

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

TOWN OF NEW SHOREHAM, RHODE ISLAND

June 30, 2018

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Town of New Shoreham, Rhode Island
Independent Auditor's Report

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2018, 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, general fund budgetary comparison information, pension related disclosure, and other post-employment benefit related disclosure on pages 4-12 and 70-84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Shoreham, Rhode Island's basic financial statements. The supplementary schedules, including other budgetary comparison information, combining financial statements, tax collector's annual report, and Annual Supplemental Transparency Report (MTP2), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules including other budgetary comparison information, combining financial statements, tax collector's annual report, and Annual Supplemental Transparency Report (MTP2), are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other budgetary comparison information, combining financial statements, tax collector's annual report, and Annual Supplemental Transparency Report (MTP2), is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town of New Shoreham, Rhode Island
Independent Auditor's Report

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2018, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hague, Sabady & Co. PC". The signature is written in black ink on a white background.

Fall River, Massachusetts
December 27, 2018

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

The management of the Town of New Shoreham, Rhode Island (herein, the Town), offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the financial statements.

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

Financial Highlights

The assets plus deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources at June 30, 2018 by \$34,426,627 (net position). Net position includes \$28,435,583 net investment in capital assets; \$4,278,805 of restricted net position; and \$1,706,517 of unrestricted net position that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets plus deferred outflows were \$65,698,894 and total liabilities plus deferred inflows were \$31,272,267 at June 30, 2018. The Town's total net position increased by \$1,701,210 in FY 2018.

As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$7,694,707, a decrease of \$107,279 from the prior year.

As of June 30, 2018, the unassigned fund balance for the General Fund was \$1,376,029, or 9.8% of total budgeted 2018 General Fund expenditures and other financial uses of \$14,032,776. This amount is available for spending at the Town's discretion.

The Town total debt decreased by \$834,164 (3.2%) during the current fiscal year. The key factors in this change were the refunding of debt and retirement of principal, partially offset by the issuance of new debt.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The government-wide financial statements include two statements:

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

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Government-Wide Financial Statements (Continued)

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

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

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

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

The government-wide financial statements can be found on pages 13-16 of this report.

Fund Financial Statements

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

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

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

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

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

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The basic governmental fund financial statements can be found on pages 17-18 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

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

Fiduciary Funds. Such funds are used to account for resources held for the benefit of parties outside the Town government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The School OPEB Trust fund, North Light Fund and the School Student Activities Fund are fiduciary funds.

The basic fiduciary fund financial statement can be found on pages 26-27 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government and fund financial statements. The notes to the basic financial statements can be found on pages 28-69 of this report.

Other Required Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages 70-84 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$34,426,627 at June 30, 2018.

Net investment in capital assets, comprises \$28,435,583, or 82.6% of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position totaling \$4,278,805 or 12.4%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$221,390 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$1,706,517, may be used to meet the government's ongoing obligations to citizens and creditors.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Government-Wide Financial Analysis (Continued)

**Town of New Shoreham's Net Position - Primary Government
June 30, 2018 and 2017**

	Governmental		Business-Type		Total		\$ Change
	Activities		Activities				
	2018	2017	2018	2017	2018	2017	
Assets							
Current assets	\$ 13,343,517	\$ 11,789,290	\$ 3,149,227	\$ 2,691,442	\$ 16,492,744	\$ 14,480,732	\$ 2,012,012
Capital assets	<u>36,931,703</u>	<u>36,322,085</u>	<u>10,622,539</u>	<u>10,779,982</u>	<u>47,554,242</u>	<u>47,102,067</u>	<u>452,175</u>
Total assets	<u>50,275,220</u>	<u>48,111,375</u>	<u>13,771,766</u>	<u>13,471,424</u>	<u>64,046,986</u>	<u>61,582,799</u>	<u>2,464,187</u>
Deferred outflows of resources							
Bond refunding	164,455	-	-	-	164,455	-	164,455
Pension related outflows	<u>1,487,453</u>	<u>1,542,910</u>	<u>-</u>	<u>-</u>	<u>1,487,453</u>	<u>1,542,910</u>	<u>(55,457)</u>
Total deferred outflows of resources	<u>1,651,908</u>	<u>1,542,910</u>	<u>-</u>	<u>-</u>	<u>1,651,908</u>	<u>1,542,910</u>	<u>108,998</u>
Liabilities							
Current liabilities	7,228,928	5,190,272	487,392	501,567	7,716,320	5,691,839	2,024,481
Long-term liabilities	<u>18,791,342</u>	<u>19,593,343</u>	<u>4,158,207</u>	<u>4,258,816</u>	<u>22,949,549</u>	<u>23,852,159</u>	<u>(902,610)</u>
Total liabilities	<u>26,020,270</u>	<u>24,783,615</u>	<u>4,645,599</u>	<u>4,760,383</u>	<u>30,665,869</u>	<u>29,543,998</u>	<u>1,121,871</u>
Deferred inflows of resources							
Unearned revenue	4,100	4,100	-	-	4,100	4,100	-
Pension related inflows	<u>602,298</u>	<u>852,194</u>	<u>-</u>	<u>-</u>	<u>602,298</u>	<u>852,194</u>	<u>(249,896)</u>
Total deferred inflows of resources	<u>606,398</u>	<u>856,294</u>	<u>-</u>	<u>-</u>	<u>606,398</u>	<u>856,294</u>	<u>(249,896)</u>
Net position							
Net investment in capital assets	22,052,725	20,789,308	6,388,580	6,430,506	28,441,305	27,219,814	1,221,491
Restricted	4,244,481	3,925,271	34,324	29,324	4,278,805	3,954,595	324,210
Unrestricted	<u>(996,746)</u>	<u>(700,203)</u>	<u>2,703,263</u>	<u>2,251,211</u>	<u>1,706,517</u>	<u>1,551,008</u>	<u>155,509</u>
Total net position	<u>\$ 25,300,460</u>	<u>\$ 24,014,376</u>	<u>\$ 9,126,167</u>	<u>\$ 8,711,041</u>	<u>\$ 34,426,627</u>	<u>\$ 32,725,417</u>	<u>\$ 1,701,210</u>

Component unit. The assets plus deferred outflows of the Town's Component Unit, the Block Island Land Trust (Land Trust), exceeded its liabilities plus deferred inflows by \$28,368,140. Net investment in capital assets, comprises \$25,723,638, or 90.7% of total net position. The remaining balance of net position of the Land Trust, totaling \$2,644,502 is restricted.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Government-Wide Financial Analysis (Continued)

Changes in Net Position

The Town's net position increased by \$1,701,210 in FY 2018. Approximately 57.7% of the Town's total revenue came from taxes and payments in lieu of taxes, while 17.2% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 24.8% of total revenue. The Town's expenses cover a range of services, the largest of which were for schools, public works and harbors, administration costs, and employee benefits. In 2018, governmental activities revenues exceeded expenses by \$1,286,084. Net revenues from business-type activities exceed program expenses in 2018 by \$415,126.

**Town of New Shoreham's Changes in Net Position - Primary Government
For the Year Ended June 30, 2018 and 2017**

	Governmental Activities		Business-Type Activities		Total		\$ Change
	2018	2017	2018	2017	2018	2017	
Revenues:							
Program Revenues:							
Charges for service	\$ 2,278,849	\$ 2,326,547	\$ 2,019,205	\$ 2,026,486	\$ 4,298,054	\$ 4,353,033	\$ (54,979)
Operating grants and contributions	1,167,102	501,995	-	-	1,167,102	501,995	665,107
Capital grants and contributions	197,551	31,000	214,678	614,585	412,229	645,585	(233,356)
General Revenues:							
Property taxes	9,991,025	9,504,248	-	-	9,991,025	9,504,248	486,777
Grants and contributions	1,393,527	1,586,103	-	-	1,393,527	1,586,103	(192,576)
Other	8,500	21,512	53,404	77,972	61,904	99,484	(37,580)
Total revenue	<u>15,036,554</u>	<u>13,971,405</u>	<u>2,287,287</u>	<u>2,719,043</u>	<u>17,323,841</u>	<u>16,690,448</u>	<u>633,393</u>
Expenses:							
General government	2,379,946	2,425,761	-	-	2,379,946	2,425,761	(45,815)
Public safety	1,120,552	1,388,005	-	-	1,120,552	1,388,005	(267,453)
Education	5,853,974	5,506,786	-	-	5,853,974	5,506,786	347,188
Public works	2,240,830	1,785,631	-	-	2,240,830	1,785,631	455,199
Recreation, library, and other	1,846,005	1,724,318	-	-	1,846,005	1,724,318	121,687
Interest on debt	412,900	492,230	-	-	412,900	492,230	(79,330)
Sewer	-	-	1,438,231	1,391,487	1,438,231	1,391,487	46,744
Water	-	-	433,930	458,124	433,930	458,124	(24,194)
Total expenses	<u>13,854,207</u>	<u>13,322,731</u>	<u>1,872,161</u>	<u>1,849,611</u>	<u>15,726,368</u>	<u>15,172,342</u>	<u>554,026</u>
Transfer from component unit	103,737	114,187	-	-	103,737	114,187	(10,450)
Increase(decrease) in net position	1,286,084	762,861	415,126	869,432	1,701,210	1,632,293	68,917
Net position-beginning of year	<u>24,014,376</u>	<u>23,251,515</u>	<u>8,711,041</u>	<u>7,841,609</u>	<u>32,725,417</u>	<u>31,093,124</u>	<u>1,632,293</u>
Net position-end of year	<u>\$ 25,300,460</u>	<u>\$ 24,014,376</u>	<u>\$ 9,126,167</u>	<u>\$ 8,711,041</u>	<u>\$ 34,426,627</u>	<u>\$ 32,725,417</u>	<u>\$ 1,701,210</u>

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Governmental Activities

Governmental activities increased the Town's net position by \$1,286,084, or 5.4%, over the prior year. Key elements of this increase are as follows:

- Property taxes were levied for debt service payments and program expenses.
- General revenues and charges for services were collected to offset governmental expenses.

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

	Total Cost of Services		Net Cost of Services		\$ Change
	2018	2017	2018	2017	
Expenses net of program revenues:					
General government	\$ 2,379,946	\$ 2,348,761	\$ 1,806,068	\$ 1,933,648	\$ (127,580)
Public safety	1,120,552	1,388,005	1,074,634	1,345,531	(270,897)
Public works	2,240,830	1,785,631	451,365	122,217	329,148
Education	5,853,974	5,506,786	5,073,404	5,381,058	(307,654)
Recreation, library, and other	1,846,005	1,724,318	1,392,334	1,111,505	280,829
Interest on long-term debt	412,900	492,230	412,900	492,230	(79,330)
Total expenses net of program revenue	<u>\$ 13,854,207</u>	<u>\$ 13,245,731</u>	<u>\$ 10,210,705</u>	<u>\$ 10,386,189</u>	<u>\$ (175,484)</u>

Component Unit

The net position of the Town's Component Unit increased by \$1,175,263. A key element in the increase is revenue derived from the 3% transfer fee.

General Fund Budgetary Highlights

The original budget for FY 2018 adopted at the Financial Town Meeting was \$13,574,588; no changes were made to the final budget.

Actual revenues reported in FY 2018 were greater than budgeted amounts by \$158,958, due principally to an unexpected increase in hotel tax revenue as well as higher than expected building permit revenue.

Budgeted expenditures exceeded actual amounts by \$289,404 primarily due to debt service savings of \$103,333 based on the timeline of new debt being obtained as well as roughly \$70,000 of capital expenditures that were anticipated but did not occur in fiscal year 2018. There were also general government savings related to the consultant, legal and technology line items.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$653,898.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$47,554,242 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net increase in the Town's investment in capital assets for the current fiscal year was \$452,175, comprised of a decrease related to business-type activities of \$157,443 offset by an increase of \$609,618 related to governmental activities, net of accumulated depreciation.

Additions to capital assets in 2018 for governmental activities included road and bridge improvements, beach pavilion construction, emergency vehicle investments and continued improvements at the School, offset by depreciation expense.

Additions to capital assets for business-type activities were primarily electrical and process upgrades and pump overhauls partially offset by depreciation expense.

	Capital Asset Administration						
	Governmental Activities		Business-Type Activities		Total		\$ Change
	2018	2017	2018	2017	2018	2017	
Land and land easements	\$ 19,313,847	\$ 19,313,847	\$ 954,203	\$ 954,203	\$ 20,268,050	\$ 20,268,050	
Construction in progress	272,539	407,913	-	-	272,539	407,913	(135,374)
Infrastructure, net	1,883,455	1,349,278	7,635,517	7,738,485	9,518,972	9,087,763	431,209
Land improvements, net	2,930,761	3,081,926	-	-	2,930,761	3,081,926	(151,165)
Building & improvements, net	11,310,107	11,012,208	1,725,517	1,878,966	13,035,624	12,891,174	144,450
Automobiles and vessels, net	717,741	499,748	-	-	717,741	499,748	217,993
Machinery and equipment, net	299,801	403,367	307,302	208,328	607,103	611,695	(4,592)
Office equipment and furniture, net	167,652	217,013	-	-	167,652	217,013	(49,361)
Library books and textbooks net	<u>35,800</u>	<u>36,785</u>	<u>-</u>	<u>-</u>	<u>35,800</u>	<u>36,785</u>	<u>(985)</u>
Total	<u>\$ 36,931,703</u>	<u>\$ 36,322,085</u>	<u>\$ 10,622,539</u>	<u>\$ 10,779,982</u>	<u>\$ 47,554,242</u>	<u>\$ 47,102,067</u>	<u>\$ 452,175</u>

Long-term debt. As of June 30, 2018, the Town has total bonded debt outstanding of \$19,424,264, which is backed by the full faith and credit of the Town.

The Town has capital leases outstanding at June 30, 2018 with a balance totaling \$136,128.

The Town's Component Unit has total notes payable outstanding of \$2,771,695, consisting primarily of general obligation bonds issued through the Town.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Capital Asset and Debt Administration (Continued)

Long-term debt (continued).

Town of New Shoreham's Outstanding Debt - Primary Government

	Governmental Activities		Business-type Activities		Total		\$ Change
	2018	2017	2018	2017	2018	2017	
General obligation bonds	\$ 15,190,305	\$ 15,906,401	\$ 4,233,959	\$ 4,322,521	\$ 19,424,264	\$ 20,228,922	\$ (804,658)
Capital leases	136,128	148,634	-	-	136,128	148,634	(12,506)
Accrued compensated absences	375,842	345,289	53,271	50,677	429,113	395,966	33,147
Net other post-employment benefit liability	501,555	599,456	-	-	501,555	599,456	(97,901)
Net pension liability	<u>4,536,904</u>	<u>3,873,860</u>	<u>-</u>	<u>-</u>	<u>4,536,904</u>	<u>3,873,860</u>	<u>663,044</u>
Total expenditures	<u>\$ 20,740,734</u>	<u>\$ 20,873,640</u>	<u>\$ 4,287,230</u>	<u>\$ 4,373,198</u>	<u>\$ 25,027,964</u>	<u>\$ 25,246,838</u>	<u>\$ (218,874)</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to three percent (3%) of its total equalized valuation. The debt limitation for the Town is \$49,796,008 as of the December 31, 2016 assessment, which significantly exceeds the Town's outstanding general debt.

In January 2009, S&P upgraded the Town's bond rating from A+ to AA. Primary factors driving the ratings increase include sound financial position, low per capita debt levels and strong market value per capita. This rating was affirmed in June 2009, June 2010, June 2012 and July 2015.

Component Unit

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

The Land Trust is funded principally by fees levied on qualifying real property transfers within the Town. The transfer fee adopted by the Land Trust for the year ended June 30, 2018 was 3%.

The Land Trust may request the Town to issue bonds for the purpose of financing its activities. The Land Trust has used proceeds from portions of authorized bond amounts for land and land right acquisitions and is responsible for the repayment of all principal and interest. The Land Trust was authorized to bond up to \$6,000,000 in May 2001. It used \$3,500,000 to purchase the Hodge property in FY 2003, and \$450,000 to purchase the Turnip Farm land; there is \$2,050,000 in authority remaining. At the May 2, 2005 Financial Town Meeting, voters authorized an additional \$4,000,000 for total authority of \$6,050,000. During 2012, the Town issued a bond in the amount of \$2,364,000 to finance the Trust's acquisitions. The remaining authority is \$2,771,695.

For further information regarding the Block Island Land Trust, refer to separately issues financial statements.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2018

Economic Factors and Next Year's Budget and Rates

The Town of New Shoreham, popularly known as Block Island, enjoys a favorable economic environment and local indicators point to continued stability. Block Island is a 10 square mile island off the coast of Rhode Island at the mouth of Long Island Sound. The year-round population of approximately 1,051 ranks New Shoreham smallest among the 39 cities and towns in Rhode Island, but the summer population swells to between 15,000 and 20,000. Employment is primarily in service industries, focused on the tourism sector. The predominantly residential tax base (90% residential) shows small but steady growth that brought the net assessed value to \$1,679,027,591 at December 31, 2016.

With the approval of the tax payers at the May 7, 2018 Financial Town meeting, the tax rate on real property increased by \$0.09/\$1,000 (1.5%) to \$5.95/\$1,000.

In October 2004, the Town entered into an agreement with the State of Rhode Island Department of Transportation for the management of the State-owned highways on the island. Under this agreement, the Town oversees the day-to-day maintenance and operations of the State highways. In exchange, the State compensates the Town \$425,000 annually. The State retains responsibility for any major capital improvements required.

Requests for Information

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

Town of New Shoreham, Rhode Island

Government-Wide Financial Statements - Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
ASSETS				
Cash and cash equivalents	\$ 5,026,472	\$ 2,683,157	\$ 7,709,629	\$ 2,145,733
Investments	-	-	-	501,636
Receivables, net				
Personal property taxes	274,752	-	274,752	-
User charges	-	267,380	267,380	-
Intergovernmental	580,181	175,550	755,731	-
Departmental and other	913,396	-	913,396	-
Due from other funds	1,977,021	23,140	2,000,161	-
Short term investment in BIPCO	1,800,000	-	1,800,000	-
Notes receivable, net	2,771,695	-	2,771,695	-
Capital assets:				
Capital assets not being depreciated	19,586,386	954,203	20,540,589	28,702,746
Capital assets being depreciated, net	<u>17,345,317</u>	<u>9,668,336</u>	<u>27,013,653</u>	-
Total capital assets	<u>36,931,703</u>	<u>10,622,539</u>	<u>47,554,242</u>	<u>28,702,746</u>
Total assets	<u>50,275,220</u>	<u>13,771,766</u>	<u>64,046,986</u>	<u>31,350,115</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related outflows	1,487,453	-	1,487,453	-
Loss on bond refunding	<u>164,455</u>	<u>-</u>	<u>164,455</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 51,927,128</u>	<u>\$ 13,771,766</u>	<u>\$ 65,698,894</u>	<u>\$ 31,350,115</u>

The accompanying notes are an integral part of this statement

Town of New Shoreham, Rhode Island

Government-Wide Financial Statements - Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,390,348	\$ 313,795	\$ 1,704,143	\$ 2,867
Accrued interest	69,381	26,347	95,728	-
Due to federal and state governments	37,873	-	37,873	-
Due to other funds	1,981,934	18,227	2,000,161	-
Short term debt	1,800,000	-	1,800,000	-
Current portion of capital leases	75,604	-	75,604	-
Current portion of bonds and notes payable	1,760,913	101,222	1,862,135	342,229
Current portion of compensated absences	112,875	27,801	140,676	-
Portion due or payable in more than one year:				
Capital leases	60,524	-	60,524	-
Bonds and notes payable	13,429,392	4,132,737	17,562,129	2,429,466
Compensated absences	262,967	25,470	288,437	-
Net OPEB liability	501,555	-	501,555	-
Net pension liability	4,536,904	-	4,536,904	-
Total liabilities	<u>26,020,270</u>	<u>4,645,599</u>	<u>30,665,869</u>	<u>2,774,562</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related inflows	602,298	-	602,298	-
Unearned revenue	4,100	-	4,100	-
Gains on refunding of debt	-	-	-	207,413
Total deferred inflows or resources	<u>606,398</u>	<u>-</u>	<u>606,398</u>	<u>207,413</u>
NET POSITION				
Net investment in capital assets	22,052,725	6,388,580	28,441,305	25,723,638
Restricted corpus of endowment funds	221,390	-	221,390	-
Restricted land trust note receivable	2,771,695	-	2,771,695	-
Restricted for STET	1,176,201	-	1,176,201	-
Restricted for Old Harbor Dock	1,531	-	1,531	-
Restricted for educational purposes	1,000	-	1,000	-
Restricted for Broadband Construction	72,664	-	72,664	-
Restricted for apartments	-	34,324	34,324	-
Restricted for land to be held in perpetuity	-	-	-	2,644,502
Unrestricted	(996,746)	2,703,263	1,706,517	-
Total net position	<u>25,300,460</u>	<u>9,126,167</u>	<u>34,426,627</u>	<u>28,368,140</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 51,927,128</u>	<u>\$ 13,771,766</u>	<u>\$ 65,698,894</u>	<u>\$ 31,350,115</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2018

	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
Governmental Activities								
General government	\$ 2,379,946	\$ 485,714	\$ 15,500	\$ 72,664	\$ (1,806,068)	\$ -	\$ (1,806,068)	\$ -
Public safety	1,120,552	36,953	8,965	-	(1,074,634)	-	(1,074,634)	-
Education	5,853,974	34,564	736,869	9,137	(5,073,404)	-	(5,073,404)	-
Public works	2,240,830	1,502,855	170,860	115,750	(451,365)	-	(451,365)	-
Recreation, library, and other	1,846,005	218,763	234,908	-	(1,392,334)	-	(1,392,334)	-
Interest on debt	412,900	-	-	-	(412,900)	-	(412,900)	-
Total governmental activities	13,854,207	2,278,849	1,167,102	197,551	(10,210,705)	-	(10,210,705)	-
Business-Type Activities								
Water	1,438,231	1,361,716	-	214,678	-	138,163	138,163	-
Sewer	433,930	657,489	-	-	-	223,559	223,559	-
Total business-type activities	1,872,161	2,019,205	-	214,678	-	361,722	361,722	-
Total primary government	15,726,368	4,298,054	1,167,102	412,229	(10,210,705)	361,722	(9,848,983)	-
Component Unit								
Block Island Land Trust	103,737	1,345,260	-	-	-	-	-	1,241,523
Total component units	103,737	1,345,260	-	-	-	-	-	1,241,523
Total Town of New Shoreham	\$ 15,830,105	\$ 5,643,314	\$ 1,167,102	\$ 412,229	\$ (10,210,705)	\$ 361,722	\$ (9,848,983)	\$ 1,241,523

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2018

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
General revenues				
Real estate and personal property, net of reserve for abatements	\$ 9,991,025	\$ -	\$ 9,991,025	\$ -
Hotel and meals tax	996,832	-	996,832	-
State housing aid	274,072	-	274,072	-
Earnings on investments	12,619	-	12,619	1,095
State aid to town	110,004	-	110,004	-
Miscellaneous	8,500	53,404	61,904	36,382
Total general revenues	<u>11,393,052</u>	<u>53,404</u>	<u>11,446,456</u>	<u>37,477</u>
Special Item - transfer from component unit	<u>103,737</u>	<u>-</u>	<u>103,737</u>	<u>(103,737)</u>
Total general revenues, special items, and transfers	<u>11,496,789</u>	<u>53,404</u>	<u>11,550,193</u>	<u>(66,260)</u>
Changes in net position	1,286,084	415,126	1,701,210	1,175,263
Net position - July 1, 2017, restated	<u>24,014,376</u>	<u>8,711,041</u>	<u>32,725,417</u>	<u>27,192,877</u>
Net position - June 30, 2018	<u>\$ 25,300,460</u>	<u>\$ 9,126,167</u>	<u>\$ 34,426,627</u>	<u>\$ 28,368,140</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2018

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 2,985,008	\$ 707,980	\$ 1,333,484	\$ 5,026,472
Receivables:				
Property taxes, net	274,752	-	-	274,752
Intergovernmental	221,443	48,704	27,034	297,181
Other	908,063	5,333	-	913,396
Due from other funds	723,191	448,389	805,441	1,977,021
Short term investment in BIPCO	1,800,000	-	-	1,800,000
Notes receivable, component unit	<u>2,771,695</u>	<u>-</u>	<u>-</u>	<u>2,771,695</u>
Total assets	<u>9,684,152</u>	<u>1,210,406</u>	<u>2,165,959</u>	<u>13,060,517</u>
Deferred outflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 9,684,152</u>	<u>\$ 1,210,406</u>	<u>\$ 2,165,959</u>	<u>\$ 13,060,517</u>
Liabilities				
Accounts payable and accrued expenses	\$ 655,277	\$ 584,154	\$ 150,917	\$ 1,390,348
Due to federal and state governments	37,873	-	-	37,873
Short term debt	1,800,000	-	-	1,800,000
Due to other funds	<u>1,875,602</u>	<u>65,907</u>	<u>40,425</u>	<u>1,981,934</u>
Total liabilities	<u>4,368,752</u>	<u>650,061</u>	<u>191,342</u>	<u>5,210,155</u>
Deferred inflows of resources				
Unearned revenue	<u>155,655</u>	<u>-</u>	<u>-</u>	<u>155,655</u>
Total deferred inflows of resources	<u>155,655</u>	<u>-</u>	<u>-</u>	<u>155,655</u>
Fund balances				
Nonspendable	2,771,695	-	221,390	2,993,085
Restricted	474,238	1,000	776,158	1,251,396
Committed	17,897	-	-	17,897
Assigned	519,886	559,345	1,124,361	2,203,592
Unassigned	<u>1,376,029</u>	<u>-</u>	<u>(147,292)</u>	<u>1,228,737</u>
Total fund balance	<u>5,159,745</u>	<u>560,345</u>	<u>1,974,617</u>	<u>7,694,707</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,684,152</u>	<u>\$ 1,210,406</u>	<u>\$ 2,165,959</u>	<u>\$ 13,060,517</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

For the Year Ended June 30, 2018

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Real estate and personal property taxes	\$ 10,005,731	\$ -	\$ -	\$ 10,005,731
Intergovernmental	1,561,238	500,973	-	2,062,211
Licenses, permits, and fees	481,418	-	-	481,418
Investment Income	8,977	-	3,642	12,619
State contribution to teachers' pension plan	-	258,731	-	258,731
Medicaid reimbursement	-	28,213	-	28,213
Other revenue	<u>1,772,867</u>	<u>35,733</u>	<u>449,487</u>	<u>2,258,087</u>
Total revenue	<u>13,830,231</u>	<u>823,650</u>	<u>453,129</u>	<u>15,107,010</u>
Expenditures				
General government	2,187,654	-	-	2,187,654
Public safety	1,127,914	-	-	1,127,914
Education	-	5,601,583	18,684	5,620,267
Public works	2,467,412	-	-	2,467,412
Recreation, library, and other	1,564,107	-	36,913	1,601,020
Capital outlay	327,409	-	890,281	1,217,690
Debt service				
Principal	2,617,910	-	-	2,617,910
Principal refunded	1,540,000	-	-	1,540,000
Interest	<u>422,159</u>	<u>-</u>	<u>-</u>	<u>422,159</u>
Total expenditures	<u>12,254,565</u>	<u>5,601,583</u>	<u>945,878</u>	<u>18,802,026</u>
Excess (deficiency) of revenues over expenditures	1,575,666	(4,777,933)	(492,749)	(3,695,016)
Other financing sources (uses)				
Bond proceeds	3,484,000	-	-	3,484,000
Transfer from component unit	103,737	-	-	103,737
Transfers in	-	4,833,119	1,400,000	6,233,119
Transfers out	<u>(6,175,148)</u>	<u>(57,971)</u>	<u>-</u>	<u>(6,233,119)</u>
Other financing sources (uses)	<u>(2,587,411)</u>	<u>4,775,148</u>	<u>1,400,000</u>	<u>3,587,737</u>
Excess of revenue and other sources over expenditures and other uses	(1,011,745)	(2,785)	907,251	(107,279)
Fund balance, July 1, 2017	<u>6,171,490</u>	<u>563,130</u>	<u>1,067,366</u>	<u>7,801,986</u>
Fund balance, June 30, 2018	<u>\$ 5,159,745</u>	<u>\$ 560,345</u>	<u>\$ 1,974,617</u>	<u>\$ 7,694,707</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Balance Sheet Fund Balances to the Statement of Net Position

June 30, 2018

Total governmental fund balances	\$ 7,694,707
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
MRBRF receivable	283,000
Capital assets, net	36,931,703
Deferred loss on refunding	164,455
Other long-term liabilities related to net pension activity that are not available to pay for current-period expenditures and, therefore, are deferred outflows of resources in the funds.	1,487,453
Other deferred tax revenue not available to pay for current-period expenditures and, therefore, are not reported in the funds	151,555
Other long-term assets related to net pension activity that are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	(602,298)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(69,381)
Long-term liabilities are not due and payable in the current period period and, therefore are not reported in the governmental funds.	
Bonds and notes payable	(15,190,305)
Capital leases	(136,128)
Compensated absences	(375,842)
Net Other postemployment benefits liability	(501,555)
ERS - net pension liability	(3,387,393)
MERS - net pension liability	<u>(1,149,511)</u>
Net position of governmental activities	<u>\$ 25,300,460</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$ (107,279)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	609,618
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.	(14,706)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt proceed	(3,484,000)
Principal payments	4,157,910
Premium payments	42,186
Capital lease activity	12,506
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	9,260
In the Statement of Activities, loss on refunding is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(140,443)
In the Statement of Activities, long term receivables are accrued as long term assets, and recognized as revenue when received.	(13,000)
The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds.	97,901
Some expenses reported in the Statement of Activities, such as compensated absences do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(30,554)
Some expenses reported in the Statement of Activities, such as state net pension liability do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>146,685</u>
Change in net position of governmental activities	<u>\$ 1,286,084</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2018

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Assets			
Current assets			
Cash and cash equivalents	\$ 2,034,006	\$ 649,151	\$ 2,683,157
Receivables, net			
User fees	156,832	110,548	267,380
Intergovernmental	175,550	-	175,550
Due from other funds	<u>4,918</u>	<u>18,222</u>	<u>23,140</u>
Total current assets	<u>2,371,306</u>	<u>777,921</u>	<u>3,149,227</u>
Non-current assets			
Capital assets not being depreciated	892,880	61,323	954,203
Capital assets being depreciated, net	<u>5,408,026</u>	<u>4,260,310</u>	<u>9,668,336</u>
Total non-current assets	<u>6,300,906</u>	<u>4,321,633</u>	<u>10,622,539</u>
Total assets	<u>8,672,212</u>	<u>5,099,554</u>	<u>13,771,766</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 8,672,212</u>	<u>\$ 5,099,554</u>	<u>\$ 13,771,766</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2018

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 272,250	\$ 41,545	\$ 313,795
Current portion of bonds payable	46,696	54,526	101,222
Current portion of compensated absences	27,801	-	27,801
Accrued interest payable	20,625	5,722	26,347
Due to other funds	18,227	-	18,227
Total current liabilities	385,599	101,793	487,392
Non-current liabilities			
Bonds payable	2,774,333	1,358,404	4,132,737
Compensated absences	25,470	-	25,470
Total non-current liabilities	2,799,803	1,358,404	4,158,207
Total liabilities	3,185,402	1,460,197	4,645,599
Deferred inflows of resources			
None	-	-	-
Total deferred inflows of resources	-	-	-
Net Position			
Net investment in capital assets	3,479,877	2,908,703	6,388,580
Restricted for apartments	34,324	-	34,324
Unrestricted	1,972,609	730,654	2,703,263
Total liabilities, deferred inflows of resources and net position	\$ 8,672,212	\$ 5,099,554	\$ 13,771,766

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2018

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Operating revenues			
Charges for services	\$ 1,361,716	\$ 657,489	\$ 2,019,205
Other revenues	<u>43,952</u>	<u>9,452</u>	<u>53,404</u>
Total operating revenues	<u>1,405,668</u>	<u>666,941</u>	<u>2,072,609</u>
Operating expenses			
Salaries and benefits	586,249	-	586,249
Services and supplies	426,214	205,406	631,620
Depreciation	<u>352,955</u>	<u>175,970</u>	<u>528,925</u>
Total operating expenses	<u>1,365,418</u>	<u>381,376</u>	<u>1,746,794</u>
Operating income (loss)	<u>40,250</u>	<u>285,565</u>	<u>325,815</u>
Nonoperating revenues (expenses)			
Grant activity	214,678	-	214,678
Interest expense	<u>(72,813)</u>	<u>(52,554)</u>	<u>(125,367)</u>
Total nonoperating revenue (expenses)	<u>141,865</u>	<u>(52,554)</u>	<u>89,311</u>
Income (loss) before transfers	<u>182,115</u>	<u>233,011</u>	<u>415,126</u>
Transfers			
Transfer in	233,994	-	233,994
Transfers out	<u>-</u>	<u>(233,994)</u>	<u>(233,994)</u>
Total Transfers	<u>233,994</u>	<u>(233,994)</u>	<u>-</u>
Change in net position	416,109	(983)	415,126
Total net position, July 1, 2017, restated	<u>5,070,701</u>	<u>3,640,340</u>	<u>8,711,041</u>
Total net position, June 30, 2018	<u>\$ 5,486,810</u>	<u>\$ 3,639,357</u>	<u>\$ 9,126,167</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Cash flows from operating activities			
Cash received from customers	\$ 1,001,611	\$ 655,029	\$ 1,656,640
Cash due from (to) governments	454,531	-	454,531
Payments to suppliers and employees	(459,973)	(209,252)	(669,225)
Cash received from (to) other funds	<u>(9,144)</u>	<u>(105,236)</u>	<u>(114,380)</u>
Net cash provided (used) by operating activities	<u>987,025</u>	<u>340,541</u>	<u>1,327,566</u>
Cash flows from noncapital financing activities			
Grant revenue	214,678	-	214,678
Transfers in (out)	<u>233,994</u>	<u>(233,994)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>448,672</u>	<u>(233,994)</u>	<u>214,678</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(282,075)	(89,408)	(371,483)
Acquisition of capital debt	-	-	-
Principal paid on debt	(36,752)	(51,810)	(88,562)
Interest paid on capital debt	<u>(72,985)</u>	<u>(52,989)</u>	<u>(125,974)</u>
Net cash used by capital and related financing activities	<u>(391,812)</u>	<u>(194,207)</u>	<u>(586,019)</u>
Cash flows from investing activities			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	1,043,885	(87,660)	956,225
Balances-beginning of the year	<u>990,121</u>	<u>736,811</u>	<u>1,726,932</u>
Balances-end of the year	<u>\$ 2,034,006</u>	<u>\$ 649,151</u>	<u>\$ 2,683,157</u>
Displayed as:			
Cash and cash equivalents	<u>\$ 2,034,006</u>	<u>\$ 649,151</u>	<u>\$ 2,683,157</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2018

	Business-type Activities Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 40,250	\$ 285,565	\$ 325,815
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	352,955	175,970	528,925
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	22,157	(11,912)	10,245
(Increase) decrease in due from government	506,417	(18,222)	488,195
Increase (decrease) in due to other funds	(66,999)	(87,014)	(154,013)
Increase (decrease) in compensated absences	2,594	-	2,594
Increase (decrease) accounts payable and accrued expenses	129,651	(3,846)	125,805
Net cash provided (used) by operating activities	\$ 987,025	\$ 340,541	\$ 1,327,566

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Fiduciary Funds

June 30, 2018

	<u>Fiduciary Funds</u>		
	<u>Student Activities</u>	<u>OPEB Trust</u>	<u>North Light Fund</u>
Assets			
Cash and cash equivalents	\$ 21,846	\$ -	\$ 9,256
Investments	<u>-</u>	<u>210,421</u>	<u>-</u>
Total assets	<u>\$ 21,846</u>	<u>\$ 210,421</u>	<u>\$ 9,256</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ 284
Deposits held	<u>21,846</u>	<u>-</u>	<u>8,972</u>
Total liabilities	<u>21,846</u>	<u>-</u>	<u>9,256</u>
Net Position	<u>-</u>	<u>210,421</u>	<u>-</u>
Total net position	<u>-</u>	<u>210,421</u>	<u>-</u>
Total liabilities and net position	<u>\$ 21,846</u>	<u>\$ 210,421</u>	<u>\$ 9,256</u>

The accompanying notes are an integral part of this statement

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2018

	<u>OPEB Trust</u>
Additions	
Employer contributions	\$ 35,000
Earnings on investment	<u>7,372</u>
Total additions	<u>42,372</u>
Deductions	
Administrative expenses	<u>433</u>
Total deductions	<u>433</u>
Changes in fund equity held in trust for individuals, organizations, and other governments	41,939
Net position, July 1, 2017	<u>168,482</u>
Net position June 30, 2018	<u><u>\$ 210,421</u></u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements - Government-Wide Statements

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

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

C. Basic Financial Statements - Fund Financial Statements

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

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

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

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

1. Governmental Funds

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

1. Governmental Funds (Continued)

- c. **Capital Projects Funds** are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's capital project funds include funds restricted for us on dock construction, beach construction projects, general public works and broadband construction. The School's capital project fund is for School improvement projects, which is included within the combined School Department fund.
- d. **Permanent Funds** are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs. The Town's only permanent fund is the Cemetery Fund, which is a non-major fund.

2. Proprietary Funds

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

3. Fiduciary Funds

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity; therefore, they cannot be used to support the Town's own programs. The Town's only fiduciary funds are agency funds which are established when the Town holds assets in custody for others in an agency capacity and an OPEB trust fund which was established in 2016.

D. Measurement Focus and Basis of Accounting

The government wide-financial statements, proprietary and fiduciary fund financial statements, including the component unit, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund and the Water Fund are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

E. Financial Statements Amounts

1. Cash and cash equivalents

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

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks, however, this risk is mitigated by collateralization agreements held by the Town which protect their cash and equivalents.

2. Investments

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

The Town does have a deposit policy that addresses various investment risks. These risks are also mitigated by collateralization agreements held by the Town which protect their investments.

3. Interfund transactions

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

4. Farm, Forest and Open Space

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

5. Capital Assets

Government-wide financial statements:

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

Capitalized fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

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

Fund financial statements:

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

6. *Compensated absences*

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

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

7. *Long-term obligations*

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

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

8. *Deferred Inflows of Resources*

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position

Government-wide financial statements

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

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

Fund financial statements

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

- a) Nonspendable - amounts that cannot be spent because they are either a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b) Restricted - amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- c) Committed - amounts constrained to specific purposes by the Town, using its highest level of decision-making authority.

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position (Continued)

- e) Unassigned - amounts available for any purpose.

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

10. Property tax revenue

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

11. Intergovernmental revenues

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

12. Program Revenues and Expenses

In the statement of activities specific revenues are allocated to program expenses due to their direct relationships. Collections for licenses, fees, tickets and fines are among some of the revenue sources that are program revenues. Indirect expenses are not allocated to functions in the statement of activities.

13. Bond Premiums

In the Governmental Fund Financial Statements, bond premiums and debt issuance costs are treated as period costs in the year of issuance. Debt issuance costs are shown as an "expenditure" and bond premiums are reflected as an "other financing source".

In the Government-Wide Statements, bond premiums are deferred and amortized over the term of the related debt. Bond premiums are presented as an addition to the face amount of the bonds.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

14. *Interfund Activity*

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

15. *Bond issuance costs*

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

16. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures and/or expense are recorded in order to reserve portions of applicable appropriations, is employed in the governmental and business-type funds.

17. *Use of estimates*

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

18. *Employees' Retirement System (ERS) Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

19. *Municipal Employees' Retirement System (MERS) Pension*

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

20. *Other Post-Employment Benefits (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan and additions to/deductions from Town's fiduciary net position have been determined on the same basis as they are reported by the Town. For this purpose, the Town recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

F. Implementation of New Accounting Principles

Effective for the fiscal year ended June 30, 2018, the Town adopted the provisions of Statement No. 75 of the GASB, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses and expenditures related to other postemployment benefits ("OPEB") administered through trusts or equivalent arrangements. For defined benefit OPEBs, GASB 75 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, GASB 75 requires more extensive footnote disclosures in employer financial statements. GASB Statement numbers 81 – Irrevocable Split-Interest Agreements, 85 – Omnibus, and 86 – Certain Debt Extinguishment Issues were implemented in the current year but did not have a material impact on the financial statements.

G. Accounting Principles Not Yet Required to be Implemented

Effective for the fiscal year ending June 30, 2021, the Town will be required to adopt the provisions of Statement No. 87 of the GASB, *Leases* ("GASB 87"). GASB 87 requires recognition of lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The Town is currently evaluating the effects of GASB 87 on its financial statements. The following GASB standards will also be evaluated by the Town: 1. GASB 83 – Certain Asset Retirement Obligations, 2. GASB 84 – Fiduciary Activities, 3. GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, 4. GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period, and 5. GASB 90 Majority Equity Interests.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

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

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

NOTE 3: Cash and cash equivalents

At June 30, 2018, the carrying amount of the Town's deposits was \$7,740,731 and the total bank balance was \$7,784,712.

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

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

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

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

At June 30, 2018, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Maturities	Total Bank Balance	Carrying Amount
Deposits:				
Demand deposits	\$ 3,161,918		\$ 4,317,130	\$ 4,268,969
Petty cash				4,180
Certificate of deposit	672,875	8/12/16-10/11/16	672,875	672,875
Money market	2,794,707		2,794,707	2,794,707
OPEB	-		-	-
	<u>\$ 6,629,500</u>		<u>\$ 7,784,712</u>	<u>\$ 7,740,731</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 4: Investments

At June 30, 2018, investments of the Town are categorized as follows:

Investments at Fair Value	June 30, 2018	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 210,421	\$ 210,421	\$ -	\$ -
Total investments measured at fair value	\$ 210,421	\$ 210,421	\$ -	\$ -

At June 30, 2018, deposits and investments of the component unit are categorized as follows:

Maturities	Total Bank Balance	Carrying Value	Fair Value Measurement		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Demand deposits	\$ 2,161,776	\$ 2,145,733	N/A		
Investments, US Treasury Bill	N/A	\$ 501,636	\$ 501,636	\$ -	\$ -

NOTE 5: Assets Held in Trust

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2018 totaled approximately \$93,327.

NOTE 6: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2018 are as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds:		
General fund	\$ 723,191	\$ 1,875,602
School department	448,389	65,907
Nonmajor governmental funds	805,441	40,425
Proprietary funds:		
Sewer	4,918	18,227
Water	18,222	-
	\$ 2,000,161	\$ 2,000,161

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 6: Interfund Receivables/Payables (Continued)

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

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental Funds		
General Fund	\$ -	\$ 6,175,148
School Department	4,833,119	57,971
Special Revenue	-	-
Capital projects	1,400,000	
Proprietary Funds		
Sewer	233,994	-
Water	-	233,994
Totals	<u>\$ 6,467,113</u>	<u>\$ 6,467,113</u>

Funds were transferred from water to sewer in fiscal year 2018 in order to cover operating costs that are more appropriately related to the water fund. This transfer of funds was made in accordance with the current year budget, therefore, it was anticipated prior to the beginning of the fiscal year by the Town.

There were \$4,775,148 of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation, therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

NOTE 7: Short Term Debt - Block Island Power Company Investment

On November 7, 2016 the Town acquired 2/3 of the outstanding shares of the Block Island Power Company for \$1,800,000, financed with general obligation debt. Effective July 21, 2017 the RI State Legislature created the Block Island Utility District, a quasi-municipal corporation legally distinct from the State or the Town, to provide utility (including power) products to Block Island. The establishment of the Block Island Utility District facilitates the transition to a non-profit, ratepayer-controlled utility district to own and operate the electric utility.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 8: Capital Assets

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
<u>Governmental Activities:</u>				
Not being depreciated:				
Land	\$ 19,313,847	\$ -	\$ -	\$ 19,313,847
Construction in progress	407,913	87,593	222,967	272,539
Subtotal	19,721,760	87,593	222,967	19,586,386
Other capital assets:				
Infrastructure	2,031,457	651,783	-	2,683,240
Land improvements	4,786,059	21,000	-	4,807,059
Buildings and improvements	22,066,436	1,144,710	-	23,211,146
Machinery and equipment	1,670,770	17,970	-	1,688,740
Furniture and fixtures	777,283	-	-	777,283
Library books and textbooks	220,128	12,788	-	232,916
Motor vehicles and vessels	2,482,487	320,927	-	2,803,414
Subtotal	34,034,620	2,169,178	-	36,203,798
Accumulated depreciation:				
Infrastructure	682,179	117,606	-	799,785
Land improvements	1,704,133	172,165	-	1,876,298
Buildings and improvements	11,054,228	846,811	-	11,901,039
Machinery and equipment	1,267,403	121,536	-	1,388,939
Furniture and fixtures	560,270	49,361	-	609,631
Library books and textbooks	183,343	13,773	-	197,116
Motor vehicles and vessels	1,982,739	102,934	-	2,085,673
Subtotal	17,434,295	1,424,186	-	18,858,481
Net other capital assets	16,600,325	744,992	-	17,345,317
Net capital assets	\$ 36,322,085	\$ 832,585	\$ 222,967	\$ 36,931,703

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 8: Capital Assets (Continued)

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Not being depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>954,203</u>	<u>-</u>	<u>-</u>	<u>954,203</u>
Other capital assets:				
Buildings and improvements	4,993,124	-	-	4,993,124
Equipment	1,604,411	152,650	-	1,757,061
Underground piping	14,202,589	162,649	-	14,365,238
Wells / reserves osmosis / water supply	<u>1,823,790</u>	<u>56,183</u>	<u>-</u>	<u>1,879,973</u>
Subtotal	<u>22,623,914</u>	<u>371,482</u>	<u>-</u>	<u>22,995,396</u>
Accumulated depreciation				
Buildings and improvements	3,114,158	153,449	-	3,267,607
Equipment	1,396,083	53,676	-	1,449,759
Underground piping	7,803,574	280,370	-	8,083,944
Wells / reserves osmosis / water supply	<u>484,320</u>	<u>41,430</u>	<u>-</u>	<u>525,750</u>
Subtotal	<u>12,798,135</u>	<u>528,925</u>	<u>-</u>	<u>13,327,060</u>
Net other capital assets	<u>9,825,779</u>	<u>(157,443)</u>	<u>-</u>	<u>9,668,336</u>
Net capital assets	<u>\$ 10,779,982</u>	<u>\$ (157,443)</u>	<u>\$ -</u>	<u>\$ 10,622,539</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 8: Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$	138,018
Public safety		230,661
Public works		307,762
Recreation, library, and other		268,794
Education		<u>478,951</u>
	\$	<u><u>1,424,186</u></u>

Depreciation was charged to proprietary functions as follows:

Business-type activities:

Sewer Fund	\$	352,955
Water Fund		<u>175,970</u>
	\$	<u><u>528,925</u></u>

NOTE 9: Long-Term Obligations

At summary of long-term obligations as of June 30, 2018 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 14,971,940	\$ 4,233,959	\$ 19,205,899
Premium	<u>218,365</u>	<u>-</u>	<u>218,365</u>
Subtotal	15,190,305	4,233,959	19,424,264
Capital leases	136,128	-	136,128
Compensated absences	<u>375,842</u>	<u>53,271</u>	<u>429,113</u>
Total debt outstanding	15,702,275	4,287,230	19,989,505
Less portion due within one year	<u>1,949,392</u>	<u>129,023</u>	<u>1,609,262</u>
Total long term debt outstanding	<u><u>\$ 13,752,883</u></u>	<u><u>\$ 4,158,207</u></u>	<u><u>\$ 18,380,243</u></u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2018 were as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 15,645,850	\$ 3,484,000	\$ 4,157,910	\$ 14,971,940	\$ 1,725,268
Premium on bonds	<u>260,551</u>	<u>-</u>	<u>42,186</u>	<u>218,365</u>	<u>35,645</u>
Total bonds payable	<u>15,906,401</u>	<u>3,484,000</u>	<u>4,200,096</u>	<u>15,190,305</u>	<u>1,760,913</u>
Capital leases	148,634	108,052	120,558	136,128	75,604
Net pension liability	4,489,150	47,754		4,536,904	-
Net other post-employment benefit liability	599,456	-	97,901	501,555	-
Compensated absences	<u>345,289</u>	<u>135,593</u>	<u>105,040</u>	<u>375,842</u>	<u>112,875</u>
Total long-term obligations	<u>\$ 21,488,930</u>	<u>\$ 3,775,399</u>	<u>\$ 4,523,595</u>	<u>\$ 20,740,734</u>	<u>\$ 1,949,392</u>
Business-type activities:					
Bonds and notes	\$ 4,322,521	\$ -	\$ 88,562	\$ 4,233,959	\$ 101,222
Compensated absences	<u>50,677</u>	<u>28,414</u>	<u>25,820</u>	<u>53,271</u>	<u>27,801</u>
Total long-term obligations	<u>\$ 4,373,198</u>	<u>\$ 28,414</u>	<u>\$ 114,382</u>	<u>\$ 4,287,230</u>	<u>\$ 129,023</u>
Total government-wide obligations	<u>\$ 25,862,128</u>	<u>\$ 3,803,813</u>	<u>\$ 4,637,977</u>	<u>\$ 25,027,964</u>	<u>\$ 2,078,415</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

<u>Purpose</u>	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2017</u>	<u>New issues</u>	<u>Refundings</u>	<u>Retirements</u>	<u>Balance, June 30, 2018</u>
<i>Governmental activities:</i>									
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 2,550,000	\$ -	\$ -	\$ 150,000	\$ 2,400,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	1,840,000	-	1,540,000	150,000	150,000
Thomas Property	240,000	2012	5.25%	2022	125,850	-	-	24,909	100,941
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	1,880,000	-	-	100,000	1,780,000
1998 BILT (Refunding)	311,000	2012	2.0-4.0%	2022	25,000	-	-	25,000	-
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	348,854	-	-	65,549	283,305
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	1,221,146	-	-	229,451	991,695
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	599,792	-	-	102,823	496,969
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	391,390	-	-	67,095	324,295
Town hall (Refunding)	444,540	2012	2.0-4.0%	2022	233,818	-	-	40,083	193,735
School Construction 2005 (Refunding)	4,930,000	2015	2.25%	2025	3,740,000	-	-	420,000	3,320,000
School Construction 2006 (Refunding)	645,000	2015	2.40%	2026	560,000	-	-	65,000	495,000
Town Hall Construction 2006 (Refunding)	640,000	2015	2.40%	2026	560,000	-	-	65,000	495,000
2014 MRBRF - Weldon's Way	255,000	2015	0.6-3.0%	2029	224,000	-	-	15,000	209,000
2016 MRBRF - Old Town Road	296,000	2016	0.8-2.7%	2035	296,000	-	-	13,000	283,000
BAN (Dr. House & Beach House)	1,050,000	2015	0.81%	2016	1,050,000	-	-	1,050,000	-
2017 MRBRF (Road & Bridege Old Town Road)	449,000	2017	.72 - 2.22%	2037	-	449,000	-	-	449,000
2017 Series B Refunding (2009)	1,635,000	2017	2.69%	2029	-	1,635,000	-	35,000	1,600,000
2017 Series A (Dr. House & Beach House)	1,400,000	2017	2.30%	2017	-	1,400,000	-	-	1,400,000
Total	<u>\$ 20,829,000</u>				<u>\$ 15,645,850</u>	<u>\$ 3,484,000</u>	<u>\$ 1,540,000</u>	<u>\$ 2,617,910</u>	<u>\$ 14,971,940</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

<u>Purpose</u>	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2017</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2018</u>
<i>Enterprise Funds:</i>								
<i>Sewer Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 305,915	\$ -	\$ 5,345	\$ 300,570
Sewer Improvements	192,500	2006	4.375%	2046	167,003	-	2,970	164,033
Land	472,175	2005	4.25%	2045	400,768	-	7,719	393,049
Sewer Improvements	458,000	2012	2.75%	2052	431,195	-	7,168	424,027
2014 Sewer Improvements	219,000	2014	2.75%	2053	209,517	-	3,336	206,181
2015 Sewer Improvements	689,000	2015	2.75%	2055	669,371	-	10,202	659,169
2017 Sewer Improvements	<u>674,000</u>	2018	3.13%	2058	<u>674,000</u>	<u>-</u>	<u>-</u>	<u>674,000</u>
Total sewer	<u>3,053,675</u>				<u>2,857,769</u>	<u>-</u>	<u>36,740</u>	<u>2,821,029</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	387,447	-	6,768	380,679
Water Supply	450,000	2011	3.25%	2051	413,295	-	6,832	406,463
Water Supply	179,445	2005	4.25%	2045	152,303	-	2,934	149,369
Clean Water GOB	614,287	2004	3.26%	2024	297,000	-	32,000	265,000
2015 Water Supply	123,000	2015	2.75%	2055	119,497	-	1,824	117,673
2015 Water Supply	<u>98,000</u>	2015	2.75%	2055	<u>95,210</u>	<u>-</u>	<u>1,464</u>	<u>93,746</u>
Total water	<u>1,906,732</u>				<u>1,464,752</u>	<u>-</u>	<u>51,822</u>	<u>1,412,930</u>
Total enterprise	<u>\$ 4,960,407</u>				<u>\$ 4,322,521</u>	<u>\$ -</u>	<u>\$ 88,562</u>	<u>\$ 4,233,959</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

At June 30, 2018, scheduled annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Governmental Activities:

Year ending June 30,	Principal	Interest	Total
2019	\$ 1,725,268	\$ 423,674	\$ 2,148,942
2020	1,776,692	371,973	2,148,665
2021	1,823,212	324,835	2,148,047
2022	1,852,768	276,314	2,129,082
2023	1,266,000	226,493	1,492,493
2024-2028	4,854,000	662,562	5,516,562
2029-2033	1,488,000	133,835	1,621,835
2034-2037	186,000	11,134	197,134
	<u>\$ 14,971,940</u>	<u>\$ 2,430,820</u>	<u>\$ 17,402,760</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2019	101,222	143,818	\$ 245,040
2020	104,529	140,179	244,708
2021	107,918	136,402	244,320
2022	112,392	132,461	244,853
2023	115,954	128,349	244,303
2024-2028	509,526	582,411	1,091,937
2029-2033	505,831	499,659	1,005,490
2034-2038	600,490	395,000	995,490
2039-2043	713,586	291,905	1,005,491
2044-2048	679,538	161,563	841,101
2049-2053	467,020	71,758	538,778
2054-2058	215,953	16,126	232,079
	<u>\$ 4,233,959</u>	<u>\$ 2,699,631</u>	<u>\$ 6,933,590</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

Component unit:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 342,229	\$ 93,854	\$ 436,083
2020	350,007	84,374	434,381
2021	362,785	74,662	437,447
2022	366,674	64,603	431,277
2023	115,000	54,000	169,000
2024-2028	630,000	198,200	828,200
2029-2032	<u>605,000</u>	<u>61,800</u>	<u>666,800</u>
	<u>\$ 2,771,695</u>	<u>\$ 631,492</u>	<u>\$ 3,403,187</u>

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

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2016 was \$1,659,866,929 limiting the amount of non-exempted general obligation bonds outstanding to \$49,796,008. At June 30, 2018, general obligation bonds outstanding totaled \$19,424,264, including amounts which are exempt from the cap.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

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

In 2003, the component unit issued a note to the Town in the amount of \$3,500,000 as its portion of the Town's general obligation bond related to the acquisition of the Hodge Property. The terms and payments required on this note generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. As a result of the refunding and the additional bond, as discussed above, the balance of the note receivable from the component unit at June 30, 2018 was \$2,771,695.

Compensated absences:

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

NOTE 10: Other Post-Employment Benefits

Other post-employment benefits:

Plan Description

The School Department of New Shoreham Post-Employment benefit is a single employer defined benefit postretirement health insurance plan. The Town does not take part in this plan. The School Department provides health benefits to its public school professional staff with 20 years of accumulated service. A teacher at the Block Island School may continue to receive the same health care coverage as offered to the bargaining unit for five contract years, until Medicare takes over or age 65, whichever occurs first.

Contributions

The contribution requirements of plan members and the Town are established and may be amended through provisions of Rhode Island General Law, Town Ordinances and through collective bargaining. The plan has set up a trust in fiscal year 2016.

Plan Membership

At June 30, 2018, the plans membership consisted of the following:

Description	Active Employees	Inactive or Beneficiaries Receiving Benefits	Total
Number	29	2	31

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 10: Other Post-Employment Benefits (Continued)

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Town to pursue an investment strategy that reduced risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Town's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	24.50%
Non-U.S. Equity	10.50%
U.S. Aggregate Bonds	21.00%
Intermediate-Term Credit	12.60%
Short-Term Credit	8.40%
Intermediate-Term TIPS	15.00%
REITs	8.00%
Total	<u>100.00%</u>

Concentrations

There were no concentrations noted as of June 30, 2018.

Rate of return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB liability	\$ 711,976
Plans fiduciary net position	<u>210,421</u>
Town's net OPEB liability	<u>\$ 501,555</u>
 Plan net position as a percentage of the total OPEB liability	 29.55%

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 10. Other Post-Employment Benefits (Continued):

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2018.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2018.

Actuarial Assumptions:

Investment Rate of Return:	5.50%, net of OPEB plan investment expense
Medical inflation	7.50% for 2017, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2022 and later
Inflation:	2.60% as of June 30, 2018 and for future periods
Salary Increases:	2.60% annually as of June 30, 2018 and for future periods
Pre-Retirement Mortality:	RP-2014 adjusted to 2006 total database set mortality table projected to valuation date with Scale MP-2017
Assumed rate of retirement:	25% for 10 or more years of service, 60% for age 60 with 25 years of service, and 60% for age 65 with 10 or more years of service
Marriage assumptions	85% of males and 85% of females assumed to be married with wives to be three years younger than their husbands
Changes in Assumptions:	Effective June 30, 2018 • Mortality table moved from Scale MP-2015 to Scale MP-2017

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	5.40%
Non-U.S. Equity	6.00%
U.S. Aggregate Bonds	1.00%
Intermediate-Term Credit	1.60%
Short-Term Credit	1.30%
Intermediate-Term TIPS	0.10%
REITs	<u>4.20%</u>
I. Real Rate of Return	2.83%
II. Inflation Assumption	<u>2.60%</u>
III. Total Nominal Return [I. + II.]	<u><u>5.43%</u></u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 10. Other Post-Employment Benefits (Continued):

Discount rate

The discount rate used to measure the total OPEB liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.5 percent) or 1-percentage-point higher (6.5 percent) than the current discount rate:

Impact of 1% Change in Discount Rate			
	1% Decrease (4.50%)	Current discount rate (5.50%)	1% Increase (6.50%)
Total OPEB liability	\$ 566,158	\$ 501,555	\$ 442,768

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost 79 trend rates that are 1-percentage-point lower (7.0 percent decreasing to 3.6 percent) or 1-percentage-point higher (9.0 percent decreasing to 5.6 percent) than the current healthcare cost trend rates:

Impact of 1% Change in Healthcare Trend Rate			
	1% Decrease (6.50% decreasing to 3.60%)	Current trend rate (7.50% decreasing to 4.60%)	1% Increase (8.50% decreasing to 5.60%)
Total OPEB liability	\$ 421,184	\$ 501,555	\$ 595,424

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 11: ERS Pension Plan

General Information about the Pension Plan

Plan description - Certain employees of the Town of New Shoreham, RI (Town) participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments is provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, the Town's teachers were required to contribute 3.75% of their annual covered salary. The state and the Town are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the Town; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the state and the Town, respectively. The Town contributed \$283,141, \$251,125 and \$258,842 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the Town reported a liability of \$3,387,393 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town were as follows:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 11: ERS Pension Plan (Continued)

Town proportionate share of net pension liability	\$ 3,387,393
State's proportionate share of the net pension liability associated with the Town	<u>2,560,055</u>
Total net pension liability	<u><u>\$ 5,947,448</u></u>

The net pension liability was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The Town proportion of the net pension liability was based on a projection of the Town long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2017 the Town proportion was .10739696%.

For the year ended June 30, 2018 the Town recognized gross pension expense of \$465,294 and revenue of \$215,981 for support provided by the State. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80,307
Changes of assumptions	295,840	53,380
Net difference between projected and actual earnings on pension plan investments	85,568	-
Changes in proportion and differences between System contributions and proportionate share contributions	-	278,568
Contributions subsequent to the measurement date	<u>283,141</u>	<u>-</u>
	<u><u>\$ 664,549</u></u>	<u><u>\$ 412,255</u></u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u><u>\$ (30,847)</u></u>

\$283,141 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 11: ERS Pension Plan (Continued)

Year ended June 30:		
	2019	\$ (17,477)
	2020	38,919
	2021	(2,819)
	2022	(62,360)
	2023	(5,884)
Thereafter		<u>18,774</u>
		<u>\$ (30,847)</u>

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.50%
Salary increases	3.00% to 13.00%	
Investment rate of return		7.00%

Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 11: ERS Pension Plan (Continued)

Asset class	Target allocation	Long-term expected real rate of return
Global equity:		
U.S. equity	20.60%	6.85%
International developed	15.90%	6.71%
International emerging markets	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 11: ERS Pension Plan (Continued)

Discount rate - the discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. 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 (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.0 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease	Current Discount	1.00% Increase
(6.0%)	Rate (7.0%)	(8.0%)
\$ 4,257,144	\$ 3,387,393	\$ 2,739,567

Pension plan fiduciary net position - detailed information about the pension plan’s fiduciary net position is available in the separately issued ERSRI financial report.

NOTE 12: Defined Contribution Pension Plan

Defined Contribution Plan Description:

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee’s total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The School recognized pension expense of \$4,239, for the fiscal year ended June 30, 2018.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012: benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described in (a) and (b) above and one calculated based on a 2.25% multiplier for all years of service.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%

c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

Employees covered by benefit terms.

At the June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	General Employees	Police Plan
Retirees and Beneficiaries	25	2
Inactive, Non-retired Members	55	3
Active Members	54	5
Total	134	10

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 9% of their salaries. The Town of New Shoreham (Town) contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town contributed \$188,441 to their general employee plan in the year ended June 30, 2018 which was 8% of annual covered payroll and \$91,671 to their police department plan in the year ended June 30, 2018 which was 24% of their annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2016 and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry Age Normal - the individual Entry Age Actuarial Cost methodology is used
Amortization method	Level percentage of payroll, closed
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	General employees 3.50% to 7.50%; Police & Fire Employees 4.00% to 14.00%
Inflation	2.50%
Mortality	Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.
Cost of living adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

Asset Class	Target allocation	Long-term expected real rate of return
Global equity:		
U.S. equity	20.60%	6.85%
International developed	15.90%	6.71%
International emerging markets	3.50%	8.91%
Private Growth		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPs	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate - The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 7,023,658	\$ 6,528,937	\$ 494,721
Changes for the year:			
Service cost	187,499	-	187,499
Interest on total pension liability	519,815	-	519,815
Differences between expected and actual experience of the total pension liability	24,167	-	24,167
Changes in assumptions	352,282	-	352,282
Contributions - employer	-	176,642	(176,642)
Contributions - employee	-	58,797	(58,797)
Net investment income	-	758,523	(758,523)
Benefit payments, including employee refunds	(373,082)	(373,082)	-
Administrative expense	-	(7,166)	7,166
Other changes	-	(18)	18
Net changes	710,681	613,696	96,985
Balance as of June 30, 2017	\$ 7,734,339	\$ 7,142,633	\$ 591,706

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of June 30, 2016	\$ 1,749,794	\$ 1,168,336	\$ 581,458
Changes for the year:			
Service cost	68,447	-	68,447
Interest on total pension liability	130,826	-	130,826
Differences between expected and actual experience of the total pension liability	(28,339)	-	(28,339)
Changes in assumptions	107,933	-	107,933
Contributions - employer	-	87,723	(87,723)
Contributions - employee	-	39,445	(39,445)
Net investment income	-	147,774	(147,774)
Benefit payments, including employee refunds	(79,345)	(79,345)	-
Administrative expense	-	(1,396)	1,396
Other changes	-	28,974	(28,974)
Net changes	199,522	223,175	(23,653)
Balance as of June 30, 2017	\$ 1,949,316	\$ 1,391,511	\$ 557,805

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
\$ 1,484,071	\$ 591,706	\$ (72,787)

1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
\$ 781,110	\$ 557,805	\$ 391,532

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

General Employee Plan

For the year ended June 30, 2018 the employer recognized pension expense of \$204,412. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 280,927	\$ -
Difference between expected and actual experience	19,054	136,377
Net difference between projected and actual earnings on pension plan investments	121,133	-
Contributions subsequent to the measurement date	188,441	-
	<u>\$ 609,555</u>	<u>\$ 136,377</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 284,737</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

General Employee Plan (Continued)

\$188,441 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	24,730
2020		138,661
2021		118,333
2022		3,013
2023		-
Thereafter		-
		<u>\$ 284,737</u>

Police Department Plan

For the year ended June 30, 2018 the employer recognized pension expense of \$53,204. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 92,145	\$ 5,449
Difference between expected and actual experience	15,496	48,217
Net difference between projected and actual earnings on pension plan investments	14,037	-
Contributions subsequent to the measurement date	<u>91,671</u>	<u>-</u>
	<u>\$ 213,349</u>	<u>\$ 53,666</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 68,012</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

Note 13: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)

Police Department Plan (Continued)

\$91,671 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 11,409
2020	26,475
2021	15,185
2022	(2,276)
2023	7,483
Thereafter	<u>9,736</u>
	<u>\$ 68,012</u>

Note 14: Defined Contribution Plan Description:

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 1 to 1.5% of their annual covered salary and employers contribute 5% of annual covered salary. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The Town of New Shoreham recognized pension expense of \$22,614, for the fiscal year ended June 30, 2018.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 15: Commitments and Contingencies

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

NOTE 16: Fund Balance Classification

	Major Funds		Non-Major Funds			Total
	General Fund	School Department	Special Revenue	Capital Projects	Permanent Trust	
Fund Balances:						
Nonspendable:						
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ -	\$ 221,390	\$ 221,390
Land Trust note receivable	2,771,695	-	-	-	-	2,771,695
Restricted for:						
Capital outlay	474,238	-	-	701,963	-	1,176,201
Old Harbor Dock	-	-	-	1,531	-	1,531
Educational purposes	-	1,000	-	-	-	1,000
Broadband construction	-	-	-	72,664	-	72,664
Committed to:						
North Light purposes	17,897	-	-	-	-	17,897
Assigned to:						
Reserve for encumbrances	519,886	-	-	-	-	519,886
Educational purposes	-	559,345	-	-	-	559,345
Recreational, library, and other purposes	-	-	1,124,361	-	-	1,124,361
Unassigned	1,376,029	-	-	(147,292)	-	1,228,737
	\$ 5,159,745	\$ 560,345	\$ 1,124,361	\$ 628,866	\$ 221,390	\$ 7,694,707

NOTE 17: Risk Management

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2018

NOTE 17: Risk Management (Continued)

The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2018.

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

NOTE 18: Litigation

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

NOTE 19: Restatement

	Governmental Activities	Business Type Activities	Sewer Fund
Beginning balance, July 1, 2017	\$ 24,763,957	\$ 9,385,041	\$ 5,744,701
To remove GASB 45 other post employment obligation	(150,125)	-	-
To restate for net other post employment liability in accordance with GASB Statement No. 75	(599,456)	-	-
To restate for other financing source received in the prior year that was long term debt in fiscal year 2018	-	(674,000)	(674,000)
Beginning balance, July 1, 2017	\$ 24,014,376	\$ 8,711,041	\$ 5,070,701

NOTE 19: Subsequent Events

Management has evaluated subsequent events through December 27, 2018, the date the financial statements were available to be issued. There were not material disclosures deemed necessary.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2018

	<u>Original Budget</u>			<u>Actual</u>	<u>Encumbrances Carried To FY 19</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried from FY 17</u>	<u>Budget As Adopted</u>	<u>Total Available</u>			
Revenues:						
Taxes	\$ -	\$ 10,070,887	\$ 10,070,887	\$ 10,052,542	\$ -	\$ (18,345)
Intergovernmental	-	1,243,116	1,243,116	1,409,406	-	166,290
Licenses, permits, and fees	-	441,455	441,455	481,418	-	39,963
Interest and investment	-	4,000	4,000	8,977	-	4,977
Other revenues	-	1,815,130	1,815,130	1,781,203	-	(33,927)
Total revenues	-	13,574,588	13,574,588	13,733,546	-	158,958
Expenditures:						
General government	2,500	1,383,156	1,385,656	1,301,601	2,500	81,555
Finance administration	-	372,757	372,757	342,566	-	30,191
Fire, rescue, and emergency services	-	310,703	310,703	279,973	-	30,730
Police	-	881,904	881,904	840,130	-	41,774
Town highways and maintenance	-	906,481	906,481	925,631	-	(19,150)
Harbors	-	577,085	577,085	596,417	-	(19,332)
Building official	-	218,334	218,334	211,536	-	6,798
Recreation	-	406,329	406,329	432,331	-	(26,002)
Library	-	506,296	506,296	499,666	-	6,630
GIS / Technology	-	227,235	227,235	235,102	-	(7,867)
Boards and commissions	-	193,091	193,091	210,689	-	(17,598)
Community support	-	576,937	576,937	568,818	-	8,119
Capital outlay	311,850	603,168	915,018	327,409	517,386	70,223
Debt service	-	2,094,152	2,094,152	1,990,819	-	103,333
Total expenditures	314,350	9,257,628	9,571,978	8,762,688	519,886	289,404
Excess (deficiency) of revenues over expenditures	<u>(314,350)</u>	<u>4,316,960</u>	<u>4,002,610</u>	<u>4,970,858</u>	<u>(519,886)</u>	<u>448,362</u>
Other financing sources and (uses):						
Transfer from component unit		458,188	458,188	458,188		-
Transfer (to) from other funds	-	(4,775,148)	(4,775,148)	(4,775,148)	-	-
	-	(4,316,960)	(4,316,960)	(4,316,960)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	<u>\$ (314,350)</u>	<u>\$ -</u>	<u>\$ (314,350)</u>	<u>\$ 653,898</u>	<u>\$ (519,886)</u>	<u>\$ 448,362</u>
Adjustment of budgetary basis to U.S. GAAP				(1,665,643)		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				<u>(1,011,745)</u>		
Fund balance, beginning of year				<u>6,171,490</u>		
Fund balance, end of year				<u>\$ 5,159,745</u>		

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information Notes to Required Supplementary Information

For the Year Ended June 30, 2018

Budget preparation and budgetary basis of accounting:

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

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

Budget compliance:

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

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

See independent auditors' report

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Notes to Required Supplementary Information

For the Year Ended June 30, 2018

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 653,898
Unbudgeted grant revenues	151,832
Unbudgeted grant expenditures	(129,299)
Unbudgeted short term bond payment	(1,050,000)
Unbudgeted bond refunding	(1,540,000)
Unbudgeted principal payment for bond refunding	(95,000)
Unbudgeted bond proceeds	3,484,000
Unbudgeted miscellaneous revenue	161,862
Unbudgeted transfer to construction funds	(1,400,000)
Unbudgeted capital costs	(677,578)
Landing fees budgeted in the current year that are recorded in special revenue	(170,198)
Unbudgeted transfer in from BILT	103,737
Budgeted principal for Block Island Land Trust bond which offsets note payable	(458,188)
Increase (decrease) in 60 day accrual	<u>(46,811)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (1,011,745)</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Schedules of Proportionate Share of Net Pension Liability - Employees' Retirement System (ERS)

For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.10739696%	0.11439191%	0.11463754%	0.12110929%
Employer's proportionate share of the net pension liability	\$ 3,387,393	\$ 3,412,971	\$ 3,155,975	\$ 2,947,801
State's proportionate share of the net pension liability associated with the school district	<u>2,560,055</u>	<u>2,337,384</u>	<u>2,156,063</u>	<u>4,969,244</u>
Total	<u>\$ 5,947,448</u>	<u>\$ 5,750,355</u>	<u>\$ 5,312,038</u>	<u>\$ 7,917,045</u>
Employer's covered employee payroll	\$ 2,138,527	\$ 2,013,831	\$ 1,972,734	\$ 1,953,073
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	158.40%	169.48%	159.98%	150.93%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	54.06%	57.55%	61.40%

Notes:

- 1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.
- 3.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Schedule of Contributions - Employees' Retirement System (ERS)

For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 283,141	\$ 251,125	\$ 258,842	\$ 250,456
Contributions in relation to the actuarially determined contribution	<u>283,141</u>	<u>251,125</u>	<u>258,842</u>	<u>250,456</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,138,527	\$ 2,013,831	\$ 1,972,734	\$ 1,953,073
Contributions as a percentage of covered- employee payroll	13.24%	12.47%	13.12%	12.82%

Notes:

- 1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available*
- 3.) *Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios -
 Municipal Employees' Retirement System (MERS) General

For the Year Ended June 30, 2018

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
A. Total pension liability				
1. Service Cost	\$ 187,499	\$ 198,515	\$ 194,848	\$ 195,536
2. Interest on the Total Pension Liability	519,815	505,381	480,925	448,421
3. Changes of benefit terms	-	-	108,714	-
4. Difference between expected and actual experience of the Total Pension Liability	24,167	(164,932)	(171,167)	-
5. Changes of assumptions	352,282	-	-	48,761
6. Benefit payments, including refunds of employee contributions	<u>(373,082)</u>	<u>(308,932)</u>	<u>(269,199)</u>	<u>(248,780)</u>
7. Net change in total pension liability	710,681	230,032	344,121	443,938
8. Total pension liability – beginning	<u>7,023,658</u>	<u>6,793,626</u>	<u>6,449,505</u>	<u>6,005,567</u>
9. Total pension liability – ending (a)	<u><u>\$ 7,734,339</u></u>	<u><u>\$ 7,023,658</u></u>	<u><u>\$ 6,793,626</u></u>	<u><u>\$ 6,449,505</u></u>
B. Plan fiduciary net position				
1. Contributions – employer	\$ 176,642	\$ 177,648	\$ 170,916	\$ 168,351
2. Contributions – employee	58,797	59,083	42,359	41,678
3. Net investment income	758,523	(1,278)	154,895	867,957
4. Benefit payments, including refunds of employee contributions	(373,082)	(308,932)	(269,199)	(248,780)
5. Pension Plan Administrative Expense	(7,166)	(7,085)	(6,213)	(5,435)
6. Other	<u>(18)</u>	<u>1</u>	<u>-</u>	<u>(8,676)</u>
7. Net change in plan fiduciary net position	613,696	(80,563)	92,758	815,095
8. Plan fiduciary net position – beginning	<u>6,528,937</u>	<u>6,609,500</u>	<u>6,516,742</u>	<u>5,701,647</u>
9. Plan fiduciary net position – ending (b)	<u><u>\$ 7,142,633</u></u>	<u><u>\$ 6,528,937</u></u>	<u><u>\$ 6,609,500</u></u>	<u><u>\$ 6,516,742</u></u>
C. Net pension liability - ending (a) - (b)	\$ 591,706	\$ 494,721	\$ 184,126	\$ (67,237)
D. Plan fiduciary net position as a percentage of the total pension liability	92.96%	92.96%	97.29%	101.04%
E. Covered employee payroll	\$ 2,261,744	\$ 2,213,104	\$ 2,117,910	\$ 2,066,975
F. Net pension liability as a percentage of covered payroll	26.16%	22.35%	8.69%	-3.25%

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Contributions - Municipal Employees' Retirement System (MERS) General

For the Year Ended June 30, 2018

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 188,441	\$ 176,642	\$ 177,648	\$ 170,916
Contributions in relation to the actuarially determined contribution	<u>188,441</u>	<u>176,642</u>	<u>177,648</u>	<u>170,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,363,522	\$ 2,261,744	\$ 2,213,104	\$ 2,117,910
Contributions as a percentage of covered-employee payroll	7.97%	7.81%	8.03%	8.07%

Notes:

- 1.) The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.
- 2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.
3. Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios -
 Municipal Employees' Retirement System (MERS) Police

For the Year Ended June 30, 2018

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
A. Total pension liability				
1. Service Cost	\$ 68,447	\$ 55,494	\$ 53,176	\$ 46,199
2. Interest on the Total Pension Liability	130,826	125,264	113,763	108,488
3. Changes of benefit terms	-	-	37,126	-
4. Difference between expected and actual experience of the Total Pension Liability	(28,339)	(33,733)	26,464	-
5. Changes of assumptions	107,933	-	-	(10,469)
6. Benefit payments, including refunds of employee contributions	<u>(79,345)</u>	<u>(79,345)</u>	<u>(77,346)</u>	<u>(77,381)</u>
7. Net change in total pension liability	199,522	67,680	153,183	66,837
8. Total pension liability – beginning	<u>1,749,794</u>	<u>1,682,114</u>	<u>1,528,931</u>	<u>1,462,094</u>
9. Total pension liability – ending (a)	<u><u>\$ 1,949,316</u></u>	<u><u>\$ 1,749,794</u></u>	<u><u>\$ 1,682,114</u></u>	<u><u>\$ 1,528,931</u></u>
B. Plan fiduciary net position				
1. Contributions – employer	\$ 87,723	\$ 70,840	\$ 73,342	\$ 52,664
2. Contributions – employee	39,445	29,982	24,078	22,875
3. Net investment income	147,774	(405)	26,912	146,745
4. Benefit payments, including refunds of employee contributions	(79,345)	(79,345)	(77,346)	(77,381)
5. Pension Plan Administrative Expense	(1,396)	(1,091)	(1,080)	(919)
6. Other	<u>28,974</u>	<u>-</u>	<u>670</u>	<u>8,781</u>
7. Net change in plan fiduciary net position	223,175	19,981	46,576	152,765
8. Plan fiduciary net position – beginning	<u>1,168,336</u>	<u>1,148,355</u>	<u>1,101,779</u>	<u>949,014</u>
9. Plan fiduciary net position – ending (b)	<u><u>\$ 1,391,511</u></u>	<u><u>\$ 1,168,336</u></u>	<u><u>\$ 1,148,355</u></u>	<u><u>\$ 1,101,779</u></u>
C. Net pension liability - ending (a) - (b)	\$ 557,805	\$ 581,458	\$ 533,759	\$ 427,152
D. Plan fiduciary net position as a percentage of the total pension liability	71.38%	66.77%	68.27%	72.06%
E. Covered employee payroll	\$ 362,343	\$ 302,090	\$ 290,580	\$ 253,839
F. Net pension liability as a percentage of covered payroll	153.94%	192.48%	183.69%	168.28%

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Schedule of Contributions - Municipal Employees' Retirement System (MERS) Police

For the Year Ended June 30, 2018

	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 91,671	\$ 87,723	\$ 73,342	\$ 73,342
Contributions in relation to the actuarially determined contribution	<u>91,671</u>	<u>87,723</u>	<u>73,342</u>	<u>73,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 375,025	\$ 362,343	\$ 302,090	\$ 290,580
Contributions as a percentage of covered-employee payroll	24.44%	24.21%	24.28%	25.24%

Notes:

- 1.) *The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.*
- 2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*
- 3.) *Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information Notes to Municipal Employees' Retirement System (MERS)

For the Year Ended June 30, 2018

The amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year end.

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

Employers participating in the Teachers' Survivors Benefit Plan contribute at a rate established by RI General Laws, Section 16-16-35.

June 30, 2017 measurement date –

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

June 30, 2016 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information Notes to Municipal Employees' Retirement System (MERS)

For the Year Ended June 30, 2018

June 30, 2015 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Other Post-Employment Benefits - Schedule of Contributions

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Actuarial determined contribution	\$ 58,123	\$ 59,397	\$ 69,632
Contributions in relation to the actuarially determined contribution	<u>72,587</u>	<u>168,761</u>	<u>110,777</u>
Contribution deficiency (excess)	<u>\$ (14,464)</u>	<u>\$ (109,364)</u>	<u>\$ (41,145)</u>
 Covered-employee payroll	 \$ 2,063,140	 \$ 2,066,162	 \$ 2,013,803
 Contributions as a percentage of covered-employee payroll	 3.52%	 8.17%	 5.50%

* Second year of implementation of GASB 74, therefore only three years of the ten required data is available.

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2018.
 Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
 Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2018.

Actuarial Assumptions:

Investment Rate of Return: 5.50%, net of OPEB plan investment expense
 Medical inflation: 7.50% for 2017, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2022 and later
 Inflation: 2.60% as of June 30, 2018 and for future periods
 Salary Increases: 2.60% annually as of June 30, 2018 and for future periods
 Pre-Retirement Mortality: RP-2014 adjusted to 2006 total database set mortality table projected to valuation date with Scale MP-2017
 Assumed rate of retirement: 25% for 10 or more years of service, 60% for age 60 with 25 years of service, and 60% for age 65 with 10 or more years of service
 Marriage assumptions: 85% of males and 85% of females assumed to be married with wives to be three years younger than their husbands
 Changes in Assumptions: Effective June 30, 2018
 • Mortality table moved from Scale MP-2015 to Scale MP-2017

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Other Post-Employment Benefits - Schedule of Changes in the Town's Net OPEB Liability and Related Ratios

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total OPEB liability			
Service cost	\$ 31,044	\$ 45,176	\$ 44,031
Interest on net OPEB liability and service cost	42,924	32,726	33,236
Differences between actual and expected experience	(102,667)	6,032	16,556
Changes of assumptions	10,324	(153,599)	-
Benefit payments, including refunds	<u>(37,587)</u>	<u>(97,704)</u>	<u>(110,777)</u>
 Net change in total OPEB liability	 (55,962)	 (167,369)	 (16,954)
 Total OPEB liability - beginning	 <u>767,938</u>	 <u>935,307</u>	 <u>952,261</u>
Total OPEB liability - ending	<u>\$ 711,976</u>	<u>\$ 767,938</u>	<u>\$ 935,307</u>
 OPEB fiduciary net position			
Benefit payments, including refunds	\$ (37,587)	\$ (97,704)	\$ (110,777)
Contributions - employer	72,587	168,761	110,777
Net investment income	<u>6,939</u>	<u>6,822</u>	<u>4,366</u>
 Net change in plan fiduciary net position	 41,939	 77,879	 4,366
 Plan fiduciary net position - beginning	 <u>168,482</u>	 <u>90,603</u>	 <u>86,237</u>
Plan fiduciary net position - ending	<u>\$ 210,421</u>	<u>\$ 168,482</u>	<u>\$ 90,603</u>
 Plan's net pension liability - ending	 <u>\$ 501,555</u>	 <u>\$ 599,456</u>	 <u>\$ 844,704</u>

* Second year of implementation of GASB 74, therefore only three years of the ten required data is available.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Other Post-Employment Benefits - Schedule of Changes in the Town's Net OPEB Liability and Related Ratios

For the Year Ended June 30, 2018

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability (TOL)	Net OPEB Liability (NOL)	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2018	210,421	711,976	501,555	29.55%	2,063,140	24.31%
6/30/2017	168,482	767,938	599,456	21.94%	2,066,162	29.01%
6/30/2016	90,603	935,307	844,704	9.69%	2,013,803	41.95%

* Second year of implementation of GASB 74, only two years of the ten required data is available.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Other Post-Employment Benefits - Schedule of Investment Returns

For the Year Ended June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	4.12%	5.80%

* Second year of implementation of GASB 74, therefore only two years of the ten required data is available.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - School Unrestricted

For the Year Ended June 30, 2018

	Original Budget		Total Available	Actual	Encumbrances Carried to FY 19	Variance Favorable (Unfavorable)
	Encumbrances Carried from FY 17	Budget As Adopted				
Revenues						
Federal and State governments	\$ -	\$ 165,176	\$ 165,176	\$ 170,019	\$ -	\$ 4,843
Other revenues	-	-	-	330	-	330
Total revenues	-	165,176	165,176	170,349	-	5,173
Expenditures						
Salaries	-	2,915,241	2,915,241	2,951,104	-	(35,863)
Employee benefits	-	1,152,015	1,152,015	1,194,678	-	(42,663)
Purchased services	-	502,461	502,461	458,764	-	43,697
Supplies and materials	-	247,347	247,347	194,217	-	53,130
Capital outlay	-	86,260	86,260	85,341	-	919
Total expenditures	-	4,903,324	4,903,324	4,884,104	-	19,220
Excess (deficiencies) of revenues over expenditures	-	(4,738,148)	(4,738,148)	(4,713,755)	-	24,393
Other financing sources (uses)						
Transfer from Town of New Shoreham	-	4,775,148	4,775,148	4,775,148	-	-
Transfers in	-	-	-	25,477	-	25,477
Transfers out	-	(65,000)	(65,000)	(32,494)	-	32,506
Re-appropriated fund balance	-	28,000	28,000	-	-	(28,000)
Total other financing sources (uses)	-	4,738,148	4,738,148	4,768,131	-	29,983
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	54,376	\$ -	\$ 54,376
Adjustment of budgetary basis to U.S. GAAP basis				13,000		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				67,376		
Fund balance, beginning of year				491,969		
Fund balance, end of year				<u>\$ 559,345</u>		

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Sewer Enterprise Fund

For the Year Ended June 30, 2018

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenue:					
Charges for services	\$ 1,330,355	\$ -	\$ 1,330,355	\$ 1,350,125	\$ 19,770
Interest income	8,000	-	8,000	11,591	3,591
Water contract	252,215	-	252,215	233,994	(18,221)
Miscellaneous	48,800	-	48,800	43,952	(4,848)
	<u>1,639,370</u>	<u>-</u>	<u>1,639,370</u>	<u>1,639,662</u>	<u>292</u>
Expenses:					
Personnel services	628,708	-	628,708	586,249	42,459
Purchase of services	229,000	-	229,000	292,388	(63,388)
Supplies	122,000	-	122,000	88,647	33,353
Other charges and expenditures	94,100	-	94,100	45,179	48,921
Capital outlay	75,000	-	75,000	-	75,000
Debt service	126,810	-	126,810	109,565	17,245
Depreciation	334,543	-	334,543	352,955	(18,412)
	<u>1,610,161</u>	<u>-</u>	<u>1,610,161</u>	<u>1,474,983</u>	<u>135,178</u>
Excess(deficiency) of revenues over expenses	<u>29,209</u>	<u>-</u>	<u>29,209</u>	<u>164,679</u>	<u>135,470</u>
Other financing sources (uses):					
Transfers from retained earnings	-	-	-	-	-
Transfers between funds	-	-	-	-	-
Contribution to reserve	(29,209)	-	(29,209)	-	29,209
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	164,679	<u>\$ 164,679</u>
Adjustments of budgetary basis for US GAAP basis				<u>251,430</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>416,109</u>	
Fund balance, beginning of year, restated				<u>5,070,701</u>	
Fund balance, end of year				<u>\$ 5,235,380</u>	

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Water Enterprise Fund

For the Year Ended June 30, 2018

	Original Budget	Additional	Total	Actual	Variance
	As	Appropriations	Available		Favorable
	Adopted	and Transfers			(Unfavorable)
Revenues:					
Charges for services	\$ 655,290	\$ -	\$ 655,290	\$ 652,616	\$ (2,674)
Interest income	5,000	-	5,000	4,873	(127)
Miscellaneous	<u>9,000</u>	<u>-</u>	<u>9,000</u>	<u>9,452</u>	<u>452</u>
Total revenues	<u>669,290</u>	<u>-</u>	<u>669,290</u>	<u>666,941</u>	<u>(2,349)</u>
Expenses:					
Purchase of services	148,394	-	148,394	122,249	26,145
Supplies	37,500	-	37,500	27,179	10,321
Other charges and expenditures	46,500	-	46,500	55,978	(9,478)
Depreciation	189,186	-	189,186	175,970	13,216
Debt service	<u>104,799</u>	<u>-</u>	<u>104,799</u>	<u>104,364</u>	<u>435</u>
Total expenses	<u>526,379</u>	<u>-</u>	<u>526,379</u>	<u>485,740</u>	<u>40,639</u>
Excess(deficiency) of revenues over expenses	142,911	-	142,911	181,201	38,290
Other financing sources (uses):					
Contributions from Reserves	109,305	-	109,305	-	(109,305)
Transfers between funds	<u>(252,216)</u>	<u>-</u>	<u>(252,216)</u>	<u>(233,994)</u>	<u>18,222</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(52,793)	<u>\$ (52,793)</u>
Adjustments of budgetary basis for US GAAP basis				<u>51,810</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>(983)</u>	
Fund balance, beginning of year				<u>3,640,340</u>	
Fund balance, end of year				<u>\$ 3,587,547</u>	

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Notes to Supplementary Information

For the Year Ended June 30, 2018

The previous budgetary comparison pages are held on the budgetary basis of accounting. The following schedules provide a reconciliation from the budgetary basis of accounting to the GAAP basis of accounting.

	School Unrestricted	
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$	54,376
Severance expenditures budgeted to be spent in fiscal year 2018 that will be paid out in fiscal year 2019		13,000
State contribution to teachers' pension plan revenue on behalf		258,731
State contribution to teacher's pension plan expense on behalf		(258,731)
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	\$	67,376
	Sewer Water	
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 164,679	\$ (52,793)
Unbudgeted grant revenues	214,678	-
Budgeted debt principal not considered an expense on full accrual statements	36,752	51,810
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	\$ 416,109	\$ (983)

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2018

Real estate and personal property tax receivable:

FY 2018 Cash Collections Summary

Tax Roll Year	Balance	Assessment	Abatements	Tranfers/	Amount to	Collections	Balance	FY 2018 Cash Collections Summary			July - August 2018 (FY 19) Cash Collections Subject to 60-day FY 18 Accrual
	July 1, 2017		Refunds	Adjustments	be collected		June 30, 2018	July - August 2017 Collections Subject to 60-day FY17 Accrual	September - June-18 Collections	Total FY 2018 Cash Collections	
2017	\$ -	\$ 10,043,422	\$ 67,338	\$ (201,233)	\$ 9,909,527	\$ 9,618,175	\$ 291,352	\$ 155,152	\$ 9,463,023	\$ 9,618,175	\$ 125,075
2016	265,628	1,611	(713)	57,317	323,843	320,225	3,618	17,111	303,114	320,225	416
2015	82,814	-	(981)	89	81,922	77,549	4,373	94	77,455	77,549	135
2014	(1,825)	-	3,527	32	1,734	224	1,510	94	130	224	4
2013	2,105	-	-	(1,215)	890	125	765	-	125	125	10
2012	2,195	-	-	-	2,195	-	2,195	-	-	-	-
2011	853	-	-	(1)	852	-	852	-	-	-	-
2010	466	-	-	(1)	465	20	445	-	20	20	-
2009	549	-	-	-	549	41	508	-	41	41	-
2008	3,367	-	-	(246)	3,121	-	3,121	-	-	-	-
2007	50	-	-	-	50	-	50	-	-	-	-
2006	152	-	-	-	152	-	152	-	-	-	-
2005	(113)	-	-	-	(113)	-	(113)	-	-	-	-
2004	55	-	(10)	-	45	6	39	-	6	6	-
2003	166	-	-	-	166	-	166	-	-	-	-
2002 and prior	5,677	-	-	42	5,719	-	5,719	-	-	-	-
	<u>\$ 362,139</u>	<u>\$ 10,045,033</u>	<u>\$ 69,161</u>	<u>\$ (145,216)</u>	<u>\$ 14,091</u>	<u>\$ 10,016,365</u>	<u>\$ 314,752</u>	<u>\$ 172,451</u>	<u>\$ 9,843,914</u>	<u>\$ 10,016,365</u>	<u>\$ 125,640</u>
Less: Allowance for Uncollectible accounts	<u>40,000</u>						<u>40,000</u>				
	<u>\$ 322,139</u>						<u>\$ 274,752</u>				

See independent auditors' report

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2018

Schedule of property valuation assessed as of December 31, 2016:

	<u>Valuation</u>	<u>Levy</u>
Real property	1,666,439,106	9,660,622
Motor vehicles	20,255,296	156,388
Tangible personal property	<u>14,415,669</u>	<u>84,557</u>
Total	1,701,110,071	9,901,567
Less: Exemptions and motor vehicle phase out		
Real property	(17,869,268)	-
Motor vehicles	(4,213,211)	-
Tangible personal property	<u>-</u>	<u>-</u>
Total	<u>1,679,027,591</u>	<u>9,901,567</u>

Reconciliation of Current Year Property Tax Revenue

Current Year Collections	\$ 10,016,365
60-day FY17 Accrual	125,640
<i>July-August 2017 Collections</i>	
60-day FY16 Accrual	<u>(172,451)</u>
<i>July-August 2016 Collections</i>	
Current Year Property Tax Revenue	<u>\$ 9,969,554</u>

See independent auditors' report

OWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 1,121,162	\$ 5,782	\$ 206,540	\$ 1,333,484
Federal and state grants receivable	27,034	-	-	27,034
Due from other funds	<u>-</u>	<u>790,591</u>	<u>14,850</u>	<u>805,441</u>
Total assets	<u>1,148,196</u>	<u>796,373</u>	<u>221,390</u>	<u>2,165,959</u>
Deferred outflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,148,196</u>	<u>\$ 796,373</u>	<u>\$ 221,390</u>	<u>\$ 2,165,959</u>
Liabilities				
Accounts payable and accrued expenses	\$ 7,454	\$ 143,463	\$ -	\$ 150,917
Due to other funds	<u>16,381</u>	<u>24,044</u>	<u>-</u>	<u>40,425</u>
Total liabilities	<u>23,835</u>	<u>167,507</u>	<u>-</u>	<u>191,342</u>
Deferred inflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Nonspendable	-	-	221,390	221,390
Restricted	-	776,158	-	776,158
Assigned	1,124,361	-	-	1,124,361
Unassigned	<u>-</u>	<u>(147,292)</u>	<u>-</u>	<u>(147,292)</u>
Total fund balance	<u>1,124,361</u>	<u>628,866</u>	<u>221,390</u>	<u>1,974,617</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,148,196</u>	<u>\$ 796,373</u>	<u>\$ 221,390</u>	<u>\$ 2,165,959</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

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

For the Year Ended June 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Revenues				
Other revenue	\$ 366,373	\$ 72,664	\$ 10,450	\$ 449,487
Investment income	<u>3,328</u>	<u>-</u>	<u>314</u>	<u>3,642</u>
Total revenue	<u>369,701</u>	<u>72,664</u>	<u>10,764</u>	<u>453,129</u>
Expenditures				
Education	18,684	-	-	18,684
Recreation, library, and other	36,913	-	-	36,913
Capital outlay	<u>-</u>	<u>890,281</u>	<u>-</u>	<u>890,281</u>
Total Expenditures	<u>55,597</u>	<u>890,281</u>	<u>-</u>	<u>945,878</u>
Excess (deficiency) of revenues over expenditures	314,104	(817,617)	10,764	(492,749)
Other financing sources (uses)				
Transfers in (out)	<u>-</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>
Total other financing sources (uses)	<u>-</u>	<u>1,400,000</u>	<u>-</u>	<u>1,400,000</u>
Excess of revenue and other sources over expenditures and other uses	314,104	582,383	10,764	907,251
Fund balance, July 1, 2017	<u>810,257</u>	<u>46,483</u>	<u>210,626</u>	<u>1,067,366</u>
Fund balance, June 30, 2018	<u>\$ 1,124,361</u>	<u>\$ 628,866</u>	<u>\$ 221,390</u>	<u>\$ 1,974,617</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Combining Balance Sheet - School Department

June 30, 2018

	<u>School Restricted</u>				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Assets					
Cash and cash equivalents	\$ 682,781	\$ -	\$ -	\$ 25,199	\$ 707,980
Receivables, other	5,333	-	-	-	5,333
Due from state and federal government	6,198	41,373	-	1,133	48,704
Due from Town of New Shoreham	382,482	-	-	-	382,482
Due from other funds	64,907	1,000	-	-	65,907
Total assets	<u>1,141,701</u>	<u>42,373</u>	<u>-</u>	<u>26,332</u>	<u>1,210,406</u>
Deferred outflows of resources					
None	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,141,701</u>	<u>\$ 42,373</u>	<u>\$ -</u>	<u>\$ 26,332</u>	<u>\$ 1,210,406</u>
Liabilities					
Accounts payable and accrued expenses	\$ 568,812	\$ 484	\$ -	\$ 14,858	\$ 584,154
Due to other funds	13,544	40,889	-	11,474	65,907
Total liabilities	<u>582,356</u>	<u>41,373</u>	<u>-</u>	<u>26,332</u>	<u>650,061</u>
Deferred inflows of resources					
None	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Restricted	-	1,000	-	-	1,000
Assigned	559,345	-	-	-	559,345
Total fund balance	<u>559,345</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>560,345</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,141,701</u>	<u>\$ 42,373</u>	<u>\$ -</u>	<u>\$ 26,332</u>	<u>\$ 1,210,406</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - School Department

For the Year Ended June 30, 2018

	<u>School Restricted</u>				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Revenues					
Federal and state grant income	\$ 141,806	\$ 335,267	\$ 9,137	\$ 14,763	\$ 500,973
Medicaid reimbursement	28,213	-	-	-	28,213
Other revenue	330	839	-	34,564	35,733
State contribution to teachers' pension plan	<u>258,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,731</u>
Total revenue	<u>429,080</u>	<u>336,106</u>	<u>9,137</u>	<u>49,327</u>	<u>823,650</u>
Expenditures					
Education	<u>5,129,835</u>	<u>380,790</u>	<u>22,278</u>	<u>68,680</u>	<u>5,601,583</u>
Total Expenditures	<u>5,129,835</u>	<u>380,790</u>	<u>22,278</u>	<u>68,680</u>	<u>5,601,583</u>
Excess (deficiency) of revenues over expenditures	(4,700,755)	(44,684)	(13,141)	(19,353)	(4,777,933)
Other financing sources (uses):					
Transfers in	4,800,625	-	13,141	19,353	4,833,119
Transfers out	<u>(32,494)</u>	<u>(25,477)</u>	<u>-</u>	<u>-</u>	<u>(57,971)</u>
Total other financing sources (uses)	<u>4,768,131</u>	<u>(25,477)</u>	<u>13,141</u>	<u>19,353</u>	<u>4,775,148</u>
Excess of revenue and other sources over expenditures and other uses	67,376	(70,161)	-	-	(2,785)
Fund balance, July 1, 2017	<u>491,969</u>	<u>71,161</u>	<u>-</u>	<u>-</u>	<u>563,130</u>
Fund balance, June 30, 2018	<u>\$ 559,345</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 560,345</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules
required by the State of Rhode Island General Law § 45-12-22.2 and § 44-35-10

Annual Supplemental Transparency Report (MTP2) - Revenue
Annual Supplemental Transparency Report (MTP2) – Expenditures
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education
Department
Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

See notes to the supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 9,533,262	\$ -
Last Year's Levy Tax Collection	241,626	-
Prior Years Property Tax Collection	78,599	-
Interest & Penalty	87,226	-
PILOT & Tax Treaty (excluded from levy) Collection	22,008	-
Other Local Property Taxes	-	-
Licenses and Permits	425,311	-
Fines and Forfeitures	17,876	-
Investment Income	16,749	-
Departmental	1,988,200	-
Rescue Run Revenue	-	-
Police & Fire Detail	4,005	-
Other Local Non-Property Tax Revenues	12,803	-
Tuition	-	-
Impact Aid	-	-
Medicaid	-	28,213
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	14,282
CDBG	59,500	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	135,509	69,552
MV Excise Tax Reimbursement & Phase-out	31,108	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	74,303	-
Library Construction Aid	64,335	-
Public Service Corporation Tax	11,170	-
Meals & Beverage Tax / Hotel Tax	996,832	-
LEA Aid	-	141,806
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	209,737	-
State Food Service Revenue	-	481
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	35,701	274,852
Other Revenue	166,419	35,733
Local Appropriation for Education	-	4,775,148
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	<u>\$ 14,212,279</u>	<u>\$ 5,340,068</u>
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	103,737	-
Financing Sources: Debt Proceeds	3,484,000	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	<u>\$ 3,587,737</u>	<u>\$ -</u>

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

<u>EXPENDITURES</u>	<u>General</u>		<u>Social</u>	<u>Centralized</u>	<u>Planning</u>	<u>Libraries</u>	<u>Public</u>	<u>Parks and</u>	<u>Police</u>
	<u>Government</u>	<u>Finance</u>	<u>Services</u>	<u>IT</u>			<u>Works</u>	<u>Rec</u>	<u>Department</u>
Compensation- Group A	\$ 398,191	\$ 214,885	\$ 40,746	\$ 257	\$ 218,972	\$ 224,121	\$ 437,466	\$ 166,151	\$ 479,187
Compensation - Group B	-	-	-	-	-	-	-	-	19,688
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	714	411	-	-	1,120	1,596	19,185	3,110	35,508
Overtime - Group B	-	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	7,780
Active Medical Insurance - Group A	95,482	40,488	-	5	30,689	74,868	113,690	23,600	87,801
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	-
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	5,297	2,417	-	-	1,832	4,470	6,787	1,409	5,065
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	-
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	31,679	16,741	506	19	17,943	17,602	35,384	12,100	41,816
Life Insurance	1,324	604	-	-	458	1,117	1,697	352	-
State Defined Contribution- Group A	3,973	1,813	-	-	1,374	3,352	5,091	1,057	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	12,000	-	-	-	-	-	-	-	-
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	26,487	12,086	-	1	9,161	22,349	33,937	7,045	70,916
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	5,297	2,417	-	-	1,832	4,470	6,787	1,409	5,065
Purchased Services	323,123	6,786	-	131,941	84,147	25,730	290,407	72,341	15,500
Materials/Supplies	7,534	4,816	1,200	4,182	1,697	11,229	22,672	693	11,235
Software Licenses	-	-	-	66,981	-	-	-	-	-
Capital Outlays	50,000	-	20,130	20,629	-	6,900	830,494	3,230	30,764
Insurance	264,828	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	47,180	136,483	86,051	4,105
Vehicle Operations	-	-	-	-	-	-	29,248	-	22,109
Utilities	44,477	-	-	-	-	26,536	123,835	8,830	7,816
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,541	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	12,492	-	-
Trash Removal & Recycling	-	-	-	-	-	-	53,367	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	539,335	-	-	-	-	-	-	-	-
Other Operation Expenditures	78,607	38,496	34,744	6,015	65,336	33,931	193,839	75,119	29,808
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 1,888,348	\$ 341,960	\$ 97,326	\$ 230,030	\$ 434,561	\$ 505,451	\$ 2,358,402	\$ 462,497	\$ 874,163

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

<u>EXPENDITURES</u>	<u>Fire Department</u>	<u>Centralized Dispatch</u>	<u>Public Safety Other</u>	<u>Education Appropriation</u>	<u>Debt</u>	<u>OPEB</u>	<u>Total Municipal</u>	<u>Education Department</u>
Compensation- Group A	\$ -	\$ 159,267	\$ 700	\$ -	\$ -	\$ -	\$ 2,339,943	\$ 2,169,003
Compensation - Group B	-	-	-	-	-	-	19,688	292,798
Compensation - Group C	-	-	-	-	-	-	-	493,127
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	13,227	-	-	-	-	74,871	-
Overtime - Group B	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	1,510
Police & Fire Detail	-	-	-	-	-	-	7,780	-
Active Medical Insurance - Group A	-	40,229	-	-	-	-	506,852	373,318
Active Medical Insurance- Group B	-	-	-	-	-	-	-	36,225
Active Medical Insurance- Group C	-	-	-	-	-	-	-	97,158
Active Dental insurance- Group A	-	2,402	-	-	-	-	29,679	23,020
Active Dental Insurance- Group B	-	-	-	-	-	-	-	2,364
Active Dental Insurance- Group C	-	-	-	-	-	-	-	5,147
Payroll Taxes	-	13,496	-	-	-	-	187,286	226,849
Life Insurance	-	600	-	-	-	-	6,152	14,833
State Defined Contribution- Group A	-	1,801	-	-	-	-	18,461	12,257
State Defined Contribution - Group B	-	-	-	-	-	-	-	600
State Defined Contribution - Group C	-	-	-	-	-	-	-	3,639
Other Benefits- Group A	-	-	-	-	-	-	12,000	14,049
Other Benefits- Group B	-	-	-	-	-	-	-	3,237
Other Benefits- Group C	-	-	-	-	-	-	-	6,109
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	269,083
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	18,148
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	28,445
State Defined Benefit Pension- Group A	-	12,009	-	-	-	-	193,991	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	-	2,402	-	-	-	-	29,679	-
Purchased Services	-	-	-	-	-	-	949,975	402,077
Materials/Supplies	-	127	-	-	-	-	65,385	68,358
Software Licenses	-	-	-	-	-	-	66,981	7,098
Capital Outlays	178,815	3,412	-	-	-	-	1,144,374	448,234
Insurance	-	-	-	-	-	-	264,828	11,435
Maintenance	-	1,619	-	-	-	-	275,438	79,562
Vehicle Operations	-	-	-	-	-	-	51,357	10,351
Utilities	-	23,696	-	-	-	-	235,190	139,605
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,541	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	12,492	-
Trash Removal & Recycling	-	-	-	-	-	-	53,367	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	539,335	-
Other Operation Expenditures	-	6,457	1,340	-	-	-	563,692	58,615
Local Appropriation for Education	-	-	-	4,775,148	-	-	4,775,148	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	3,570,087	-	3,570,087	-
Municipal Debt- Interest	-	-	-	-	280,729	-	280,729	-
School Debt- Principal	-	-	-	-	587,823	-	587,823	-
School Debt- Interest	-	-	-	-	141,430	-	141,430	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	26,601
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 178,815	\$ 280,744	\$ 2,040	\$ 4,775,148	\$ 4,580,069	\$ -	\$ 17,009,554	\$ 5,342,854

Financing Uses: Transfer to Capital Funds	\$ 1,400,000	\$ -
Financing Uses: Transfer to Other Funds	-	-
Financing Uses: Payment to Bond Escrow Agent	750	-
Financing Uses: Other	95,000	-
Total Other Financing Uses	\$ 1,495,750	\$ -
Net Change in Fund Balance¹	(705,288)	(2,785)
Fund Balance1- beginning of year	\$6,576,596	\$563,198
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(69)
Fund Balance¹ - beginning of year adjusted	6,576,596	563,129
Rounding	-	-
Fund Balance¹ - end of year	\$ 5,871,308	\$ 560,344

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

See notes to the supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2017						\$ 6,576,596		\$ 6,576,596	
<i>No funds removed from RGS for fiscal 2018</i>						-	-	-	
<i>No funds added to RGS for Fiscal 2018</i>						-	-	-	
<i>No misc. adjustments made for fiscal 2018</i>						-	-	-	
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 6,576,596</u>		<u>\$ 6,576,596</u>	
General Fund	\$ 13,830,231	\$ 3,587,737	\$ 12,254,565	\$ 6,175,148	\$ (1,011,745)	\$ 6,171,490		\$ 6,171,490	\$ 5,159,745
Landing Fee Fund	170,198	-	-	-	\$ 170,198	-		-	170,198
Prevention Task Force	57,544	-	50,666	-	\$ 6,878	3,552		3,552	10,430
Old Harbor Task Force	27,224	-	8,223	-	\$ 19,001	61,084		61,084	80,085
Housing Board	127,081	-	16,701	-	\$ 110,380	340,470		340,470	450,850
Totals per audited financial statements	<u>\$ 14,212,278</u>	<u>\$ 3,587,737</u>	<u>\$ 12,330,155</u>	<u>\$ 6,175,148</u>	<u>\$ (705,288)</u>	<u>\$ 6,576,596</u>	<u>\$ -</u>	<u>\$ 6,576,596</u>	<u>\$ 5,871,308</u>
<u>Reconciliation from financial statements to MTP2</u>									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 4,775,148.00	\$ (4,775,148.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on refunding reported expense on financial statements but reported as Other Financing Use on MTP2	-	-	(95,000.00)	95,000.00	-	-	-	-	-
Reclassify bond fees	-	-	(750.00)	750.00	-	-	-	-	-
Rounding	(1.00)	-	(1.00)	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 14,212,279</u>	<u>\$ 3,587,737</u>	<u>\$ 17,009,554</u>	<u>\$ 1,495,750</u>	<u>\$ (705,288)</u>	<u>\$ 6,576,596</u>	<u>\$ -</u>	<u>\$ 6,576,596</u>	<u>\$ 5,871,308</u>

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Other		Total Other		Net Change	Beginning Fund		Restated Beginning	Ending
	Total Revenue	Financing Sources	Total Expenditures	Financing Uses	in Fund Balance ¹	Fund Balance ¹ (Deficit)	Prior Period Adjustment	Fund Balance ¹ (Deficit)	Fund Balance ¹ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2017						\$ 563,198		\$ 563,198	
<i>Miscellaneous difference reported in FY17 impacting beginning fund balance for FY18</i>						(69)	-	(69)	
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 563,129</u>		<u>\$ 563,129</u>	
School Unrestricted Fund	\$ 429,080	\$ 4,800,625	\$ 5,129,835	\$ 32,494	\$ 67,376	\$ 491,969		\$ 491,969	\$ 559,345
Enterprise Fund1	-	-	-	-	-	-		-	-
SBA School Capital Project Fund	9,137	13,141	22,278	-	-	-		-	-
School Special Revenue Funds	385,433	19,353	449,470	25,477	(70,161)	71,161		71,161	1,000
Totals per audited financial statements	<u>\$ 823,650</u>	<u>\$ 4,833,119</u>	<u>\$ 5,601,583</u>	<u>\$ 57,971</u>	<u>\$ (2,785)</u>	<u>\$ 563,130</u>	<u>\$ -</u>	<u>\$ 563,130</u>	<u>\$ 560,345</u>

Reconciliation from financial statements to MTP2

Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 4,775,148	\$ (4,775,148)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(258,731)	-	(258,731)	-	-	-	-	-	-
Transfers from Unrestricted fund not included on MTP or UCOA file	-	-	-	(32,494)	32,494	-	-	-	-
Transfers from Special Revenue funds not included on MTP or UCOA file	-	-	-	(25,477)	25,477	-	-	-	-
Transfers to Capital fund not included on MTP or UCOA file	-	(13,141)	-	-	(13,141)	-	-	-	-
Transfers to Special Revenue funds not included on MTP or UCOA file	-	(19,353)	-	-	(19,353)	-	-	-	-
Transfers to Unrestricted fund not included on MTP or UCOA file	-	(25,477)	-	-	(25,477)	-	-	-	-
Rounding	1	(0)	2	(0)	(0)	(1)	-	(1)	(1)
Totals Per MTP2	<u>\$ 5,340,068</u>	<u>\$ -</u>	<u>\$ 5,342,854</u>	<u>\$ -</u>	<u>\$ (2,785)</u>	<u>\$ 563,129</u>	<u>\$ -</u>	<u>\$ 563,129</u>	<u>\$ 560,344</u>

Reconciliation from MTP2 to UCOA

OPEB trust fund activity included in UCOA but not in the MTP2	7,372	433
Transfer to the OPEB Trust Fund from School Unrestricted fund not included in UCOA	-	(35,000)
Totals per UCOA Validated Totals Report	<u>\$ 5,347,440</u>	<u>\$ 5,308,287</u>

¹ and Net Position if Enterprise Fund activity is included in the transparency portal report.

See notes to the supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

Notes to Supplementary Information – *Annual Supplemental Transparency Report (MTP2)*

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State’s Municipal Transparency portal. Consistent with that goal, the State has defined “reportable government services”, RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality’s general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the City’s (or Town’s) budget and accounting system. To report these costs, the City (or Town) made allocations of costs to the State’s departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups - Compensation and Benefit Costs

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

Group A: This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel - including, leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel - including, leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees’ compensation and benefits are reported under Group A

See independent auditors’ report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2018

Notes to Supplementary Information – *Annual Supplemental Transparency Report (MTP2) (continued)*

NOTE 4. Employee Groups - Compensation and Benefit Costs (continued)

Group B: For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C: This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State's Municipal Transparency portal website.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.

See independent auditors' report

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

*Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

We have audited, in accordance with the 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, the financial statements of the governmental activities, business activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Hague, Sabady & Co. PC". The signature is written in a cursive style.

Fall River, Massachusetts
December 27, 2018