year end. Substantially all other revenue (excluding municipal court fees and fines, and fire rescue services) of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as it is earned and available. Municipal court fees and fines and fire rescue services are reported as receivable and unearned revenue until the amounts are collected.
  
- (b) The proprietary funds and private purpose trust funds utilize "economic resources" measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources associated with their activities are reported. Fund equity is classified as net position.
  
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

In the government-wide Statement of Net Position and Statement of Activities both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and private purpose trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Basis of Accounting (Continued)***

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as non-operating revenues and expenses.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity***

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on hand, time and demand deposits and all highly liquid investments with a maturity of three months or less when purchased. Under Rhode Island laws, depository institutions holding deposits of the State, its agencies or governmental subdivision of the State, must insure or pledge eligible collateral equal to 100% of the deposits maturing in greater than sixty days. Any institutions not meeting certain federally prescribed minimum capital standards must insure deposits or pledged collateral equal to 100% of the deposits, regardless of maturities. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risk.

***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. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund and OPEB trust fund (Managed Funds). The Town's Pension/OPEB Trust Fund Investment Advisory Committee (Committee) is responsible for the supervision of the investment of the Town's Managed Funds investments with the objective of preserving capital and investing with care to minimize the risk of large losses.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity  
(Continued)***

***Real estate and personal property tax***

For the government-wide financial statements, property taxes are recognized as revenue in the fiscal year they are levied. For the fund financial statements, property taxes are recognized as revenue in the fiscal year they are levied and become available. To be considered available, property taxes must be due and collected during the year or within 60 days subsequent to year-end. Property taxes not considered available are reported as unearned revenues. Taxes are levied in July on (a) one hundred 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.

Taxes levied in July are payable quarterly on September 1, December 1, March 1 and June 1. Failure to make payments on the prior year's assessment by mid-March will result in a lien on the taxpayer's property. Real estate and personal property tax are shown net of an allowance for uncollectible accounts. The allowance is calculated based on the age of the individual receivables and amounted to \$340,656 at June 30, 2014 in the governmental statement and statement of net position, respectively.

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.00% over that of the preceding fiscal year.

***Due from federal and state governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectible amounts.

***Short-Term Interfund Receivables/Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

***Inventory***

Inventory reported in the Town's general fund is maintained on a perpetual system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.



**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)***

***Capital Assets and Depreciation***

Capital assets are reported in the statement of net position in the government-wide financial statements. Capital assets acquired by governmental funds are reported as capital outlay expenditures.

Capital 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. All capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at the fair market value as of the date received. Net interest costs related to construction projects are capitalized during the construction period. Such costs were not incurred during fiscal 2014.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not included in capital assets.

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.

The range of estimated useful life by type of asset is as follows:

	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Machinery & equipment	4-20
Construction equipment	10
Infrastructure	10-50
Motor vehicles	6-20

***Bond Premiums and Issuance Costs***

In the governmental funds, bond premiums and issuance costs are treated as period costs in the year issued. Bond issuance costs are included in debt service expenditures and bond premiums are reflected as other financing sources.

In the statement of net position, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds payable. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity  
(Continued)***

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2014 the Town only had one item that qualified as a deferred outflow of resources: deferred charge on refunding reported in the government-wide statement of net position. The deferred charge on refunding totaling \$189,059 for governmental activities is the unamortized balance of the difference between the carrying value of the refunded debt and the new debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2014 the Town had two one items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable tax revenue represents property taxes receivables which are assessed on December 31, 2012 and prior and are not collected within 60 days of June 30, 2014. Net unavailable property tax revenue included in the fund financial statements was \$1,439,165 at June 30, 2014. The unavailable ambulance revenue represents ambulance rescue fee receivables that are not collected as of June 30, 2014. Net unavailable ambulance rescue fee revenue included in the fund financial statements was \$410,848 at June 30, 2014. These amounts are deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

***Compensated Absences***

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2014.

The entire compensated absence liability is reported in the statement of net position. For the governmental fund financial statements, accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability not paid with expendable available financial resources is not recorded in the governmental fund financial statements

***Accrued Liabilities and Long-Term Debt***

All accrued liabilities and long-term debt are reported in the government wide financial statements.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity  
(Continued)***

***Accrued Liabilities and Long-Term Debt (Continued)***

For the governmental fund financial statements, the accrued liabilities are generally reported as a fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Fund financial statements until due. For other long-term obligations, only that portion expected to be financed from expendable available financial sources is reported as a fund liability of the governmental fund. The face amount of debt issued is reported as other financial sources.

***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 elimination made between or within funds.

Interfund activity within and among the funds of the Town have been classified and reported as follows:

Reciprocal interfund activities:

Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.

Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.

Non-reciprocal interfund activities:

Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

***Net Position/Fund Balance Classifications***

**Government-wide financial statements**

Net position has been segregated into the following three components:

- (a) Net investment in capital assets - represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity  
(Continued)***

***Net Position/Fund Balance Classifications (Continued)***

**Government-wide financial statements (Continued)**

(b) Restricted - assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. reduced by liabilities and deferred inflows of resources related to the restricted assets.

(c) Unrestricted net position – a residual category for the balance of net position.

**Fund Balance**

Governmental fund balance is classified as fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is classified as non-spendable, restricted, committed, assigned or unassigned as described below:

- **Non-Spendable** – the amount of fund balance that cannot be spent because it is either not in spendable form or there is a legal or contractual requirement for the funds to remain intact. At the end of each fiscal year, the Town's Finance Director and School Department's Director of Finance and Administration will report the portion of the fund balance that is not in spendable form as Non-Spendable on the annual financial statements.
- **Restricted** – the amount of fund balance that can only be spent on specific expenses due to constraints on the spending because of legal restrictions, outside party creditors, and grantor/donor requirements. The Town's restricted fund balance amounts are considered to have been spent when an expenditure has been incurred satisfying such restriction. At the end of each fiscal year, the Town's Finance Director and School Department's Director of Finance and Administration will report restricted fund balance amounts that have applicable legal restrictions.
- **Committed** – the amount of fund balance that includes the portion of the spendable fund balance but has constraints on the spending that the Town Council has imposed upon itself by a formal action by vote. This constraint must be imposed prior to the fiscal year end, but the specific amount may be determined at a later date.
- **Assigned** – the amount of fund balance that includes the portion of the spendable fund balance that reflects funds intended to be used by the government for specific purposes assigned by information operational planning. The assigned fund balance represents a "plan" for spending the amount, but it is not restricted or committed. The authority to "assign" fund balance has not been delegated by the Town Council.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity  
(Continued)***

***Net Position/Fund Balance Classifications (Continued)***

**Fund Balance (Continued)**

- Unassigned – the amount of fund balance that is in the General Fund and includes all spendable amounts that are not otherwise contained in the classifications listed above, and therefore, not subject to any constraints or intended use. Unassigned amounts are available for any purpose. These are current resources available for which there are no external or self-imposed limitations or set spending plan. Although there is generally no set spending plan for the unassigned portion, there is a need to maintain a certain funding level. Unassigned fund balance is commonly used for emergency expenditures not previously considered. In addition, the resources classified as unassigned can be used to cover expenditures for revenues not yet received. At the end of each fiscal year, the Town's Finance Director will report the portion of the unassigned fund balance and will maintain an unassigned fund balance of no less than 8% and no more than 16% of total General Fund Budgeted Operating Expenditures in order to accommodate immediate cash flow and needs for unanticipated expenditures and/or emergencies.

The Town maintains a spending policy that states the Town shall, when possible, expend funds beginning with those funds that have the highest level of restriction first, and will spend those funds with the lowest level of restriction last. It shall be the Town's Finance Director's and School Department's Director of Finance and Administration's responsibility to ensure the Town's expenditures are appropriately classified based on the restrictions (both external and internal) of the revenue and fund balance(s) in accordance with the above policy. See Note 10 for current year classification of fund balance.

Proprietary fund net position is classified the same as in the Government-Wide financial statements.

***Claims and Judgments***

The Town is exposed with respect to risks including, but not limited to, property damages, personal injury and workers' compensation. In the governmental fund financial statements, expenditures for claims and judgments are recorded on the basis of whether the liability has matured in the current period. The Town and the School Department are members of The Trust. The Trust was established to offer a viable alternative to commercial insurance for public entities through intergovernmental pooling of risk. The Trust is a protected, self-insurance plan. The Town pays annual premium for its liability, property and worker's compensation coverage. The membership participation agreement provides that, in return for the payment of the annual premium, the Trust member transfers the financial responsibility for loss, but only according to the conditions of coverage and up to the stated maximum amount of insurance purchased by the Town or School Department. In the Government-Wide financial statements, the estimated liability for all claims and judgments is recorded as a liability and as an expense.

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity (Continued)**

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund Balance Sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements.” The details of this \$14,752,432 are as follows:

Bonds and notes payable .....	\$ 13,105,264
Compensated absences .....	<u>1,647,168</u>
<b>Total</b> .....	<b><u>\$14,752,432</u></b>

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of the reconciliation states that “the governmental funds report principal repayments on debt obligations as an expenditure.” The details of the \$2,440,471 are as follows:

Principal payment of bonds and notes payable .....	\$2,387,229
Principal payment of capital lease obligations .....	<u>53,242</u>
<b>Total</b> .....	<b><u>\$2,440,471</u></b>

Another element of that reconciliation states that, “Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds.” Also, the allowance adjustment on the ambulance receivables affects the revenue recorded in the Statement of Activities. The details of this \$782,887 are as follows:

Unavailable property tax revenue, .....	\$384,503
Unavailable ambulance fees, net .....	212,365
Claims and judgments.....	<u>186,019</u>
<b>Total</b> .....	<b><u>\$782,887</u></b>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**1. CASH DEPOSITS AND INVESTMENTS**

The State of Rhode Island requires that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

*Deposits*

At June 30, 2014, the carrying amount of the Town's cash and cash equivalents was \$12,893,555 (including Fiduciary Funds) while the bank balance was \$13,212,702. Of the bank balance, \$785,701 was covered by federal depository insurance and \$12,427,001 was uninsured. The Town has entered into collateralization agreements with various financial institutions and as a result, \$2,776,123 of the uninsured balance at June 30, 2014 was collateralized by securities held by the financial institutes and/or third parties in the name of the Town.

**Reconciliation to Government-Wide Statement of Net Position:**

Total cash deposits.....	\$11,328,360
Add: Petty Cash.....	1,450
Add: Money market funds .....	1,563,745
Less: Fiduciary funds cash, including time deposits (not included in the Government-wide statement).....	<u>(1,698,480)</u>
<b>Total cash and cash equivalents on A-1 .....</b>	<b><u>\$11,195,075</u></b>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town has a formal deposit policy for custodial credit risk, which follows State Laws as described below.

*Investments*

Investments are stated at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

***Concentration of Credit Risk***

At June 30, 2014, the Town had a diversified portfolio in its General Fund and Pension Trust Funds were invested in various mutual funds. These investments, and their related underlying maturities, consisted of the following:

Type of Investment	Fair Value	N/A	0-3 Years	3-5 Years	Over 5 years
Mutual Funds					
Domestic Equity	\$ 17,533,433	\$ 17,533,433	\$ -	\$ -	\$ -
Global Real Estate	2,517,451	2,517,451	-	-	-
International Equity	6,017,198	6,017,198	-	-	-
Emerging Markets	4,338,015	4,338,015	-	-	-
Federal National Mortgage Assn, 3%, 6/12/2028	140,454				140,454
Fixed Income Securities	15,828,727		11,103,243	4,693,410	32,074
	<u>\$ 46,375,278</u>	<u>\$ 30,406,097</u>	<u>\$ 11,103,243</u>	<u>\$ 4,693,410</u>	<u>\$ 172,528</u>

Average ratings of the investments comprising the debt related securities above, as determined by Standards & Poor's are as follows:

	Fixed Income Securities
AAA	\$ 6,969,303
AA	8,787,669
A	71,755
	<u>\$ 15,828,727</u>

***Interest Rate Risk***

The Town's investments are held in mutual funds which do not bear specified interest rates. The rate of return on these investments is dependent on the operating results of the entities included in the portfolio of the mutual funds as well as overall economic conditions.



**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**2. CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

***Investments (Continued)***

***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the Town. Additionally, the Town deposit policy requires that deposits be placed in financial institutions that are FDIC insured. The Town deposits are maintained in high rated financial institutions and the ratings of these institutions is reviewed by management on a periodic basis.

As of June 30, 2014, the following pension investments represent 5% or more of the Town Plan's net position:

***Dimensional Fund Advisors:***

One Year Fixed income	\$7,885,264
Two Year Fixed income	\$3,156,224
Five Year Fixed income	\$4,787,240
US Core Equity 2 Portfolio	\$7,850,175
US Large Cap Value	\$3,999,588
US Vector Equity Portfolio	\$5,683,668
Global Real Estate	\$2,517,451
Emerging Market Core	\$2,756,535

As of June 30, 2014, all of the funds in the OBEB Trust Fund were invested in a bank money market account.

**3. BUDGETARY AND LEGAL COMPLIANCE**

The General Fund and the Public School Operations Fund 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 voter referendum or by the Town Council.

Actual revenue and expenditures in the Budgetary Basis Statements of Revenues and Expenditures for the General Fund and the Public School Operations Fund are presented on the budgetary basis which includes the net effect of non-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 of America.

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**3. BUDGETARY AND LEGAL COMPLIANCE (Continued)**

The following individual funds reported deficits in the unreserved fund balances in the fund financial statements at June 30, 2014.

*Town:*

PPD Sex Offender	\$443
EMA WMD	\$632
Click-it or Ticket	\$286
Active Shooter	\$2,088
EMPG	\$935
Blue Rip Tide Speed Management	\$448
Substance Abuse	\$7,928
Tobacco Survey	\$2,667
Child Passenger Safety Grant	\$397
Capital Projects:	
2008-2009 Warrants	\$19,029
2009-2010 Warrants	\$5,742
2012-2013 Warrants	\$892,781
Capital Project Fund	\$978,633

*School:*

Title II	\$51
Perkins Grant	\$191
Technical Services	\$255,551

These deficits will be funded through loan proceeds, grant funds or transfers from other funds.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 is as follows:

	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 4,037,922			\$ 4,037,922
Land easements	1,420,000			1,420,000
Construction in progress	151,336	\$ 1,684,109	\$ 131,879	1,703,566
Total Capital assets not being depreciated	5,609,258	1,684,109	131,879	7,161,488
Depreciable assets:				
Land improvements	637,848			637,848
Buildings	21,825,672	14,565		21,840,237
Buildings and improvements	6,805,773	1,019,817		7,825,590
Machinery and equipment	5,620,981	331,146		5,952,127
Construction equipment	396,909			396,909
Infrastructure	20,276,205	1,194,757		21,470,962
Vehicles	4,625,918	276,148	-	4,902,066
Total Capital assets being depreciated	60,189,306	2,836,433	-	63,025,739
Less accumulated depreciation for:				
Land improvements	312,998	28,889		341,887
Buildings	15,060,493	355,970		15,416,463
Buildings and improvements	1,604,579	362,360		1,966,939
Machinery and equipment	4,217,793	470,535		4,688,328
Construction equipment	336,967	11,130		348,097
Infrastructure	13,891,100	483,257		14,374,357
Vehicles	2,534,329	230,129		2,764,458
Total accumulated depreciation	37,958,259	1,942,270	-	39,900,529
<b>Governmental Activities Capital assets, net</b>	<b>\$ 27,840,305</b>	<b>\$ 2,578,272</b>	<b>\$ 131,879</b>	<b>\$ 30,286,698</b>
<b>Business-type activities</b>				
Nondepreciable assets:				
Land	\$ 37,251	\$ -	\$ -	\$ 37,251
Total capital assets not being depreciated	37,251	-	-	37,251
Depreciable assets:				
Land improvements	8,879			8,879
Machinery and equipment	3,228,419		889	3,227,530
Total Capital assets being depreciated	3,237,298	-	889	3,236,409
Less accumulated depreciation for:				
Land improvements	222	-		222
Machinery and equipment	555,827	13,077		568,904
Total accumulated depreciation	556,049	13,077	-	569,126
<b>Business-type Activities Capital assets, net</b>	<b>\$ 2,718,500</b>	<b>\$ (13,077)</b>	<b>\$ 889</b>	<b>\$ 2,704,534</b>

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**4. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 67,537
Public safety	283,262
Public works	532,226
Education	934,034
Community service	<u>125,211</u>
<b>Total depreciation expense</b>	<b><u>\$ 1,942,270</u></b>

Depreciation expense was charged to business-type activities as follows:

School Lunch	\$ 4,505
Transfer Station	<u>8,572</u>
<b>Total depreciation expense</b>	<b><u>\$ 13,077</u></b>

**5. LEASE REVENUE**

The Town receives rental payments for a communication tower leased to several communication companies. Future minimum rental payments to be received for these leases are as follows:

	<u>Governmental Activities</u>
June 30, 2015	\$ 93,671
June 30, 2016	<u>97,905</u>
Total	<b><u>\$ 191,576</u></b>

**6. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Town issues general obligation bonds to provide funds for the acquisition of equipment, as well as construction and improvements to capital facilities. General obligation bonds have been issued for both general governmental and school department activities. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

The Town's legal debt margin as set forth by State statute is limited to three percent of the total taxable assessed value which approximates \$97,739,097. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. At June 30, 2014, bonds outstanding totaled \$12,974,182.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**7. LONG-TERM AND SHORT-TERM OBLIGATIONS**

**Governmental Activities**

**General Obligation Bonds, Revenue Bonds, Refunding Bonds and Loans:**

The Following is a summary of changes in long-term debt for the year ended June 30, 2014:

Description of Purpose	Amount of Original Issue	Date of Issue	Interest Rate	Date of Maturity	Balance, June 30, 2013	New Issues	Retired	Balance, June 30, 2014
School gymnasium	\$ 3,500,000	6/27/2006	4.00-5.00%	4/1/2026	\$ 2,275,000		\$ 175,000	\$ 2,100,000
Portsmouth Middle School sprinklers	\$ 1,900,000	5/16/2007	4.00-5.50%	4/1/2022	1,125,000		125,000	1,000,000
Town Improvements	\$ 242,500	2/13/2009	3.51%	2/13/2014	48,000		48,000	-
General Obligation Refunding Bond - Series A								-
Open Space/Recreation Bond	\$ 250,000	5/23/2013	2.350%	2/15/2028	250,000		16,318	233,682
Town Improvements	\$ 562,000	5/23/2013	2.350%	2/15/2028	562,000		36,682	525,318
General Obligation Refunding Bond - Series B	\$ 927,000	5/23/2013	.53% -1.70%	2/15/2019	927,000		163,000	764,000
Student Information Technology	\$ 350,000	8/7/2008	3.75-4.00%	5/15/2014	70,000		70,000	-
School Information Technology	\$ 350,000	2/13/2009	3.51%	2/13/2014	70,000		70,000	-
Portsmouth High School Sprinklers	\$ 1,100,000	8/7/2008	3.75-6.00%	5/15/2024	800,000		75,000	725,000
School Improvements	\$ 4,655,000	6/4/2009	2.00-5.00%	11/1/2020	3,925,000		525,000	3,400,000
Open Space/Recreation Bond	\$ 1,980,000	6/15/2010	2.00-4.00%	6/15/2025	1,530,000		150,000	1,380,000
Town Improvements	\$ 267,000	8/12/2009	4.10%	8/12/2014	80,100		53,400	26,700
School Information Technology	\$ 350,000	8/12/2009	4.10%	8/12/2014	105,000		70,000	35,000
School Information Technology	\$ 350,000	11/4/2010	2-3%	6/30/2016	210,000		70,000	140,000
School Improvements	\$ 350,000	11/4/2010	2-3%	6/30/2016	210,000		70,000	140,000
Town Improvements	\$ 345,000	11/4/2010	2-3%	6/30/2016	205,000		70,000	135,000
Fire Engine Purchase	\$ 970,000	11/4/2010	2-3%	6/30/2016	580,000		195,000	385,000
Wastewater Plan	\$ 750,000	11/4/2010	2-3%	6/30/2016	450,000		150,000	300,000
Building Repairs	\$ 350,000	6/12/2012	1.326%	6/30/2017	279,770		69,943	209,827
Building Repairs	\$ 350,000	6/12/2012	1.326%	6/30/2017	279,770		69,943	209,827
School Information Technology	\$ 350,000	6/12/2012	1.326%	6/30/2017	279,771		69,943	209,828
School Projects	\$ 1,100,000	8/28/2013	3.060%	6/30/2028	-	\$1,100,000	45,000	1,055,000
					14,261,411	1,100,000	2,387,229	12,974,182
Deferred amount for issuance premiums					163,862		32,780	131,082
Compensated absences					1,535,184	111,984		1,647,168
Net OPEB Obligation					3,904,327	605,014		4,509,341
					19,864,784	1,816,998	2,420,009	19,261,773

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**7. LONG-TERM AND SHORT-TERM OBLIGATIONS (Continued)**

**Business Activities**

Description of Purpose	Amount of Original Issue	Date of Issue	Interest Rate	Date of Maturity	Balance, June 30, 2013	New Issues	Retired	Balance, June 30, 2014
<b>Capital leases payable:</b>								
Hewlett Packard equipment lease	\$41,111	1/31/2010	4.60%	1/31/2013	9,150		9,150	-
Dell equipment lease	\$60,283	5/8/2013			44,092	-	44,092	-
					<u>53,242</u>	<u>-</u>	<u>53,242</u>	<u>-</u>
<b>Enterprise Funds</b>								
<b>General obligation bonds and loans:</b>								
Transfer Station Construction Project	\$171,000	6/12/2012	1.326%	6/30/2017	136,688		34,173	102,515
Wind Turbine Construction Project	\$2,600,000	11/4/2008	1.15%	12/15/2022	1,733,334	-	173,333	1,560,001
Wind Turbine Construction Project	\$400,000	9/4/2008	2.00%	7/15/2023	290,190		26,381	263,809
					<u>2,160,212</u>	<u>-</u>	<u>233,887</u>	<u>1,926,325</u>
<b>Total enterprise fund long-term debt</b>								
					<u>\$ 22,078,238</u>	<u>\$ 1,816,998</u>	<u>\$ 2,707,138</u>	<u>\$ 21,188,098</u>

**Scheduled annual debt service requirements**

At June 30, 2014, scheduled annual debt service requirements for the general obligation bonds, revenue bonds, refunding bonds, loans and capital leases are as follows:

	Governmental Activities			Enterprise Funds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,200,526	\$ 430,662	\$ 2,631,188	\$ 233,886	\$ 23,319	\$ 257,205
2016	2,095,828	376,948	2,472,776	233,886	20,344	254,230
2017	1,535,828	314,676	1,850,504	233,886	17,368	251,254
2018	1,313,000	267,068	1,580,068	199,714	14,393	214,107
2019	1,265,000	219,195	1,484,195	199,714	11,872	211,586
2020-2024	3,690,000	519,661	4,209,661	825,239	22,542	847,781
2025-2028	874,000	56,027	930,027	-	-	-
	<u>\$ 12,974,182</u>	<u>\$ 2,184,237</u>	<u>\$ 15,158,419</u>	<u>\$ 1,926,325</u>	<u>\$ 109,838</u>	<u>\$ 2,036,163</u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**8. RISK MANAGEMENT**

Through their operations, the Town and the School Department are exposed to various risks of loss related, but not limited to, torts, general liability, errors and omissions, property losses due to theft, damage, or destruction, and employee injuries, each of which is insured through a public entity risk pool. The Town and the School Department are also exposed to risk loss related to claims for unemployment, for which the Town and the School Department retain the risk of loss.

- a) The Town and the School Department are members of the Rhode Island Interlocal Risk Management Trust (the Trust), a nonprofit public entity risk pool which provides insurance coverage to participants in exchange for an annual premium and a pro-rata share of certain administrative expenses. Coverage is provided in accordance with each member's policy, subject to maximum insurable limits and deductibles, through a pooling of risks among participants, supplemented by commercial reinsurance for excess losses. Management believes the Trust's reserves to be adequate to meet all reported claims, as well as an estimate of potential claims for losses incurred but not reported. Accordingly, no accrual has been made for potential liabilities arising from risks once they have been transferred to the Trust. The Town and the School Department are members of the Trust, a joint purchasing group which provides health and dental insurance coverage to participants in exchange for a premium. There have been no significant reductions in insurance coverage during the year ended June 30, 2014.

Upon joining the Trust, members execute a member agreement. That document, pursuant to which the Trust was established and operates, outlines the rights and responsibilities of both the members and the Trust. Members of the Trust participated in the Trust's health insurance plan administered by Blue Cross Blue Shield of Rhode Island (BCBSRI).

Using the rate calculations prepared by BCBSRI for individually rated entities, the Trust sets annual contribution rates for the subscribers of each member for each program offered. The Trust agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Trust. The contributions of each member are deposited in the general fund, and are used to pay for claims, reinsurance and all administrative expenses. The Trust agreement provides for an annual independent audit of its financial statements.

The Group agreement provides the Trust's Board of Directors a discretionary, fully allocable assessment feature with respect to specified circumstances. After it has been a member of the Trust for an initial three year period, a member may withdraw from the Trust by providing the Trust's Board of Directors with 90 days notice.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**9. INTERFUND BALANCES**

The Town reports interfund balances between many of its funds. The totals of all balances agree with the sum of interfund balances presented in the fund statements.

Interfund receivables and payables are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 5,023,920	\$ 5,055,277
Town Capital Project Fund	162,946	2,075,077
School Capital Project Fund	3,568,469	1,538,692
Non-Major Governmental Funds	1,640,609	1,773,899
Proprietary School Cafeteria Fund	267,033	348,058
Proprietary Transfer Station Fund	120,207	-
Non-Major Proprietary Funds	7,819	-
Total	\$ <u>10,791,003</u>	\$ <u>10,791,003</u>

**10. FUND BALANCES**

The Town has classified governmental fund balances at June 30, 2014 as follows:

Nonspendable:	
Permanent funds:	
Perpetual care and endowment permanent funds	\$ 146,218
General fund:	
Prepaid expenses	199,374
Inventory	31,236
Total nonspendable fund balance	\$ <u>376,828</u>
Restricted:	
Town special revenue funds	\$ 614,792
School special revenue funds	472,711
Town capital project funds	316,497
School capital project funds	1,306,896
Total restricted fund balance	\$ <u>2,710,896</u>
Committed:	
Town capital project funds	\$ 107,908
General fund:	
Committed for education	3,441,468
	\$ <u>3,549,376</u>
Assigned:	
Open space	\$ <u>309,378</u>



**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS**

**Other Post-Employment Benefits (OPEB) – Town Employees**

**Plan Description**

Through its single-employer defined benefit plan (OPEB Plan), the Town provides postretirement healthcare benefits to all Town employees who meet years of service and age requirements. For police and fire employees, upon death of the retiree, health care coverage continues to unmarried surviving spouse and dependent children up to age 10. For general employees, retiree health care coverage is discontinued upon death of the retiree. The plan's provisions may be amended by the Town and the Trustees of the plan. The trust is accounted for as an OPEB trust fund in the Town's financial statements.

The most recent actuarial valuation for the OPEB Plan was performed as of June 30, 2013.

**Summary of Significant Accounting Policies and Plan Asset Matters**

**a. Basis of Accounting**

The OPEB activity is accounted for on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan. Administration costs are generally financed through the Town's General Fund.

**b. Benefits and employee contributions:**

The Trust paid 100% of the amount for medical and dental costs incurred by eligible retirees, which totaled \$653,791 for the year ended June 30, 2014.

Public Works, Fire and Police contributed .25%, 1.5% and 1.0% of salary respectively, to the OPEB Trust which amounted to \$57,618 for the year ended June 30, 2014.

The Town pays 100% of the cost of the individual health care and dental insurance for all retired eligible employees until Medicare eligibility, except for Public Works employees who contribute 20% of the medical and dental premiums.

**c. Covered participants**

As of June 30, 2013, the membership census is as follows:

Active employees:	
Active with coverage	87
Active without coverage	14
Retirees and beneficiaries	43
	<hr/>
Total	144
	<hr/> <hr/>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) – Town Employees (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation as of June 30, 2014.

Annual Required Contribution	\$ 1,254,874
Interest on net OPEB obligation	171,274
Adjustment to annual required contribution	<u>(218,478)</u>
Annual OPEB cost	1,207,670
Implicit rate subsidy	(83,795)
Employer contribution for pre-funding	(31,340)
Contributions made during the year	<u>(653,791)</u>
Increase in net OPEB obligation	438,744
Net OPEB obligation at beginning of year	<u>3,268,590</u>
Net OPEB obligation at end of year	<u>\$ 3,707,334</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan for past three years, and the net OPEB obligation as of June 30, 2012, 2013 and 2014 are as follows:

<u>Year ended June 30,</u>	<u>OPEB cost</u>	<u>Percentage of Annual OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
2012	\$1,212,030	78.7%	\$2,812,586
2013	\$1,256,912	63.7%	\$3,268,590
2014	\$1,207,670	63.7%	\$3,707,334

*Funded status and funding progress:*

As of June 30, 2013, the funded status and funding progress were as follows:

Funded ratio	3.6%
Actuarial accrued liability for benefits	\$ 12,827,546
Actuarial value of assets	\$457,516
Unfunded actuarial accrued liability (UAAL)	\$12,370,030
Covered payroll	\$5,569,426
UAAL to covered payroll	222.1%

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) – Town Employees (Continued)**

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Some key assumptions are as follows:

Measurement date:	June 30, 2013, rolled back to July 1, 2012
Cost method:	Projected Unit Credit
Employer Funding Policy	Partially pre-funded by active employee's contributions
Discount rate:	5.24%, partially funded
Amortization:	Level dollar amount over 30 years based on an open group
Participation:	100% of active employees with current health coverage, 0% for employees with no health coverage
Amortization	Level dollar amount over 30 years based on an open group
Trend Rates:	Health Care Cost Medical pre-Medicare rate of 9.0% per year, decreasing to a rate of 6.5% per year after eight years; and post-Medicare rate of 6.5% per year, decreasing to a rate of 4.5% after eight years.
Dental	Increase by 5% annually, decreasing by 0.25% per year to an ultimate rate of 4.0% per year
Vision	Increase by 3.25% annually, decreasing by 0.25% per year to an ultimate rate of 3.0% per year

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) – School Department Employees**

**Plan Description**

The School Department maintains and administers a single-employer OPEB benefit plan that covers all School Department employees with fifteen years of service. The plan provides health benefits and dental insurance benefits to eligible retired employees and their beneficiaries. The plan's provisions may be amended by the Portsmouth School Committee and the Trustees of the plan. The School Department has not yet established a Trust to pre-fund OPEB liabilities. Accordingly, the OPEB activity is accounted for in the School Unrestricted Fund in the Town's financial statements.

**Summary of Significant Accounting Policies and Plan Asset Matters**

**a. Basis of Accounting**

The OPEB activity is accounted for on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan. Administrative costs are generally financed through the School Unrestricted Fund.

**b. Benefits and employee contributions:**

For the year ended June 30, 2014 the School Department Trust paid 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees, AFSCME and At-Will employees for six years, NEA (Teachers) and Administrators for nine years, capped at the premium cost at the time of retirement. The amounts due for these benefits are funded on an at-will basis. If a retiree chose not to participate in the medical plan, the retiree would receive a 50% reimbursement of the cost of a single coverage for a six year period, capped at the premium cost at the time of retirement.

In 2012, the School Department changed the retiree health benefits provisions. The School Department's explicit subsidy will be discontinued once the retiree becomes Medicare eligible, even if they are still within the first six years of retirement. Medicare eligible retirees may not be enrolled in the School Department's plan unless they are among the grandfathered current retirees who can remain in the School Department's Medicare Supplement plan. Premium reimbursement benefit for employees who decline health care at retirement will be discontinued once the retiree is eligible for Medicare, even if they are still within the first six years of retirement.

School Department funds post retirement benefits on a pay-as-you go basis, which totaled \$257,830 for the year ended June 30, 2014.

**c. Covered participants**

As of June 30, 2013, the membership census is as follows:

Active employees:	
With coverage	252
Without coverage	66
Retirees and beneficiaries	<u>89</u>
Total	<u><u>407</u></u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) – School (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The School's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation as of June 30, 2014.

Annual Required Contribution	\$ 468,795
Interest on net OPEB obligation	33,542
Adjustment to annual required contribution	<u>(75,421)</u>
Annual OPEB cost	426,916
Implicit rate subsidy	(205,638)
Contributions made during the year	<u>(257,830)</u>
Decrease in net OPEB obligation	(36,552)
Net OPEB obligation at beginning of year	<u>838,559</u>
Net OPEB obligation at end of year	<u><u>\$ 802,007</u></u>

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan for past three years, and the net OPEB obligation as of June 30, 2012, 2013 and 2014 are as follows:

<u>Year ended June 30,</u>	<u>OPEB cost</u>	<u>Percentage of Annual OPEB cost contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 577,942	98.1%	\$822,243
2013	\$502,642	96.8%	\$838,559
2014	\$426,916	108.6%	\$802,007

*Funded status and funding progress:*

As of June 30, 2013, the funded status and funding progress were as follows:

Funded ratio	0.0%
Actuarial accrued liability for benefits	\$ 4,067,108
Actuarial value of assets	\$0
Unfunded actuarial accrued liability (UAAL)	\$4,067,108
Covered payroll	\$19,170,981
UAAL to covered payroll	21.2%

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**11. POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

**Other Post-Employment Benefits (OPEB) – School (Continued)**

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Some key assumptions are as follows:

Measurement date:	June 30, 2013, rolled back to July 1, 2012
Funding method:	Projected Unit Credit
Employer Funding Policy:	Pay-as-you-go
Discount rate:	4.0%, unfunded
Amortization:	Level dollar amount over 15 years based on an open group
Participation:	100% of active employees with current health coverage, 0% for employees with no health coverage
Health Care Cost Trend Rates:	Growth of 9% for 2014, declining by .5% per year 5% is reached

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan**

The Town has adopted GASB Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Statement enhances the Town’s footnote disclosures and expands the Required Supplemental Information (RSI) data with new schedules. It was issued to improve financial reporting by state and local government pension plans. The following provides information required to be disclosed under Statement No. 67 that is not discussed as part of information in Note 13.

***Plan Description***

The Town Retirement Plan is a single employer, contributory defined benefit pension plan which provides retirement, disability and death benefits to all full-time employees of the Town except School Department personnel certified by the Rhode Island Department of Education (Certified Employees) who are eligible to participate in the Employees’ Retirements System of the State of Rhode Island and Police and Public Works employees hired on or after July 1, 2010. The Plan was established in accordance with the Town Charter and State statutes. The plan is reported as a Pension Trust Fund in the Town’s financial statements.

***Plan membership***

At June 30, 2014 pension plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	144
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>164</u>
Total	<u>319</u>

***Benefit Provisions and Contributions***

The following benefit provision and contribution requirements were established and may be amended by Town ordinance.

Any participant, who has attained his or her normal retirement date, as defined in the plan, is eligible for a normal retirement benefit. The monthly benefit payable upon normal retirement is based on average monthly salary multiplied by credited service as follows:

Police Employees	60% of average monthly earnings reduced plus 2% for each years beyond 20 years subject to a maximum of 70%. Does not apply to Police employees hired after July 1, 2010.
------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

Fire Employees

20 years of credited service.

For service before July 1, 2013 : 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years.

For service on or after July 1, 2013: 1% of average monthly earnings per year of credited service.

Fire Deputy and Fire Chief: 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years.

The maximum benefit is 74% of average monthly earnings.

An employee's average monthly earnings are defined as the highest gross annual salary during the last three years of employment. Gross annual salary includes base salary, longevity and E.M.T bonus, but excludes overtime, clothing allowance, holiday pay and any other forms of compensation.

Employees hired on or after July 1, 2013 are not entitled to Normal Retirement Benefits.

Town Non-Management

Age and Service Requirement: Age 60

For services before July 1, 2013: 2.5% of average monthly earnings per year of credited service to a maximum of 27 years.

For service on or after July1, 2013, 1% of average monthly earnings.

Benefit is reduced pro-rata if less than 20 years of service.



TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

Town Management

20 years of credited service

3.0% of average monthly earnings per year of credited service for up to 20 years of service, plus 2.0% of average monthly earnings per year of credited service to a maximum of 74%. For benefit accrual purposes, credited service is frozen as of July 1, 2014. Benefit is reduced prorate for less than 20 years of service.

All employee's average monthly earnings are defined as the highest annual salary (base salary and longevity for Non-Management) during the three years of employment.

School Employees

Age 60 with 10 years of credited service

**Council 94:**

For service before October 1, 2013: 2.5% of average monthly earnings per year of credited service.

For service on or after October 1, 2013: 1% of average monthly earnings per year of credited service.

Benefit is reduced pro-rata if less than 20 years of service.

School Council 94 employees hired after October 1, 2013 are not covered by this Plan. School Council 94 employees hired after October 1, 2013 were transferred to the defined contribution plan effective October 1, 2013.

**Management and Non-Certified:**

2.5% of average monthly earnings per year of credited service. Benefit is reduced pro-rata for less than 20 years of service.

An employee's average monthly earnings are defined as gross annual salary averaged over the highest three years of employment.

TOWN OF PORTSMOUTH, RHODE ISLAND

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

12. **GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

Public Works Employees

Age and Service Requirement: Age 60 with 10 years of credited service.

For employees with less than 10 years of credited service at July 1, 2013 who were hired before June 30, 2010: 2.5% of average monthly earnings per year of credited service for a maximum of ten years (previously, no maximum). Benefit is reduced pro-rata if less than 20 years of service.

For employees with 10 or more years of service as of June 30, 2013: 2.5% of average monthly earnings per year of credited service prior to July 1, 2013 (previously, included service after July 1, 2013) to a maximum of 67.5%. Benefit is reduced pro-rata if less than 20 years of service.

An employee's average monthly earnings are defined as annual salary (base salary and longevity) averaged over the final five years of employment.

Employees hired on or after July 1, 2010 are not entitled to Normal Retirement Benefits.

Employees are required to contribute to the Plan as follows:

Fire employees

4.0% of base pay; Fire Deputy and Fire Chief: 10.0% (previously, 6.5%) of base pay. No contribution for employees hired on or after July 1, 2013.

Police employees

9.0% of gross annual earnings (Previously, 8.0%). No contributions for employees hired on or after July 1, 2010.

School employees

**Council 94:** 4% of gross annual salary.  
**Management and Non-Certified:** 6% of gross annual salary for employees hired before July 1, 1991.

Town employees

**Non-management:** Effective July 1, 2014, 6% of base salary.  
**Management:** No employee contributions after July 1, 2014.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

Public Works employees	For employees hired before June 30, 2010 who have 10 or more years of service as of July 1, 2013, effective July 1, 2014, 4.0% of annual salary. No employee contributions after July 1, 2013 for other employees
------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

The Town is required to contribute an amount determined in accordance with the actuarial valuation. The Town's contributions for the Town's Retirement Plan for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,792,576, \$2,782,947 and \$2,662,801, respectively.

*Actuarial Methods and Significant Assumptions*

Basis of Accounting – The Town Retirement Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Method Used to Value Investments – Investments are reportable at fair value.

***Annual Pension Cost and Net Pension Obligation***

The Town's annual pension cost and net pension obligation to the Town Retirement Plan over the preceding three years are as follows:

	FY 2014	FY 2013	FY 2012
Annual required contribution	\$ 3,677,200	\$ 2,782,947	\$ 2,662,801
Interest on NPO	-	-	-
Amortization of NPO	-	-	-
Annual pension cost	3,677,200	2,782,947	2,662,801
Contributions made	2,792,576	2,782,947	2,662,801
Increase in net pension obligation	884,624	-	-
Net pension obligation, beginning of year	-	-	-
Net pension obligation, end of year	\$ 884,624	\$ -	\$ -
Percentage of annual pension cost contributed	76%	100%	100%

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***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. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund and OPEB trust fund (Managed Funds). The Town's Pension/OPEB Trust Fund Investment Advisory Committee (Committee) is responsible for the supervision of the investment of the Town's Managed Funds investments with the objective of preserving capital and investing with care to minimize the risk of large losses.

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	65%
Fixed Income	34%
Cash and Cash Equivalents	<u>1%</u>
Total	<u>100%</u>

Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets and annual requirement contributions for the Plan were performed annually through June 30, 2014.

***Net Pension Liability***

The components of the net pension liability of the Pension System at June 30, 2014 were as follows:

Total pension liability	\$	78,330,009
Plan fiduciary net position	\$	46,829,397
Town's net pension liability	\$	31,500,612
Plan fiduciary net position as a percentage of the total pension liability		59.78%

Healthy mortality rates based on RP-2000 Combined Healthy Mortality Table projected generationally with Scale AA from 2000. Disabled retire mortality rates based on RP-2000 Disabled Mortality Table

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net position plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Long-term Expected Real Rate of Return</b>
Domestic equity	6.60%
International developed market equities	7.10%
International emerging markets equity	9.40%
Core fixed income	2.20%
Real Estate	4.40%

*Discount Rate:* The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made as the current contribution rate and that the Town of Portsmouth's contributions will be made as the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Pension System, calculated using the discount rate of 6.75%, as well as what the Pension System's net pension liability would be if it were calculated using a discount rate that is 1-percentage –point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate.

	<b>1% Decrease (5.75%)</b>	<b>Current Discount (6.75%)</b>	<b>1% Increase (7.75%)</b>
Net pension liability	\$ 42,680,778	\$ 31,500,612	\$ 22,410,476

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**12. GASB – 67 FINANCIAL REPORTING FOR PENSION PLANS**

**Town Retirement Plan (Continued)**

***Funded Status of Plan***

The required supplementary information which follows the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing and decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress with an actuarial valuation date of July 1, 2014:

Actuarial Value of Asset	\$ 42,930,879
Actuarial Accrued Liability (AAL)	<u>78,330,009</u>
Unfunded AAL (UAAL)	<u>\$ (35,399,130)</u>
Funded Ratio	54.81%
Covered Payroll	\$ 7,837,400
UAAL as a percentage of covered payroll	452.0%

**13. PENSION PLANS**

***State Administered Defined Benefit Plan Covering Teachers (Cost Sharing Pension Plan)***

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 plans.

***Plan description:***

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the Town's school system must participate in the Teachers' Plan (the Plan), 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 RIGL. The benefits may be amended by the Rhode Island General Assembly.

***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 their compensation. The Town 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 of 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals, which was .24% for fiscal 2014.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**13. PENSION PLANS (Continued)**

***State Administered Defined Benefit Plan Covering Teachers (Cost Sharing Pension Plan (Continued))***

***Funding policy (Continued):***

The Town contributed \$2,079,773, \$1,862,615 and \$1,632,808 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 is reflected as on behalf-payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2014 amounted to approximately \$1,428,387.

**Teachers Survivor Benefits** - the plan provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the school district. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed \$23,654, \$23,232 and \$23,217 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the required contributions for those respective years.

**Defined Contribution Plan**

***Plan description***

Employees participating in the Teachers' defined benefit plan, as previously described, also participate in a defined contribution plan of the System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under Internal Revenue Service (IRS) section 401(a) and is administered by TIAA-CREF and 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 IRS guidelines for such plans.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at [www.ersri.org](http://www.ersri.org).

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**13. PENSION PLANS (Continued)**

***State Administered Defined Benefit Plan Covering Teachers (Cost Sharing Pension 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 7% of their compensation and the Town is required to contribute 3%. Although the Town (School Department) is required to contribute 3% towards the plan, the School Department receives reimbursement from the State of Rhode Island of .4%. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for fiscal year ended June 30, 2014 amounted to approximately \$68,000. The plan members and Town contributed \$1,196,355 and \$512,719, respectively, during the fiscal year ended June 30, 2014.

**Other Defined Contribution Pension Plans**

In addition to the aforementioned pension plans, the Town has ten defined contribution plans summarized as follows:

Participants	Contributions			
	Participants (Employees)		Employer (Town)	
	% of Earnings	2014 Dollars	% of Earnings	2014 Dollars
All full-time NAGE local 280 & PEMA Local 871 members and non-union employees	3.0%	\$ 65,189	1.75%	\$ 26,115
All full-time police hired after July 1, 2010	8.0%	\$ 23,052	8.0%	\$ 23,052
All NAGE local 280 members hired after July 1, 2010	8.0%	\$ 9,513	8.0%	\$ 9,513
Town Administrator	32.0%	\$ 40,320	8.0%	\$ 10,080
All full-time IAFF 1949 members hired after July 1, 2013	8.0%	\$ 10,635	8.0%	\$ 27,238
All full-time IAFF 1949 members hired before July 1, 2013	5.0%	\$ 70,050	1.0%	\$ 159,010



**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**13. PENSION PLANS (Continued)**

**Other Defined Contribution Pension Plans (Continued)**

Participants	Contributions			
	Participants (Employees)		Employer (Town)	
	% of Earnings	2014 Dollars	% of Earnings	2014 Dollars
All full-time PEMA 871 members hired before July 1, 2012	1% - 8%	\$ 6,722	1.0%	\$ 27,274
All full-time PEMA 871 members hired after July 1, 2012	5.0%	\$ 17,134	1.0%	\$ 13,083
Police Chief hired on or after October 21, 2013	8.0%	\$ 5,300	8.0%	\$ 5,300
Finance/Personnel Director	8.0%	\$ 4,160	8.0%	\$ 4,160

**14. DEFERRED COMPENSATION PLAN**

The Town offers its municipal employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457. The Plan, available to certain municipal employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

During the year ended June 30, 2000, the Town implemented the Governmental Accounting Standards Board, Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plan. All assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. As a result, deferred compensation investments and the respective liability have been removed from the Town's financial statements.

**15. CONTINGENT LIABILITIES AND COMMITMENTS**

The government is a defendant in various lawsuits. Although the outcome of most of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters may have a material adverse effect on the financial condition of the government have been appropriately provided for.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

---

**15. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)**

Under the terms of federal and state grants, periodic compliance audits by the grantors or their representatives are required and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies could not be determined at this time. Town officials believe that such disallowances, if any, would not be material. Currently, there is no review taking place.

The Town is a defendant in a suit related to a condemnation proceeding. The potential loss ranges from \$400,000 to \$700,000. The Town plans to vigorously contest the suit or seek an out-of-court settlement.

On September 15, 2010, the Department of Environmental Management (DEM) issued a notice of violation (NOV) to the Town for failure to prevent or mitigate the discharge of sewage from storm water drainage pipes and other sources in the Island Park and Portsmouth Park neighborhoods into the Cove and Sakonnet River. The NOV ordered the Town to complete a facilities plan and initiate construction of a wastewater treatment system. The NOV assessed a penalty of \$186,019 to the Town. On October 27, 2014, the Town executed a memorandum of agreement with DEM to resolve the NOV and eliminate the penalty assessment.

The School Department participates as part of the East Bay Collaborative for the school lunch program administered by the Compass Group, USA, Inc. through its Chartwells Division under five one year agreements.

The School Department has a five year agreement, through June 30, 2015, with First Student to provide busing for the School Department based on the rate schedule specified in the agreement. Busing costs associated with this agreement totaled approximately \$1,664,000 for the year ended June 30, 2014.

**16. JOINT VENTURE**

The Portsmouth School Department (PSD), in conjunction with three other member school departments, participates in a joint venture entitled the Newport County Regional Special Education Program (NCRSEP). NCRSEP was formed to provide services to qualified special needs students in the four towns. Each town is assessed its share of the NCRSEP annual operating budget based on the allocation formula approved by the NCRSEP Board of Directors. Each town pays salaries and employee benefits directly to the teachers and aides on their respective payroll that work directly for the program; such amounts are deducted from the gross annual assessment. PSD's net assessment for 2014 was \$1,820,055. The towns have no equity interest in the net assets of NCRSEP.

At June 30, 2014, a total of \$840,032 in Medicaid reimbursements due to PSD has been recorded as a liability of NCRSEP. This amount represents Medicaid reimbursements received by NCRSEP in excess of the budgeted receipts for Portsmouth. Separately audited financial statements of NCRSEP are available at Newport County Regional Special Education Program, Oliphant Lane, Middletown, RI 02842.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

**17. SUBSEQUENT EVENTS**

Wind Turbine

The Town's wind turbine installed at the Portsmouth High School in fiscal year 2009 failed in June 2012 due to issues with the gearbox. The Town was unable to seek remedies from the manufacturer as they were no longer in business. Unable to operate, the turbine did not generate revenue to service the related debt, and funds were advanced to the operation to meet legal obligations.

If fiscal year 2015, the Town entered into an agreement with WED Portsmouth One LLC which stated that in exchange for a single payment of \$1.51 million from WED Portsmouth One LLC they could operate a wind turbine on the site. WED Portsmouth One LLC will remove the wind turbine and install a new turbine on the site. They will be able operate the turbine for 25 years with the option for an additional 5 years and will establish a separate fund to have the turbine decommissioned and removed at the end of the term. Based on the financial performance of the turbine, the Town of Portsmouth may be entitled to additional compensation in later years of the agreement. The Town will use the payment from WED Portsmouth One LLC to pay debt related to the original turbine.

The Town of Portsmouth also agreed to purchase its electricity from WED Portsmouth One LLC at market rate with a floor of \$0.155 per kwh.

NCRSEP

At its October 14, 2014 meeting, the Portsmouth School Committee voted to withdraw from and terminate its relationship with the NCRSEP effective June 30, 2015. Beginning July 1, 2015, special education services for qualified special needs students residing in the Town of Portsmouth will be provided by the Portsmouth School Department.

**18. RESTATEMENT**

The net position of the Government-wide Financial Statements has been restated as of June 30, 2013 to reflect the implementation of GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs (excluding bond insurance costs) are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2013 totaling \$195,798 have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

**Governmental Activities:**

Net Position, June 30, 2013 as originally stated.....	\$21,151,565
Less write-off of bond issuance costs, net.....	<u>(195,798)</u>
<b>Net Position, June 30, 2013 as restated .....</b>	<b><u>\$20,955,767</u></b>

## Required Supplementary Information

---

TOWN OF PORTSMOUTH, RHODE ISLAND

E-1

Budgetary Comparison Schedule for the General Fund  
Schedule of Revenue and Expenditures (Non GAAP Budgetary Basis)  
Budget and Actual  
Year Ended June 30, 2014  
(Unaudited)

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property taxes	\$ 48,063,671	\$ 48,063,671	\$ 47,580,546	\$ (483,125)
Intergovernmental revenue	1,094,596	1,094,596	1,161,914	67,318
Licenses, permits and fees	911,800	911,800	490,585	(421,215)
Fines & forfeitures	361,700	361,700	314,427	(47,273)
Earnings on investments	10,000	10,000	8,026	(1,974)
Other revenues	1,556,775	1,556,775	2,645,839	1,089,064
<b>Total revenues</b>	<u>51,998,542</u>	<u>51,998,542</u>	<u>52,201,337</u>	<u>202,795</u>
<b>Expenditures</b>				
Current:				
General government	4,247,687	4,247,687	4,166,454	81,233
Public safety	9,067,703	9,067,703	9,550,836	(483,133)
Public works	2,346,255	2,346,255	2,207,845	138,410
Community services:				
Public and social services	645,534	645,534	698,281	(52,747)
Recreation, parks and grounds	510,058	510,058	496,395	13,663
Debt Service	3,203,451	3,203,451	2,867,825	335,626
<b>Total expenditures</b>	<u>20,020,688</u>	<u>20,020,688</u>	<u>19,987,636</u>	<u>33,052</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>31,977,854</u>	<u>31,977,854</u>	<u>32,213,701</u>	<u>235,847</u>

---

(Continued)

TOWN OF PORTSMOUTH, RHODE ISLAND

Budgetary Comparison Schedule for the General Fund  
Schedule of Revenue and Expenditures (Non GAAP Budgetary Basis)  
Budget and Actual  
Year Ended June 30, 2014  
(Unaudited)

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Other financing sources (uses)</i>				
<i>transfer between funds</i>				
Transfer from School	330,000	330,000		(330,000)
Transfer to other funds	(32,307,854)	(32,307,854)	(31,458,372)	849,482
<i>Total other financing sources (uses)</i>	<u>(31,977,854)</u>	<u>(31,977,854)</u>	<u>(31,458,372)</u>	<u>519,482</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,329</u>	<u>\$ 755,329</u>

---

(Concluded)

TOWN OF PORTSMOUTH, RHODE ISLAND

Budgetary Comparison Schedule for the School Unrestricted Fund  
Schedule of Revenue and Expenditures (Non GAAP Budgetary Basis)  
Budget and Actual  
Year Ended June 30, 2014  
(Unaudited)

---

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Intergovernmental revenue	\$ 5,784,140	\$ 5,784,140	\$ 5,616,831	\$ (167,309)
Other revenues	1,165,000	1,165,000	1,279,384	114,384
<b>Total revenues</b>	<u>6,949,140</u>	<u>6,949,140</u>	<u>6,896,215</u>	<u>(52,925)</u>
<b>Expenditures</b>				
Education	37,658,173	37,658,173	36,605,793	1,052,380
<b>Total expenditures</b>	<u>37,658,173</u>	<u>37,658,173</u>	<u>36,605,793</u>	<u>1,052,380</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(30,709,033)</u>	<u>(30,709,033)</u>	<u>(29,709,578)</u>	<u>999,455</u>
<b>Other financing sources (uses):</b>				
Transfer from General Fund	30,248,093	30,248,093	30,248,093	-
Transfer to other funds			(1,077,784)	(1,077,784)
Use of accumulated fund balance	460,940	460,940	460,940	-
<b>Total other financing sources (uses)</b>	<u>30,709,033</u>	<u>30,709,033</u>	<u>29,631,249</u>	<u>(1,077,784)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,329)</u>	<u>\$ (78,329)</u>

---

**Notes to Required Supplementary Information  
June 30, 2014**

**BUDGETARY – GAAP REPORTING RECONCILIATION**

*(A) Adoption*

In accordance with Town’s Home Rule Charter, the Town Administrator must present to the Town Council a recommended annual budget for the operations of all municipal departments no later than 90 days prior to the commencement of each fiscal year. The recommended budget must include the School Department’s annual budget as approved by the School Committee. A final budget must be adopted by the Town Council by June 30<sup>th</sup>.

Budgets are adopted for the General Fund and the School Department’s unrestricted fund (a special revenue fund) on a legally enacted budgetary basis which 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 of accounting, except that budgetary expenditures include encumbrances in the year incurring the commitment to purchase, and budgetary revenues include subsidies from fund balance previously recognized under U.S. GAAP.

Encumbrances are not liabilities and, therefore, are not recognized as expenditures under U.S. GAAP until receipt of materials or services. For budgetary purposes, unencumbered and unexpended appropriations lapse at year end and outstanding encumbrances are included in the budgetary expenditures in the year committed. The Town reserves a portion of fund balance in the governmental fund financial statements equal to outstanding encumbrances at year end.

*Budgetary Compliance:*

Municipal budgetary control is legally enforceable at the department level. An appropriation transfer between departments and intra-departmental transfers of municipal appropriations require approval of the Town Council. School Department budgetary control is legally enforced only at the Unrestricted Fund Level; inter-departmental transfers may be made without School Committee approval. In addition to limits enforced by the budget, the Town’s Home Rule Charter further restricts municipal expenditures relative to budgeted revenues.

The Public Safety and Public and social services exceeded their appropriation by \$483,133 and \$52,747, respectively. There were no other municipal department expenditures that exceeded appropriations (after approved transfers) for the year ended June 30, 2014.

*(B) Budgetary to GAAP Basis Reconciliation*

The following reconciliation summarizes the difference for the School Unrestricted Fund between the budgetary and GAAP basis accounting principles for the year ended June 30, 2013:

<u>Revenue and Other Financing Sources</u>	<u>School Unrestricted Fund</u>
Actual Amounts(Budgetary basis)	\$ 7,357,155
The appropriated fund balance is a budgetary revenue but is not a current year revenue for financial reporting purposes	(460,940)
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the Town of Portsmouth is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	<u>1,496,081</u>
<b>Total Revenues and other financing sources as reported in the Combining Statement of Revenues, Other Financing Sources, Expenditures, Other Financing Users, and Changes in Fund Balance - Governmental Funds (F-2)</b>	<u><u>\$ 8,392,296</u></u>



TOWN OF PORTSMOUTH, RHODE ISLAND

Notes to Required Supplementary Information  
June 30, 2014

---

**BUDGETARY – GAAP REPORTING RECONCILIATION (CONTINUED)**

(B) *Budgetary to GAAP Basis Reconciliation (Continued)*

<u>Expenditures and Other Financing Sources</u>	<u>School Unrestricted Fund</u>
Actual Amounts(Budgetary basis)	\$ 36,605,793
The pension contributions made to the Employees Retirement System by the State of Rhode Island on behalf of the Town of Portsmouth is not reported as a budgetary expense, but is a current year expenditure for financial reporting purposes.	1,496,081
<b>Total expenditures and other financing sources as reported in the Combining Statement of Revenues, Other Financing Sources, Expenditures, Other Financing Users, and Changes in Fund Balance - Governmental Funds (F-2)</b>	<b>\$ 38,101,874</b>

(Concluded)

TOWN OF PORTSMOUTH, RHODE ISLAND

E-4

Required Supplementary Information

Schedule of Funding Progress  
Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage Of Covered Payroll ((b-a)/c)
<b>Town Pension Plan:</b>						
July 1, 2009	\$ 31,609,237	\$ 51,284,315	\$ 19,675,078	61.6%	\$ 8,596,994	228.9%
July 1, 2010	\$ 32,779,646	\$ 54,054,944	\$ 21,275,298	60.6%	\$ 8,507,853	250.1%
July 1, 2011	\$ 35,266,853	\$ 57,377,287	\$ 22,110,434	61.5%	\$ 8,781,718	251.8%
July 1, 2012	\$ 36,496,791	\$ 69,198,820	\$ 32,702,028	52.7%	\$ 8,388,446	389.8%
July 1, 2013	\$ 38,816,804	\$ 74,524,823	\$ 35,708,019	52.1%	\$ 7,744,997	461.0%
<b>Other Post Employment Benefits:</b>						
<i>Municipal employees:</i>						
July 1, 2008	N/A	\$ 13,026,759	\$ 13,026,759	N/A	\$ 5,510,188	236.4%
July 1, 2009	N/A	\$ 13,026,759	\$ 13,029,759	N/A	\$ 5,510,188	236.5%
July 1, 2010	\$ 153,249	\$ 13,248,340	\$ 13,095,091	1.2%	\$ 6,383,155	205.2%
July 1, 2011	\$ 203,392	\$ 12,527,599	\$ 12,324,207	1.6%	\$ 6,574,650	187.5%
July 1, 2012	\$ 402,179	\$ 13,090,922	\$ 12,688,743	3.1%	\$ 5,407,210	234.7%
July 1, 2013	\$ 457,516	\$ 12,827,546	\$ 12,370,030	3.6%	\$ 5,569,426	222.1%
<i>School employees:</i>						
July 1, 2008	\$ -	\$ 4,514,458	\$ 4,514,458	0.0%	N/A	N/A
July 1, 2009	\$ -	\$ 4,514,458	\$ 4,514,458	0.0%	N/A	N/A
July 1, 2010	\$ -	\$ 10,258,675	\$ 10,258,675	0.0%	\$ 18,890,918	54.3%
July 1, 2011	\$ -	\$ 7,207,872	\$ 7,207,872	0.0%	\$ 19,457,646	37.0%
July 1, 2012	\$ -	\$ 4,717,025	\$ 4,717,025	0.0%	\$ 18,612,603	25.3%
July 1, 2013	\$ -	\$ 4,067,108	\$ 4,067,108	0.0%	\$ 19,170,981	21.2%

(Continued)

TOWN OF PORTSMOUTH, RHODE ISLAND

E-5

Required Supplementary Information

Schedule of Employer Contributions  
Year Ended June 30, 2014

---

**Town Pension Plan:**

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent of ARC Contributed</u>
June 30, 2009	\$ 2,346,316	\$ 2,346,316	100.0%
June 30, 2010	2,590,523	2,590,523	100.0%
June 30, 2011	2,514,420	2,514,420	100.0%
June 30, 2012	2,662,801	2,662,801	100.0%
June 30, 2013	2,782,947	2,782,947	100.0%

**Other Post Employment Benefits:**

<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent of ARC Contributed</u>
-----------------------------------	---------------------------------------------	--------------------------------	-------------------------------------------

*Municipal employees:*

June 30, 2009	\$ 1,569,039	\$ 462,590	29.5%
June 30, 2010	\$ 1,569,039	\$ 645,276	41.1%
June 30, 2011	\$ 1,345,177	\$ 792,174	58.9%
June 30, 2012	\$ 1,248,914	\$ 953,389	76.3%
June 30, 2013	\$ 1,297,531	\$ 800,908	61.7%
June 30, 2014	\$ 1,254,874	\$ 768,926	61.3%

*School employees:*

June 30, 2009	\$ 511,670	\$ 299,602	58.6%
June 30, 2010	\$ 511,670	\$ 322,804	63.1%
June 30, 2011	\$ 1,071,313	\$ 653,712	61.0%
June 30, 2012	\$ 592,410	\$ 567,085	95.7%
June 30, 2013	\$ 543,705	\$ 483,326	88.9%
June 30, 2014	\$ 468,795	\$ 463,468	98.9%

---

(Concluded)

Required Supplementary Information

Schedule of Actuarial Methods, Assumptions and Benefit Changes  
Year Ended June 30, 2014

---

<b>Valuation date</b>	Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
<b>Methods and used assumptions to determine contribution rates</b>	
<b>Actuarial cost method</b>	Entry age
<b>Amortization method</b>	Level dollar closed
<b>Remaining amortization period</b>	27 years remaining for the fiscal year ending June 30, 2014 contribution
<b>Asset valuation method</b>	Market value of assets as reported by the Town less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
<b>Actuarial assumptions:</b>	
Investment rate of return	6.75% net of pension plan investment expenses, including inflation
Inflation rate	2.75%
Projected salary increases	3.5% per year
Cost of Living Adjustments	Cost-of-living increase for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired are assumed to be 2% annually.
<b>Benefit changes</b>	This valuation reflects the following changes in plan provisions:  For Police, the Accidental Disability benefit was lowered from 72% to 67% of gross annual salary and the employee contribution rate increased from 8.0% to 9.0%;  The employee contribution rate increased from 6.5% to 10% for the Fire Deputy and Fire Chief;  For Town Management, credited service is frozen as of June 30, 2014 and employee contributions cease and for retirements effective on or after July 1, 2013 the COLA was changed from 3.0% commencing on the January 1st following the first anniversary of retirement to 1.7% commencing on the January 1st following the fifth anniversary of retirement ; and  For Public Works, the employee contribution rate decreased from 5.5% to 4.0% and credited service is limited to the greater of service as of July 1, 2013 or 10 years.

---

**TOWN OF PORTSMOUTH, RHODE ISLAND**

E-7

**Required Supplementary Information**

**Schedule of Changes in Net Pension Liability  
Year Ended June 30, 2014**

	2014	2013	2012	2011	2010
<b>Total pension liability</b>					
Service Cost	\$ 1,389,334	(Historical information prior to implementation of GASB 67/68 is not required)			
Interest	4,915,100				
Changes of benefit terms	(879,278)				
Differences between expected and actual experience	2,000,989				
Changes of Assumptions	(203,891)				
Benefit payments, including refunds of employee contributions	(3,417,068)				
<b>Net change in total pension liability</b>	<b>3,805,186</b>				
<b>Total pension liability-beginning</b>	<b>74,524,823</b>				
<b>Total pension liability-ending (a)</b>	<b>\$ 78,330,009</b>				
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,792,576				
Contributions - employee	388,692.00				
Net Investment income	6,330,851				
Benefits payments, including refunds of employee contributions	(3,417,068)				
Administrative expense	(61,112)				
<b>Net change in plan fiduciary net position</b>	<b>6,033,939</b>				
<b>Plan fiduciary net position - beginning</b>	<b>40,795,458</b>				
<b>Plan fiduciary net position - ending (b)</b>	<b>46,829,397</b>				
<b>Town's net pension liability - ending (a)-(b)</b>	<b>\$ 31,500,612.00</b>				
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>59.78%</b>				
<b>Covered employee payroll</b>	<b>\$ 7,837,400</b>				
<b>Town's net pension liability as a percentage of covered employee payroll</b>	<b>401.93%</b>				

Required Supplementary Information

Schedule of Contributions  
Year Ended June 30, 2014

---

Year Ended June 30	Actuarially Determined Contributions	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll*	Contributions as a Percentage of Covered Employee Payroll
2005		(Historical information prior to implementation of GASB 67/68 is not required)			
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014	\$ 3,677,200	\$ 2,792,576	\$ 884,624	\$ 7,837,400	35.63%

\*Note: Includes payroll for employees eligible for a disability benefit only.

Required Supplementary Information

Annual Money-Weighted Rate of Return  
Year Ended June 30, 2014

---

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.67%

## Other Supplementary Information

---



TOWN OF PORTSMOUTH, RHODE ISLAND

F-1

**Combining Balance Sheet**  
**Town General Fund and School Department Unrestricted Fund**  
**June 30, 2014**

	General Fund	School Unrestricted Fund	Eliminations	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 8,013,748	\$ 1,544,515		\$ 9,558,263
Cash on deposit at NCRSEP		840,032		840,032
Real estate and personal property tax receivable (net)	1,892,832			1,892,832
Due from federal and state governments	248,299	91,435		339,734
Due from other funds	2,539,532	6,168,494	\$ (3,684,106)	5,023,920
Ambulance receivable	410,848			410,848
Other receivables	116,631			116,631
Inventory	31,236			31,236
Prepaid expenditures	199,374			199,374
<b>TOTAL ASSETS</b>	<u>\$ 13,452,500</u>	<u>\$ 8,644,476</u>	<u>\$ (3,684,106)</u>	<u>\$ 18,412,870</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 186,116	\$ 677,876		\$ 863,992
Accrued expenses	96	136,619		136,715
Due to other funds	4,350,870	4,388,513	\$ (3,684,106)	5,055,277
Unearned revenue	0			-
Other liabilities	449,074			449,074
<b>TOTAL LIABILITIES</b>	<u>4,986,156</u>	<u>5,203,008</u>	<u>(3,684,106)</u>	<u>6,505,058</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable property tax revenue	1,439,165			1,439,165
Unavailable Ambulance revenue	410,848			410,848
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,850,013</u>	<u>-</u>	<u>-</u>	<u>1,850,013</u>
<b>FUND BALANCES:</b>				
Non-spendable	230,610	-		230,610
Restricted				-
Committed		3,441,468		3,441,468
Assigned	309,378			309,378
Unassigned	6,076,343			6,076,343
<b>TOTAL FUND BALANCES</b>	<u>6,616,331</u>	<u>3,441,468</u>		<u>10,057,799</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 13,452,500</u>	<u>\$ 8,644,476</u>	<u>\$ (3,684,106)</u>	<u>\$ 18,412,870</u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

F-2

**Combining Statement of Revenues, Other Financing Sources  
Expenditures, Other Financing Uses, and Changes in Fund Balances  
Town General Fund  
For the year ended June 30, 2014**

	General Fund	School Unrestricted Fund	Eliminations	Town General Fund
<b>Revenues</b>				
General property taxes and payments in lieu of taxes	\$ 47,580,546	\$ -		\$ 47,580,546
State aid and grants	1,161,914	5,616,831		6,778,745
Licenses, permits and fees	490,585			490,585
Charges for services	616,496	1,242,520		1,859,016
Melville Ponds Campgrounds	219,947			219,947
Glen Manor House	392,325			392,325
Rescue wagon income	788,305			788,305
Fines and forfeitures	314,427			314,427
Interest and investment income	8,026			8,026
Other revenues	628,766	36,864		665,630
Intergovernmental pension contribution		1,496,081		1,496,081
<b>Total revenues</b>	<u>52,201,337</u>	<u>8,392,296</u>	<u>-</u>	<u>60,593,633</u>
<b>Expenditures</b>				
<i>Current:</i>				
General government	4,166,454			4,166,454
Public safety	9,550,836			9,550,836
Public works	2,207,845			2,207,845
Education		36,605,793		36,605,793
<i>Community services:</i>				
Public and social services	698,281			698,281
Park & recreation	496,395			496,395
Intergovernmental pension contribution		1,496,081		1,496,081
<i>Debt Service:</i>				
Principal payments	2,387,229			2,387,229
Interest	480,596			480,596
<b>Total expenditures</b>	<u>19,987,636</u>	<u>38,101,874</u>	<u>-</u>	<u>58,089,510</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>32,213,701</u>	<u>(29,709,578)</u>	<u>-</u>	<u>2,504,123</u>
<b>Other financing sources (uses)</b>				
Transfers in	0	30,248,093	\$ (30,248,093)	-
Transfers out	(31,458,372)	(1,077,784)	30,248,093	(2,288,063)
<b>Net other financing sources (uses)</b>	<u>(31,458,372)</u>	<u>29,170,309</u>	<u>-</u>	<u>(2,288,063)</u>
Net change in fund balances	<u>755,329</u>	<u>(539,269)</u>	<u>-</u>	<u>216,060</u>
<b>Fund balances - beginning of the year</b>	<u>5,861,002</u>	<u>3,980,737</u>	<u>-</u>	<u>9,841,739</u>
<b>Fund balances - ending of the year</b>	<u>\$ 6,616,331</u>	<u>\$ 3,441,468</u>	<u>\$ -</u>	<u>\$ 10,057,799</u>

TOWN OF PORTSMOUTH, RHODE ISLAND

G-1

**Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash, cash equivalents	\$ 294,014	\$ 137,788	\$ 4,843	\$ 436,645
Investments	-	-	140,454	140,454
Accounts receivable	12,879			12,879
Due from federal and state governments	467,802			467,802
Due from other funds	1,209,292	430,396	921	1,640,609
<b>TOTAL ASSETS</b>	<u>\$ 1,983,987</u>	<u>\$ 568,184</u>	<u>\$ 146,218</u>	<u>\$ 2,698,389</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 52,496	\$ -		\$ 52,496
Accrued expenses	11,333			11,333
Due to other funds	484,830	1,289,069		1,773,899
Advance funding	363,891			363,891
<b>TOTAL LIABILITIES</b>	<u>912,550</u>	<u>1,289,069</u>	<u>-</u>	<u>2,201,619</u>
<b>FUND BALANCE</b>				
Nonspendable			\$ 146,218	146,218
Restricted	1,087,503	344,310		1,431,813
Committed		107,908		107,908
Unassigned	(16,066)	(1,173,103)		(1,189,169)
<b>TOTAL FUND BALANCE</b>	<u>1,071,437</u>	<u>(720,885)</u>	<u>146,218</u>	<u>496,770</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,983,987</u>	<u>\$ 568,184</u>	<u>\$ 146,218</u>	<u>\$ 2,698,389</u>

TOWN OF PORTSMOUTH, RHODE ISLAND

G-2

**Combining Statement of Revenues, Other Financing Sources  
Expenditures, and Other Financing Uses, and Changes in Fund Balance  
Non-Major Governmental Funds  
For the year ended June 30, 2014**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Permanent Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES:</b>				
State aid and grants (Intergovernmental)	\$ 1,260,279			\$ 1,260,279
Charges for services	70,605			70,605
Investment and interest income		\$ 16	\$ 5,750	5,766
Contributions and private grants	231,073	-		231,073
<b>TOTAL REVENUES</b>	<u>1,561,957</u>	<u>16</u>	<u>5,750</u>	<u>1,567,723</u>
<b>EXPENDITURES:</b>				
Current:				
General government	34,078			34,078
Public safety	96,836			96,836
Public works	-	140,956		140,956
Education	1,047,970	-		1,047,970
Community services	56,313			56,313
Capital expenditures		1,277,465		1,277,465
<b>TOTAL EXPENDITURES</b>	<u>1,235,197</u>	<u>1,418,421</u>	<u>-</u>	<u>2,653,618</u>
<b>Excess of revenue over(under) expenditures before transfers</b>	<u>326,760</u>	<u>(1,418,405)</u>	<u>5,750</u>	<u>(1,085,895)</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds		647,014		647,014
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>647,014</u>	<u>-</u>	<u>647,014</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>326,760</u>	<u>(771,391)</u>	<u>5,750</u>	<u>(438,881)</u>
<b>FUND BALANCES, BEGINING OF YEAR</b>	<u>744,677</u>	<u>186,391</u>	<u>140,468</u>	<u>1,071,536</u>
<b>FUND BALANCES, ENDING OF YEAR</b>	<u>\$ 1,071,437</u>	<u>\$ (585,000)</u>	<u>\$ 146,218</u>	<u>\$ 632,655</u>

TOWN OF PORTSMOUTH, RHODE ISLAND

H-1

**Combining Statement of Changes in Assets and Liabilities  
Town Agency Funds  
For the year ended June 30, 2014**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>SOIL AGENCY FUND</u></b>				
<b><u>Asset</u></b>				
Accounts Receivable	\$ 217,480	\$ 81,675	\$ 61,700	\$ 237,455
	<u>\$ 217,480</u>	<u>\$ 81,675</u>	<u>\$ 61,700</u>	<u>\$ 237,455</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ 217,480	\$ 81,675	\$ 61,700	\$ 237,455
	<u>\$ 217,480</u>	<u>\$ 81,675</u>	<u>\$ 61,700</u>	<u>\$ 237,455</u>
<b><u>LIBRARY STATE AID</u></b>				
<b><u>Asset</u></b>				
Accounts Receivable	\$ -	\$ 103,446	\$ 103,446	\$ -
	<u>\$ -</u>	<u>\$ 103,446</u>	<u>\$ 103,446</u>	<u>\$ -</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ -	\$ 103,446	\$ 103,446	\$ -
	<u>\$ -</u>	<u>\$ 103,446</u>	<u>\$ 103,446</u>	<u>\$ -</u>
<b><u>GMH DEPOSIT AGENCY FUND</u></b>				
<b><u>Asset</u></b>				
Due from General Fund	\$ 15,500	\$ 28,000	\$ 28,000	\$ 15,500
	<u>\$ 15,500</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 15,500</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ 15,500	\$ 28,000	\$ 28,000	\$ 15,500
	<u>\$ 15,500</u>	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 15,500</u>
<b><u>PROBATE COURT AGENCY FUND</u></b>				
<b><u>Asset</u></b>				
Cash and cash equivalents	\$ 201,570	\$ 34,071	\$ -	\$ 235,641
	<u>\$ 201,570</u>	<u>\$ 34,071</u>	<u>\$ -</u>	<u>\$ 235,641</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ 201,570	\$ 34,071	\$ -	\$ 235,641
	<u>\$ 201,570</u>	<u>\$ 34,071</u>	<u>\$ -</u>	<u>\$ 235,641</u>
<b><u>GLEN PARK DAMAGE DEPOSIT</u></b>				
<b><u>Asset</u></b>				
Accounts receivable	\$ 400	\$ 1,800	\$ 1,100	\$ 1,100
	<u>\$ 400</u>	<u>\$ 1,800</u>	<u>\$ 1,100</u>	<u>\$ 1,100</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ 400	\$ 1,800	\$ 1,100	\$ 1,100
	<u>\$ 400</u>	<u>\$ 1,800</u>	<u>\$ 1,100</u>	<u>\$ 1,100</u>
<b><u>PRESCOTT POINT FUND</u></b>				
<b><u>Asset</u></b>				
Cash and cash equivalents	\$ 96,635	\$ 11,549	\$ 8,186	\$ 99,998
	<u>\$ 96,635</u>	<u>\$ 11,549</u>	<u>\$ 8,186</u>	<u>\$ 99,998</u>
<b><u>Liability</u></b>				
Deposits Held in Custody for Others	\$ 96,635	\$ 11,549	\$ 8,186	\$ 99,998
	<u>\$ 96,635</u>	<u>\$ 11,549</u>	<u>\$ 8,186</u>	<u>\$ 99,998</u>
<b><u>TOTAL TOWN ACTIVITY AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash	\$ 298,205	\$ 45,620	\$ 8,186	\$ 335,639
Accounts Receivable	233,380	214,921	194,246	254,055
<b>TOTAL ASSETS</b>	<u>\$ 531,585</u>	<u>\$ 260,541</u>	<u>\$ 202,432</u>	<u>\$ 589,694</u>
<b><u>Liabilities</u></b>				
Deposits Held in Custody for Others	\$ 531,585	\$ 260,541	\$ 202,432	\$ 589,694
	<u>\$ 531,585</u>	<u>\$ 260,541</u>	<u>\$ 202,432</u>	<u>\$ 589,694</u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

H-2

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds - School Activity Funds  
For the year ended June 30, 2014**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>HATHAWAY</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 3,971	\$ 8,337	\$ 5,797	\$ 6,511
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 3,971	\$ 8,337	\$ 5,797	\$ 6,511
<b><u>MELVILLE</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 25,150	\$ 26,849	\$ 27,416	\$ 24,583
Citizens Bank Savings	2,687			2,687
	\$ 27,837	\$ 26,849	\$ 27,416	\$ 27,270
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 27,837	\$ 26,849	\$ 27,416	\$ 27,270
<b><u>PORTSMOUTH MIDDLE SCHOOL</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 35,386	\$ 153,912	\$ 132,957	\$ 56,341
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 35,386	\$ 153,912	\$ 132,957	\$ 56,341
<b><u>PORTSMOUTH HIGH SCHOOL</u></b>				
<b><u>ASSETS</u></b>				
Portsmouth High School CD	\$ 50,000			\$ 50,000
Citizens Bank Checking	93,719	\$ 452,650	\$ 409,002	137,367
Citizens Bank Savings	3,970			3,970
	\$ 147,689	\$ 452,650	\$ 409,002	\$ 191,337
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 147,689	\$ 452,650	\$ 409,002	\$ 191,337
<b><u>INTERSCHOOL ACTIVITIES</u></b>				
<b><u>ASSETS</u></b>				
Accounts Receivable	\$ 45,717	\$ -	\$ -	\$ 45,717
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 45,717	\$ -	\$ -	\$ 45,717
<b><u>TOTAL SCHOOL ACTIVITY AGENCY FUNDS</u></b>				
<b><u>ASSET</u></b>				
Cash	\$ 214,883	\$ 641,748	\$ 575,172	\$ 281,459
Accounts Receivable	45,717	-	-	45,717
<b>TOTAL ASSETS</b>	<b>\$ 260,600</b>	<b>\$ 641,748</b>	<b>\$ 575,172</b>	<b>\$ 327,176</b>
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 260,600	\$ 641,748	\$ 575,172	\$ 327,176
<b>TOTAL LIABILITIES</b>	<b>\$ 260,600</b>	<b>\$ 641,748</b>	<b>\$ 575,172</b>	<b>\$ 327,176</b>

TOWN OF PORTSMOUTH, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE  
YEAR ENDED JUNE 30, 2014

Tax Roll Year	Balance Uncollected July 1, 2013	2012 Assessment	Additions	Abatements & Adjustments	Amount to be Collected	Current Year Collections	Refunds	Balance June 30, 2014
2013		\$ 48,021,888	\$ 65,149	\$ 27,381	\$ 48,059,656	\$ 46,253,859	\$ 29,871	\$ 1,835,668
2012	\$ 1,434,166		801	1,507	1,433,460	1,316,040	3,507	120,927
2011	131,856			130	131,726	65,437	6	66,295
2010	62,341			485	61,856	7,796		54,060
2009	37,713			475	37,238	4,947	4	32,295
2008	33,666				33,666	5,269	4	28,401
2007	23,981				23,981	3,533	4	20,452
2006	16,883				16,883	414		16,469
2005	15,954				15,954	293		15,661
2004	12,678				12,678	77		12,601
2003	13,867				13,867	186		13,681
2002	12,560			12,153	407	407		-
<b>Total</b>	<b>1,795,665</b>	<b>\$ 48,021,888</b>	<b>\$ 65,950</b>	<b>\$ 42,131</b>	<b>\$ 49,841,372</b>	<b>\$ 47,658,258</b>	<b>\$ 33,396</b>	<b>2,216,510</b>
Less: Allowance for Uncollectible accounts	<u>(340,656)</u>							<u>(340,656)</u>
	<u>\$ 1,455,009</u>							<u>\$ 1,875,854</u>

Schedule of property valuation assessed as of December 31, 2011:

	Valuation	Levy
Real property	\$3,198,734,900	\$ 46,464,823
Motor vehicles	173,244,400	3,897,999
Tangible personal property	58,439,219	848,888
Total	3,430,418,519	51,211,710
Less: Exemptions and motor vehicle phase out		
Real property	(86,554,407)	(1,257,270)
Motor vehicles	(85,892,085)	(1,932,702)
Tangible personal property	(2,136)	150
<b>Total</b>	<u>\$3,257,969,891</u>	<u>\$ 48,021,888</u>