

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

FINANCIAL STATEMENTS

*YEAR ENDED JUNE 30, 2016*

TOWN OF NEW SHOREHAM, RHODE ISLAND

June 30, 2016

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**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*June 30, 2016*

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

## *Independent Auditors' Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2016, 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 units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2016, 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 and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

**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 November 8, 2016, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

*Hague, Sahady & Co. PC*

Fall River, Massachusetts  
November 8, 2016

## Town of New Shoreham, Rhode Island

### Management Discussion and Analysis (MD&A)

*For the Year Ended June 30, 2016*

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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, 2016. 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, 2016 by \$32,516,705 (net position). Net position includes \$26,507,459 net investment in capital assets; \$4,316,268 of restricted net position; and \$1,692,978 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 \$59,712,201 and total liabilities plus deferred inflows were \$27,195,496 at June 30, 2016. The Town's total net position increased by \$1,660,133 in FY 2016.

As of June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$7,977,889, an increase of \$542,366 from the prior year.

As of June 30, 2016, the unassigned fund balance for the General Fund was \$1,809,638, or 13.8% of total budgeted 2016 General Fund expenditures and other financial uses of \$13,112,382. This amount is available for spending at the Town's discretion.

The Town total debt increased by \$161,272 (.64%) during the current fiscal year. The key factors in this change were the retirement of principal and increase in pension liabilities.

#### **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, 2016

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#### 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.

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## Town of New Shoreham, Rhode Island

### Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2016

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#### **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 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 28-67 of this report.

##### **Other Required Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund and the School Unrestricted Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages 68-78 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 \$32,516,705 at June 30, 2016.

Net investment in capital assets, comprises \$26,507,459, or 81.5% 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 \$4,310,592 or 13.3%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$205,926 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$1,698,654, 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, 2016*

**Government-Wide Financial Analysis (Continued)**

**Town of New Shoreham's Net Position - Primary Government**

**June 30, 2016 and 2015**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>\$ Change</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<b>Assets</b>							
Current assets	\$ 10,213,140	\$ 9,499,399	\$ 1,943,259	\$ 1,697,072	\$ 12,156,399	\$ 11,196,471	\$ 959,928
Capital assets	<u>36,915,340</u>	<u>36,635,262</u>	<u>10,479,837</u>	<u>10,768,191</u>	<u>47,395,177</u>	<u>47,403,453</u>	<u>(8,276)</u>
Total assets	<u>47,128,480</u>	<u>46,134,661</u>	<u>12,423,096</u>	<u>12,465,263</u>	<u>59,551,576</u>	<u>58,599,924</u>	<u>951,652</u>
<b>Deferred outflows of resources</b>							
Net pension activity	<u>160,625</u>	<u>531,300</u>	<u>-</u>	<u>-</u>	<u>160,625</u>	<u>531,300</u>	<u>(370,675)</u>
Total deferred outflows of resources	<u>160,625</u>	<u>531,300</u>	<u>-</u>	<u>-</u>	<u>160,625</u>	<u>531,300</u>	<u>(370,675)</u>
<b>Liabilities</b>							
Current liabilities	4,493,346	3,518,131	233,290	627,630	4,726,636	4,145,761	580,875
Long-term liabilities	<u>18,758,616</u>	<u>19,588,798</u>	<u>3,674,197</u>	<u>3,758,498</u>	<u>22,432,813</u>	<u>23,347,296</u>	<u>(914,483)</u>
Total liabilities	<u>23,251,962</u>	<u>23,106,929</u>	<u>3,907,487</u>	<u>4,386,128</u>	<u>27,159,449</u>	<u>27,493,057</u>	<u>(333,608)</u>
<b>Deferred inflows of resources</b>							
Unearned revenue	34,100	-	-	-	34,100	-	34,100
Net pension activity	<u>1,947</u>	<u>781,595</u>	<u>-</u>	<u>-</u>	<u>1,947</u>	<u>781,595</u>	<u>(779,648)</u>
Total deferred inflows of resources	<u>36,047</u>	<u>781,595</u>	<u>-</u>	<u>-</u>	<u>36,047</u>	<u>781,595</u>	<u>(745,548)</u>
<b>Net Assets</b>							
Net investment in capital assets	19,789,302	19,016,896	6,718,157	6,922,750	26,507,459	25,939,646	567,813
Restricted	4,286,268	4,220,462	24,324	30,000	4,310,592	4,250,462	60,130
Unrestricted	<u>(74,474)</u>	<u>(459,921)</u>	<u>1,773,128</u>	<u>1,126,385</u>	<u>1,698,654</u>	<u>666,464</u>	<u>1,032,190</u>
Total net assets	<u>\$ 24,001,096</u>	<u>\$ 22,777,437</u>	<u>\$ 8,515,609</u>	<u>\$ 8,079,135</u>	<u>\$ 32,516,705</u>	<u>\$ 30,856,572</u>	<u>\$ 1,660,133</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 \$25,689,194. Net investment in capital assets, comprises \$24,036,654, or 93.6% of total net position. The remaining balance of net position of the Land Trust, totaling \$1,652,540 is restricted.

*Continued*

**Town of New Shoreham, Rhode Island**

Management Discussion and Analysis (MD&A)

*For the Year Ended June 30, 2016*

**Government-Wide Financial Analysis (Continued)**

**Changes in Net Position**

The Town's net position increased by \$1,660,133 in FY 2016. Approximately 57.0% of the Town's total revenue came from taxes and payments in lieu of taxes, while 16.8% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 25.8% 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 2016, governmental activities revenues exceeded expenses by \$1,223,659. Net revenues from business-type activities exceed program expenses in 2016 by \$436,474.

**Town of New Shoreham's Changes in Net Position - Primary Government**

**For the Year Ended June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total		\$ Change
	2016	2015	2016	2015	2016	2015	
<b>Revenues:</b>							
Program Revenues:							
Charges for service	\$ 2,214,502	\$ 2,206,227	\$ 2,031,293	\$ 1,867,592	\$ 4,245,795	\$ 4,073,819	\$ 171,976
Operating grants & contributions	499,789	269,350	-	-	499,789	269,350	230,439
Capital grants & contributions	466,180	544,436	182,487	318,501	648,667	862,937	(214,270)
General Revenues:							
Property taxes	9,370,749	9,106,906	-	-	9,370,749	9,106,906	263,843
Grants and contributions	1,594,917	1,267,693	-	-	1,594,917	1,267,693	327,224
Other	14,617	13,466	55,217	61,652	69,834	75,118	(5,284)
Total revenue	<u>14,160,754</u>	<u>13,408,078</u>	<u>2,268,997</u>	<u>2,247,745</u>	<u>16,429,751</u>	<u>15,655,823</u>	<u>773,928</u>
<b>Expenses:</b>							
General government	2,170,261	1,691,364	-	-	2,170,261	1,691,364	478,897
Public safety	441,117	1,171,173	-	-	441,117	1,171,173	(730,056)
Education	5,653,584	5,269,435	-	-	5,653,584	5,269,435	384,149
Public works	2,721,340	2,159,926	-	-	2,721,340	2,159,926	561,414
Recreation, library, and other	2,468,485	1,246,525	-	-	2,468,485	1,246,525	1,221,960
Interest on debt	528,967	544,143	-	-	528,967	544,143	(15,176)
Sewer	-	-	1,389,252	1,360,498	1,389,252	1,360,498	28,754
Water	-	-	443,271	447,661	443,271	447,661	(4,390)
Total expenses	<u>13,983,754</u>	<u>12,082,566</u>	<u>1,832,523</u>	<u>1,808,159</u>	<u>15,816,277</u>	<u>13,890,725</u>	<u>1,925,552</u>
Transfer from component unit	124,304	133,921	-	-	124,304	133,921	(9,617)
Transfer to OPEB trust	(106,294)	-	-	-	(106,294)	-	(106,294)
Net bond proceeds	<u>1,028,649</u>	<u>210,681</u>	<u>-</u>	<u>-</u>	<u>1,028,649</u>	<u>210,681</u>	<u>817,968</u>
Increase(decrease) in net assets	1,223,659	1,670,114	436,474	439,586	1,660,133	2,109,700	(449,567)
Net assets-beginning of year	<u>22,777,437</u>	<u>21,107,323</u>	<u>8,079,135</u>	<u>7,639,549</u>	<u>30,856,572</u>	<u>28,746,872</u>	<u>2,109,700</u>
Net assets-end of year	<u>\$ 24,001,096</u>	<u>\$ 22,777,437</u>	<u>\$ 8,515,609</u>	<u>\$ 8,079,135</u>	<u>\$ 32,516,705</u>	<u>\$ 30,856,572</u>	<u>\$ 1,660,133</u>

*Continued*

## Town of New Shoreham, Rhode Island

### Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2016

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#### Governmental Activities

Governmental activities increased the Town's net position by \$1,223,659, 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.

#### Expenses Net of Program Revenues

	Total Cost of Services		Net Cost of Services		\$ Change
	2016	2015	2016	2015	
<b>Expenses net of program revenues:</b>					
General government	\$ 2,170,261	\$ 1,691,364	\$ 1,830,154	\$ 1,358,700	\$ 471,454
Public safety	441,117	1,171,173	400,485	1,112,750	(712,265)
Public works	2,721,340	2,159,926	646,009	569,162	76,847
Education	5,653,584	5,269,435	5,478,594	5,083,668	394,926
Recreation, library, and other	2,468,485	1,246,525	1,919,074	394,130	1,524,944
Interest on long-term debt	<u>528,967</u>	<u>544,143</u>	<u>528,967</u>	<u>544,143</u>	<u>(15,176)</u>
Total expenses net of program revenue	<u>\$ 13,983,754</u>	<u>\$ 12,082,566</u>	<u>\$ 10,803,283</u>	<u>\$ 9,062,553</u>	<u>\$ 1,740,730</u>

#### Component Unit

The net position of the Town's Component Unit increased by \$956,287. A key element in the increase is revenue derived from the 3% transfer fee.

#### General Fund Budgetary Highlights

The original budget for FY 2016 adopted at the Financial Town Meeting was \$13,112,382; no changes were made to the final budget.

Actual revenues reported in FY 2016 were greater than budgeted amounts by \$105,322, due principally to an unexpected increase in hotel and meals tax revenue as well as higher than expected mooring rental revenue.

Budget expenditures exceeded actual amounts by \$327,006. The principal reasons for this include:

- Favorable variances noted in Town highways and maintenance and general government expenditures.
- The Town saved significantly on utility costs and insurance costs in the current year.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$419,976.

Continued

**Town of New Shoreham, Rhode Island**

Management Discussion and Analysis (MD&A)

*For the Year Ended June 30, 2016*

**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, 2016 amounts to \$47,395,177 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$8,276, comprised of a decrease related to business-type activities of \$288,354 offset by an increase of \$280,078 related to governmental activities, net of accumulated depreciation.

Additions to capital assets in 2016 for governmental activities included renovations to the Town-owned Doctor's House, recreation facility improvements, technology 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.

Additional information regarding capital assets can be found in Note 6 on pages 40 through 42 of this report.

	<b>Capital Asset Administration</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>\$ Change</b>
Land and land easements	\$ 18,909,776	\$ 18,909,776	\$ 954,203	\$ 954,203	\$ 19,863,979	\$ 19,863,979	\$ -
Construction in progress	322,683	228,842	27,223	-	349,906	228,842	121,064
Infrastructure, net	1,424,708	1,525,657	7,298,785	7,436,780	8,723,493	8,962,437	(238,944)
Land improvements, net	3,151,849	3,318,630	-	-	3,151,849	3,318,630	(166,781)
Building & improvements, net	11,801,297	11,306,599	2,027,421	2,191,017	13,828,718	13,497,616	331,102
Automobiles and vessels, net	592,432	605,528	-	-	592,432	605,528	(13,096)
Machinery and equipment, net	422,841	400,204	172,205	186,191	595,046	586,395	8,651
Office equipment and furniture, net	256,040	307,342	-	-	256,040	307,342	(51,302)
Library books and textbooks net	<u>33,714</u>	<u>32,684</u>	<u>-</u>	<u>-</u>	<u>33,714</u>	<u>32,684</u>	<u>1,030</u>
Total	<u>\$ 36,915,340</u>	<u>\$ 36,635,262</u>	<u>\$ 10,479,837</u>	<u>\$ 10,768,191</u>	<u>\$ 47,395,177</u>	<u>\$ 47,403,453</u>	<u>\$ (8,276)</u>

**Long-term debt.** As of June 30, 2016, the Town has total bonded debt outstanding of \$20,878,408, which is backed by the full faith and credit of the Town.

The Town has capital leases outstanding at June 30, 2016 with a balance totaling \$194,877.

The Town's Component Unit has total notes payable outstanding of \$3,507,819, 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, 2016

#### 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
	2016	2015	2016	2015	2016	2015	
General obligation bonds	\$ 17,144,207	\$ 17,308,551	\$ 3,734,201	\$ 3,817,040	\$ 20,878,408	\$ 21,125,591	\$ (247,183)
Capital leases	194,877	227,003	-	-	194,877	227,003	(32,126)
Accrued compensated absences	389,542	419,807	47,345	43,498	436,887	463,305	(26,418)
Other post-employment benefits	(41,145)	58,000	-	-	(41,145)	58,000	(99,145)
ERS - net pension liability	3,155,975	2,947,801	-	-	3,155,975	2,947,801	208,174
MERS - net pension liability	<u>717,885</u>	<u>359,915</u>	<u>-</u>	<u>-</u>	<u>717,885</u>	<u>359,915</u>	<u>357,970</u>
Total expenditures	<u>\$ 21,561,341</u>	<u>\$ 21,321,077</u>	<u>\$ 3,781,546</u>	<u>\$ 3,860,538</u>	<u>\$ 25,342,887</u>	<u>\$ 25,181,615</u>	<u>\$ 161,272</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 \$50,913,539 as of the December 31, 2014 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. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 42-50 of this report.

#### 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, 2016 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 \$3,507,819.

Continued

## **Town of New Shoreham, Rhode Island**

### **Management Discussion and Analysis (MD&A)**

*For the Year Ended June 30, 2016*

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#### **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 \$1,659,866,929 at December 31, 2015.

With the approval of the tax payers at the May 2, 2016 Financial Town meeting, the tax rate on real property increased by \$0.21/\$1,000 (3.8%) to \$5.72/\$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, 2016*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
<b>ASSETS</b>				
Cash and investments	\$ 4,488,041	\$ 1,615,695	\$ 6,103,736	\$ 1,667,061
Receivables, net				
Personal property taxes	381,394	-	381,394	-
User charges	-	255,322	255,322	-
Intergovernmental	643,815	58,566	702,381	-
Departmental and other	536,233	6,873	543,106	-
Due from other funds	608,615	6,803	615,418	-
Due from component unit	6,078	-	6,078	-
Notes receivable, net	3,507,819	-	3,507,819	-
Net OPEB obligation asset	41,145	-	41,145	-
Capital assets:				
Capital assets not being depreciated	19,232,459	981,426	20,213,885	27,783,796
Capital assets being depreciated, net	<u>17,682,881</u>	<u>9,498,411</u>	<u>27,181,292</u>	-
Total capital assets	<u>36,915,340</u>	<u>10,479,837</u>	<u>47,395,177</u>	<u>27,783,796</u>
Total assets	<u>47,128,480</u>	<u>12,423,096</u>	<u>59,551,576</u>	<u>29,450,857</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
MERS, net of deferred inflows	<u>160,625</u>	<u>-</u>	<u>160,625</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 47,289,105</u>	<u>\$ 12,423,096</u>	<u>\$ 59,712,201</u>	<u>\$ 29,450,857</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, 2016

	Primary Government			Component Units
	Governmental	Business-Type	Total	Block Island
	Activities	Activities		Land Trust
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 944,379	\$ 79,838	\$ 1,024,217	\$ 8,443
Accrued interest	82,954	27,492	110,446	-
Due to federal and state governments	25,349	-	25,349	-
Due to other funds	596,794	18,624	615,418	6,078
Current portion of capital leases	76,276	-	76,276	-
Current portion of bonds and notes payable	2,610,653	84,503	2,695,156	381,673
Current portion of compensated absences	156,941	22,833	179,774	-
Portion due or payable in more than one year:				
Capital leases	118,601	-	118,601	-
Bonds and notes payable	14,533,554	3,649,685	18,183,239	3,126,146
Compensated absences	232,601	24,512	257,113	-
ERS - net pension liability	3,155,975	-	3,155,975	-
MERS - net pension liability	717,885	-	717,885	-
Total liabilities	<u>23,251,962</u>	<u>3,907,487</u>	<u>27,159,449</u>	<u>3,522,340</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
ERS, net of deferred outflows	1,947	-	1,947	-
Unearned revenue	34,100	-	34,100	-
Gains on refunding of debt	-	-	-	239,323
Total deferred inflows or resources	<u>36,047</u>	<u>-</u>	<u>36,047</u>	<u>239,323</u>
<b>NET POSITION</b>				
Net investment in capital assets	19,789,302	6,718,157	26,507,459	24,036,654
Restricted	4,286,268	24,324	4,310,592	1,652,540
Unrestricted	(74,474)	1,773,128	1,698,654	-
Total net position	<u>24,001,096</u>	<u>8,515,609</u>	<u>32,516,705</u>	<u>25,689,194</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 47,289,105</u>	<u>\$ 12,423,096</u>	<u>\$ 59,712,201</u>	<u>\$ 29,450,857</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, 2016*

	<u>Net (Expense) Revenue and Changes in Net Position</u>							<u>Component Unit</u>
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>		<u>Block Island Land Trust</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
<b>Governmental Activities</b>								
General government	\$ 2,170,261	\$ 300,107	\$ 40,000	\$ -	\$ (1,830,154)	\$ -	\$ (1,830,154)	\$ -
Public safety	441,117	33,697	6,935	-	(400,485)	-	(400,485)	-
Education	5,653,584	30,757	144,233	-	(5,478,594)	-	(5,478,594)	-
Public works	2,721,340	1,608,451	700	466,180	(646,009)	-	(646,009)	-
Recreation, library, and other	2,468,485	241,490	307,921	-	(1,919,074)	-	(1,919,074)	-
Interest on debt	528,967	-	-	-	(528,967)	-	(528,967)	-
Total governmental activities	<u>13,983,754</u>	<u>2,214,502</u>	<u>499,789</u>	<u>466,180</u>	<u>(10,803,283)</u>	<u>-</u>	<u>(10,803,283)</u>	<u>-</u>
<b>Business-Type Activities</b>								
Water	1,389,252	1,363,522	-	181,153	-	155,423	155,423	-
Sewer	443,271	667,771	-	1,334	-	225,834	225,834	-
Total business-type activities	<u>1,832,523</u>	<u>2,031,293</u>	<u>-</u>	<u>182,487</u>	<u>-</u>	<u>381,257</u>	<u>381,257</u>	<u>-</u>
Total primary government	<u>15,816,277</u>	<u>4,245,795</u>	<u>499,789</u>	<u>648,667</u>	<u>(10,803,283)</u>	<u>381,257</u>	<u>(10,422,026)</u>	<u>-</u>
<b>Component Units</b>								
Block Island Land Trust	<u>110,795</u>	<u>1,165,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,636</u>
Total component units	<u>110,795</u>	<u>1,165,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,054,636</u>
Total Town of New Shoreham	<u>\$ 15,927,072</u>	<u>\$ 5,411,226</u>	<u>\$ 499,789</u>	<u>\$ 648,667</u>	<u>\$ (10,803,283)</u>	<u>\$ 381,257</u>	<u>\$ (10,422,026)</u>	<u>\$ 1,054,636</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, 2016*

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
<b>General revenues</b>				
Real estate and personal property, net of reserve for abatements	\$ 9,370,749	\$ -	\$ 9,370,749	\$ -
Hotel and meals tax	779,120	-	779,120	-
State construction aid	249,243	-	249,243	-
Earnings on investments	5,582	-	5,582	-
State aid to town	147,312	-	147,312	-
State aid to education	163,862	-	163,862	-
State contribution to teachers' pension plan	249,798	-	249,798	-
Miscellaneous	14,617	55,217	69,834	25,955
Total general revenues	10,980,283	55,217	11,035,500	25,955
Special Item - transfer from component unit	124,304	-	124,304	(124,304)
Bond fees and closing costs	(21,351)	-	(21,351)	-
Bond proceeds	1,050,000	-	1,050,000	-
Transfers between funds - operating	-	234,682	234,682	-
Transfers to OPEB trust	(106,294)	(234,682)	(340,976)	-
Total general revenues, special items, and transfers	12,026,942	55,217	12,082,159	(98,349)
Changes in net position	1,223,659	436,474	1,660,133	956,287
Net position - July 1, 2015	22,777,437	8,079,135	30,856,572	24,732,907
Net position - June 30, 2016	\$ 24,001,096	\$ 8,515,609	\$ 32,516,705	\$ 25,689,194

*The accompanying notes are an integral part of this statement*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Balance Sheet - Governmental Funds

June 30, 2016

	<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>
<b>Assets</b>				
Cash and investments	\$ 2,429,885	\$ 613,638	\$ 1,444,518	\$ 4,488,041
Receivables:				
Property taxes, net	381,394	-	-	381,394
Intergovernmental	318,950	24,685	4,180	347,815
Other	427,133	380	108,720	536,233
Due from other funds	168,063	425,377	15,175	608,615
Due from component unit	6,078	-	-	6,078
Notes receivable, component unit	<u>3,507,819</u>	<u>-</u>	<u>-</u>	<u>3,507,819</u>
Total assets	<u>7,239,322</u>	<u>1,064,080</u>	<u>1,572,593</u>	<u>9,875,995</u>
<b>Deferred outflows of resources</b>				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,239,322</u>	<u>\$ 1,064,080</u>	<u>\$ 1,572,593</u>	<u>\$ 9,875,995</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 348,438	\$ 533,123	\$ 62,818	\$ 944,379
Due to federal and state governments	25,349	-	-	25,349
Due to other funds	<u>406,796</u>	<u>55,015</u>	<u>134,983</u>	<u>596,794</u>
Total liabilities	<u>780,583</u>	<u>588,138</u>	<u>197,801</u>	<u>1,566,522</u>
<b>Deferred inflows of resources</b>				
Unearned revenue	<u>333,432</u>	<u>(1,848)</u>	<u>-</u>	<u>331,584</u>
Total deferred inflows of resources	<u>333,432</u>	<u>(1,848)</u>	<u>-</u>	<u>331,584</u>
<b>Fund balances</b>				
Nonspendable	3,507,819	-	205,926	3,713,745
Restricted	508,266	40,646	23,611	572,523
Committed	64,128	-	-	64,128
Assigned	235,456	437,144	1,150,476	1,823,076
Unassigned	<u>1,809,638</u>	<u>-</u>	<u>(5,221)</u>	<u>1,804,417</u>
Total fund balance	<u>6,125,307</u>	<u>477,790</u>	<u>1,374,792</u>	<u>7,977,889</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 7,239,322</u>	<u>\$ 1,064,080</u>	<u>\$ 1,572,593</u>	<u>\$ 9,875,995</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, 2016*

	<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>
<b>Revenues</b>				
Real estate and personal property taxes	\$ 9,434,101	\$ -	\$ -	\$ 9,434,101
Intergovernmental	1,309,207	206,505	8,431	1,524,143
Licenses, permits, and fees	378,618	-	-	378,618
Investment Income	4,738	-	844	5,582
State contribution to teachers' pension plan	-	177,152	-	177,152
Medicaid reimbursement	-	53,250	-	53,250
Other revenue	<u>1,805,127</u>	<u>82,217</u>	<u>395,270</u>	<u>2,282,614</u>
Total revenue	<u>12,931,791</u>	<u>519,124</u>	<u>404,545</u>	<u>13,855,460</u>
<b>Expenditures</b>				
General government	2,139,630	-	-	2,139,630
Public safety	1,056,261	-	-	1,056,261
Education	-	5,120,966	-	5,120,966
Public works	1,596,799	-	-	1,596,799
Recreation, library, and other	1,540,123	-	859,772	2,399,895
<b>Debt service</b>				
Principal	1,517,377	-	-	1,517,377
Interest	<u>528,825</u>	<u>-</u>	<u>-</u>	<u>528,825</u>
Total expenditures	<u>8,379,015</u>	<u>5,120,966</u>	<u>859,772</u>	<u>14,359,753</u>
Excess (deficiency) of revenues over expenditures	4,552,776	(4,601,842)	(455,227)	(504,293)
<b>Other financing sources (uses)</b>				
Bond proceeds	350,000	-	700,000	1,050,000
Bond fees and closing costs	(21,351)	-	-	(21,351)
Transfer from component unit	124,304	-	-	124,304
Transfers in	112,000	4,961,209	-	5,073,209
Transfers out	<u>(4,700,678)</u>	<u>(413,056)</u>	<u>(65,769)</u>	<u>(5,179,503)</u>
Other financing sources (uses)	<u>(4,135,725)</u>	<u>4,548,153</u>	<u>634,231</u>	<u>1,046,659</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>	417,051	(53,689)	179,004	542,366
Fund balance, July 1, 2015	<u>5,708,256</u>	<u>531,479</u>	<u>1,195,788</u>	<u>7,435,523</u>
Fund balance, June 30, 2016	<u>\$ 6,125,307</u>	<u>\$ 477,790</u>	<u>\$ 1,374,792</u>	<u>\$ 7,977,889</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Reconciliation of Governmental Fund  
Balances to the Statement of Net Position

June 30, 2016

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Total governmental fund balances	\$ 7,977,889
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
MRBRF receivable	296,000
Capital assets, net	36,915,340
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.	1,047,050
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	297,484
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.	(888,372)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(82,954)
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	(17,144,207)
Capital leases	(194,877)
Compensated absences	(389,542)
Other postemployment benefits	41,145
ERS - net pension liability	(3,155,975)
MERS - net pension liability	<u>(717,885)</u>
Net position of governmental activities	<u>\$ 24,001,096</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, 2016*

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Net change in fund balances - total governmental funds	\$ 542,366
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.	280,078
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.	(63,352)
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.	492,470
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	(141)
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	99,145
Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	30,264
Some expenses reported in the Statement of Activities, such as state net pension liability does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>(157,171)</u>
Change in net position of governmental activities	<u>\$ 1,223,659</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, 2016*

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
	<b>Enterprise</b>	<b>Enterprise</b>	<b>Enterprise</b>
<b>Assets</b>			
Current assets			
Cash and short-term investments	\$ 961,652	\$ 654,043	\$ 1,615,695
Receivables, net:			
User fees	158,903	96,419	255,322
Intergovernmental	58,566	-	58,566
Assessments and miscellaneous fees	6,873	-	6,873
Due from other funds	<u>6,803</u>	<u>-</u>	<u>6,803</u>
 Total current assets	 <u>1,192,797</u>	 <u>750,462</u>	 <u>1,943,259</u>
Non-current assets			
Capital assets not being depreciated	892,880	88,546	981,426
Capital assets being depreciated, net	<u>5,181,728</u>	<u>4,316,683</u>	<u>9,498,411</u>
 Total non-current assets	 <u>6,074,608</u>	 <u>4,405,229</u>	 <u>10,479,837</u>
 Total assets	 <u>7,267,405</u>	 <u>5,155,691</u>	 <u>12,423,096</u>
<b>Deferred outflows of resources</b>			
None	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 7,267,405</u>	 <u>\$ 5,155,691</u>	 <u>\$ 12,423,096</u>

*The accompanying notes are an integral part of this statement*

*Continued*  
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**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Statement of Net Position - Proprietary Funds

June 30, 2016

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>
	<b>Enterprise</b>	<b>Enterprise</b>	<b>Enterprise</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 49,604	\$ 30,234	\$ 79,838
Current portion of serial bonds payable	34,383	50,120	84,503
Current portion of compensated absences	22,833	-	22,833
Accrued interest payable	21,147	6,345	27,492
Due to state	-	-	-
Due to other funds	18,624	-	18,624
	146,591	86,699	233,290
Total current liabilities			
Non-current liabilities			
Serial bonds payable	2,184,945	1,464,740	3,649,685
Compensated absences	24,512	-	24,512
	2,209,457	1,464,740	3,674,197
Total non-current liabilities			
	2,356,048	1,551,439	3,907,487
Total liabilities			
<b>Deferred inflows of resources</b>			
None	-	-	-
	-	-	-
Total deferred inflows of resources			
<b>Net Position</b>			
Invested in capital assets, net of related debt	3,834,133	2,884,024	6,718,157
Restricted	24,324	-	24,324
Unrestricted	1,052,900	720,228	1,773,128
	7,267,405	5,155,691	12,423,096
Total liabilities, deferred inflows of resources and net position			
	\$ 7,267,405	\$ 5,155,691	\$ 12,423,096

*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, 2016*

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Total Enterprise</b>
<b>Operating revenues</b>			
Charges for services	\$ 1,363,522	\$ 667,771	\$ 2,031,293
Other revenues	<u>40,541</u>	<u>14,676</u>	<u>55,217</u>
 Total operating revenues	 <u>1,404,063</u>	 <u>682,447</u>	 <u>2,086,510</u>
 <b>Operating expenses</b>			
Salaries and benefits	589,440	-	589,440
Services and supplies	392,786	201,647	594,433
Depreciation	<u>331,963</u>	<u>185,598</u>	<u>517,561</u>
 Total operating expenses	 <u>1,314,189</u>	 <u>387,245</u>	 <u>1,701,434</u>
 Operating income (loss)	 <u>89,874</u>	 <u>295,202</u>	 <u>385,076</u>
 <b>Nonoperating revenues (expenses)</b>			
Grant activity	181,153	1,334	182,487
Interest expense	<u>(75,063)</u>	<u>(56,026)</u>	<u>(131,089)</u>
 Total nonoperating revenue (expenses)	 <u>106,090</u>	 <u>(54,692)</u>	 <u>51,398</u>
 Income (loss) before transfers	 <u>195,964</u>	 <u>240,510</u>	 <u>436,474</u>
 <b>Transfers</b>			
Transfer in - operating	234,682	-	234,682
Transfers out - operating	<u>-</u>	<u>(234,682)</u>	<u>(234,682)</u>
 Total Transfers	 <u>234,682</u>	 <u>(234,682)</u>	 <u>-</u>
 Change in net position	 430,646	 5,828	 436,474
 Total net position, July 1, 2015	 <u>4,480,711</u>	 <u>3,598,424</u>	 <u>8,079,135</u>
 Total net position, June 30, 2016	 <u>\$ 4,911,357</u>	 <u>\$ 3,604,252</u>	 <u>\$ 8,515,609</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, 2016*

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Total Enterprise</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,012,874	\$ 667,883	\$ 1,680,757
Cash due from (to) governments	96,283	1,334	97,617
Payments to suppliers and employees	(725,556)	(211,095)	(936,651)
Cash received from (to) other funds	(1,999)	(34,263)	(36,262)
	<u>381,602</u>	<u>423,859</u>	<u>805,461</u>
<b>Net cash provided (used) by operating activities</b>			
<b>Cash flows from noncapital financing activities</b>			
Grant revenue	181,153	1,334	182,487
Transfers in (out)	234,682	(234,682)	-
	<u>415,835</u>	<u>(233,348)</u>	<u>182,487</u>
<b>Net cash provided by noncapital financing activities</b>			
<b>Cash flows from capital and related financing activities</b>			
Purchases and construction of capital assets	(186,554)	(42,653)	(229,207)
Acquisition of capital debt	(102)	-	(102)
Principal paid on debt	(34,284)	(48,467)	(82,751)
Interest paid on capital debt	(75,354)	(56,643)	(131,997)
	<u>(296,294)</u>	<u>(147,763)</u>	<u>(444,057)</u>
<b>Net cash used by capital and related financing activities</b>			
<b>Cash flows from investing activities:</b>			
None	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net cash used by investing activities</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	501,143	42,748	543,891
Balances-beginning of the year	460,509	611,295	1,071,804
	<u>460,509</u>	<u>611,295</u>	<u>1,071,804</u>
Balances-end of the year	<u>\$ 961,652</u>	<u>\$ 654,043</u>	<u>\$ 1,615,695</u>
Displayed as:			
Cash and short-term investments	<u>\$ 961,652</u>	<u>\$ 654,043</u>	<u>\$ 1,615,695</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, 2016*

	<b>Business-type Activities Enterprise Funds</b>		
	<b>Sewer Enterprise</b>	<b>Water Enterprise</b>	<b>Total Enterprise</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 89,874	\$ 295,202	\$ 385,076
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	331,963	185,598	517,561
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	1,597	(13,230)	(11,633)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in utility lien and other receivables	-	-	-
(Increase) decrease in due from government	285,366	23,971	309,337
Increase (decrease) in due to other funds	(197,051)	(58,234)	(255,285)
Increase (decrease) in compensated absences	3,847	-	3,847
Increase (decrease) accounts payable and accrued expenses	<u>(133,994)</u>	<u>(9,448)</u>	<u>(143,442)</u>
Net cash provided (used) by operating activities	<u>\$ 381,602</u>	<u>\$ 423,859</u>	<u>\$ 805,461</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Statement of Net Position - Fiduciary Funds

*June 30, 2016*

	Fiduciary Funds			
	Student Activities	OPEB Trust	North Light Fund	Total
<b>Assets</b>				
Cash and investments	\$ 22,803	\$ 110,660	\$ 9,063	\$ 142,526
Total assets	<u>\$ 22,803</u>	<u>\$ 110,660</u>	<u>\$ 9,063</u>	<u>\$ 142,526</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 337	\$ 337
Deposits held	<u>22,803</u>	<u>-</u>	<u>8,726</u>	<u>31,529</u>
Total liabilities	<u>22,803</u>	<u>-</u>	<u>9,063</u>	<u>31,866</u>
<b>Net Position</b>				
Total net position	<u>-</u>	<u>110,660</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 22,803</u>	<u>\$ 110,660</u>	<u>\$ 9,063</u>	<u>\$ 142,526</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Statement of Changes in Net Position - Fiduciary Funds

*For the Year Ended June 30, 2016*

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	<b>OPEB Trust</b>
<b>Additions</b>	
Employer contributions	\$ 106,294
Earnings on investment	<u>4,601</u>
Total additions	<u>110,895</u>
<b>Deductions</b>	
Administrative expenses	<u>235</u>
Total deductions	<u>235</u>
Changes in fund equity held in trust for individuals, organizations, and other governments	110,660
Net position, July 1, 2015	<u>-</u>
Net position June 30, 2016	<u><u>\$ 110,660</u></u>

# TOWN OF NEW SHOREHAM, RHODE ISLAND

## Notes to the Financial Statements

June 30, 2016

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### **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, 2016

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

*Continued*



# TOWN OF NEW SHOREHAM, RHODE ISLAND

## Notes to the Financial Statements

June 30, 2016

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### NOTE 1: Summary of Significant Accounting Policies (Continued)

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

##### 1. Governmental Funds (Continued)

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

#### 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, 2016

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### NOTE 1: Summary of Significant Accounting Policies (Continued)

#### D. Measurement Focus and Basis of Accounting (Continued)

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

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, 2016*

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**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 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 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, 2016

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.

Government-wide financial statements:

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

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

Capital assets of the component unit consist principally of 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 capital outlay expenditures.

*Continued*

# TOWN OF NEW SHOREHAM, RHODE ISLAND

## Notes to the Financial Statements

June 30, 2016

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### 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 (formerly known as 'deferred revenue')*

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

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

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

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

*Continued*

# TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2016

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## 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".

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.

##### *Fund financial statements*

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

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

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Financial Statements

*June 30, 2016*

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**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Financial Statements Amounts (Continued)**

**9. Fund equity/net position (Continued)**

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 15<sup>th</sup> 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. 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.

**13. Use of estimates**

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

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Financial Statements

*June 30, 2016*

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**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**E. Financial Statements Amounts (Continued)**

**14. 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.

**15. 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.

**F. Implementation of New Accounting Principles**

For the year ending June 30, 2016, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*

The implementation of GASB Statement No. 72 had no material reporting impact for the Town.



**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Financial Statements

June 30, 2016

**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 Investments**

At June 30, 2016, the carrying amount of the Town's deposits was \$6,247,530, including \$2,494,677 of cash equivalents, and the total bank balance was \$6,494,059.

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, 2016, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Maturities	Total Bank Balance	Carrying Amount
Deposits:				
Demand deposits	\$ 2,600,538		\$ 3,043,524	\$ 2,791,687
Petty cash				5,308
Certificate of deposit	955,858	8/12/16-10/11/16	955,858	955,858
Money market	2,384,017		2,384,017	2,384,017
OPEB	110,660		110,660	110,660
	<u>\$ 6,051,073</u>		<u>\$ 6,494,059</u>	<u>\$ 6,247,530</u>

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Financial Statements

*June 30, 2016*

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**NOTE 3: Cash and Investments (Continued)**

At June 30, 2016, deposits and investments of the component unit are categorized as follows:

	Maturities	Total Bank Balance	Carrying Value
Demand deposits		\$ <u>1,167,530</u>	\$ <u>1,165,713</u>
Investments, US Treasury Bill	N/A		\$ <u>500,073</u>

**NOTE 4: Assets Held in Trust**

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2016 totaled approximately \$74,040.

**NOTE 5: Interfund Receivables/Payables**

Interfund receivables and payables at June 30, 2016 are as follows:

	Due from Other Funds	Due to Other Funds
Governmental funds:		
General fund	\$ 168,063	\$ 406,796
School department	425,377	55,015
Nonmajor governmental funds	<u>15,175</u>	<u>134,983</u>
Proprietary funds:		
Sewer	6,803	18,624
Water	<u>-</u>	<u>-</u>
	<u>\$ 615,418</u>	<u>\$ 615,418</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Financial Statements

*June 30, 2016*

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**NOTE 5: Interfund Receivables/Payables (Continued)**

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

	Other Financing Sources	Other Financing Uses
<b>Governmental Funds</b>		
General Fund	\$ 112,000	\$ 4,700,678
School Department	4,961,209	413,056
Special Revenue	-	65,769
<b>Fiduciary Funds</b>		
OPEB Trust Fund	106,294	-
<b>Proprietary Funds</b>		
Sewer	234,682	-
Water	-	234,682
Totals	\$ 5,414,185	\$ 5,414,185

Funds were transferred from water to sewer in fiscal year 2016 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 \$4,655,461 of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation, therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**NOTE 6: Capital Assets**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b><u>Governmental Activities:</u></b>				
Not Being Depreciated:				
Land	\$ 18,909,776	\$ -	\$ -	\$ 18,909,776
Construction in progress	<u>228,842</u>	<u>307,683</u>	<u>213,842</u>	<u>322,683</u>
Subtotal	<u>19,138,618</u>	<u>307,683</u>	<u>213,842</u>	<u>19,232,459</u>
Other Capital Assets:				
Infrastructure	2,005,757	-	-	2,005,757
Land improvements	4,687,559	-	-	4,687,559
Buildings and improvements	20,782,758	1,256,438	-	22,039,196
Machinery and equipment	1,440,377	128,998	-	1,569,375
Office equipment and furniture	766,839	-	-	766,839
Library books and textbooks	189,541	14,047	-	203,588
Automobiles & Vessels	<u>2,396,564</u>	<u>85,923</u>	-	<u>2,482,487</u>
Subtotal	<u>32,269,395</u>	<u>1,485,406</u>	-	<u>33,754,801</u>
Accumulated Depreciation:				
Infrastructure	480,100	100,949	-	581,049
Land improvements	1,368,929	166,781	-	1,535,710
Buildings and improvements	9,476,159	761,740	-	10,237,899
Machinery and equipment	1,040,173	106,361	-	1,146,534
Office equipment and furniture	459,497	51,302	-	510,799
Library books and textbooks	156,857	13,017	-	169,874
Automobiles & Vessels	<u>1,791,036</u>	<u>99,019</u>	-	<u>1,890,055</u>
Subtotal	<u>14,772,751</u>	<u>1,299,169</u>	-	<u>16,071,920</u>
Net other capital assets	<u>17,496,644</u>	<u>186,237</u>	-	<u>17,682,881</u>
Net capital assets	<u>\$ 36,635,262</u>	<u>\$ 493,920</u>	<u>\$ 213,842</u>	<u>\$ 36,915,340</u>

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**NOTE 6: Capital Assets (Continued)**

	<b>Balance July 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2016</b>
<b>Business-type activities:</b>				
Not Being Depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	<u>-</u>	<u>27,223</u>	<u>-</u>	<u>27,223</u>
Subtotal	<u>954,203</u>	<u>27,223</u>	<u>-</u>	<u>981,426</u>
Other Capital Assets:				
Buildings and improvements	4,983,960	-	-	4,983,960
Equipment	1,471,005	40,841	-	1,511,846
Underground piping	13,462,394	154,021	-	13,616,415
Wells / reserves osmosis / water supply	<u>1,654,761</u>	<u>7,121</u>	<u>-</u>	<u>1,661,882</u>
Subtotal	<u>21,572,120</u>	<u>201,983</u>	<u>-</u>	<u>21,774,103</u>
Accumulated Depreciation				
Buildings and improvements	2,792,943	163,596	-	2,956,539
Equipment	1,284,814	54,827	-	1,339,641
Underground piping	7,272,150	262,048	-	7,534,198
Wells / reserves osmosis / water supply	<u>408,225</u>	<u>37,089</u>	<u>-</u>	<u>445,314</u>
Subtotal	<u>11,758,132</u>	<u>517,560</u>	<u>-</u>	<u>12,275,692</u>
Net other capital assets	<u>9,813,988</u>	<u>(315,577)</u>	<u>-</u>	<u>9,498,411</u>
Net capital assets	<u>\$ 10,768,191</u>	<u>\$ (288,354)</u>	<u>\$ -</u>	<u>\$ 10,479,837</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

**NOTE 6: Capital Assets (Continued)**

Depreciation was charged to governmental functions as follows:

General government	\$	139,168
Public safety		176,029
Public works		286,837
Recreation, library, and other		226,896
Education		470,239
		<u>1,299,169</u>
	\$	<u>1,299,169</u>

Depreciation was charged to proprietary functions as follows:

Sewer Fund	\$	330,969
Water Fund		182,152
		<u>513,121</u>
	\$	<u>513,121</u>

**NOTE 7: Long-Term Obligations**

At summary of long-term obligations as of June 30, 2016 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 17,199,470	\$ 3,734,301	\$ 20,933,771
Deferred amounts:			
On refunding	(354,756)	-	(354,756)
On premium	<u>299,493</u>	<u>-</u>	<u>299,493</u>
Subtotal	17,144,207	3,734,301	20,878,508
Capital leases	194,877	-	194,877
Accrued compensated absences	<u>389,542</u>	<u>47,345</u>	<u>436,887</u>
Total debt outstanding	17,728,626	3,781,646	21,510,272
Less portion due within one year	<u>2,843,870</u>	<u>108,500</u>	<u>1,609,262</u>
Total long term debt outstanding	<u>\$ 14,884,756</u>	<u>\$ 3,673,146</u>	<u>\$ 19,901,010</u>

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**NOTE 7: Long-Term Obligations (Continued)**

Changes in long-term obligations during the year ended June 30, 2016 were as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 17,370,847	\$ 1,346,000	\$ 1,517,377	\$ 17,199,470	\$ 2,603,620
Deferred amounts:					
For issuance costs					
On refunding, restated	(400,453)	-	45,697	(354,756)	45,697
On premium	<u>338,157</u>	<u>-</u>	<u>(38,664)</u>	<u>299,493</u>	<u>(38,664)</u>
Total bonds payable	<u>17,308,551</u>	<u>1,346,000</u>	<u>1,524,410</u>	<u>17,144,207</u>	<u>2,610,653</u>
Capital leases	227,002	43,394	75,519	194,877	76,276
Other post-employment benefit obligation	58,000	11,632	110,777	(41,145)	-
Accrued compensated absences	<u>419,807</u>	<u>-</u>	<u>30,265</u>	<u>389,542</u>	<u>156,941</u>
Total long-term obligations	<u>\$ 18,013,360</u>	<u>\$ 1,401,026</u>	<u>\$ 1,740,971</u>	<u>\$ 17,687,481</u>	<u>\$ 2,843,870</u>
Business-type activities:					
Bonds and notes	\$ 3,817,040	\$ -	\$ 82,839	\$ 3,734,201	\$ 85,667
Accrued compensated absences	<u>43,498</u>	<u>3,847</u>	<u>-</u>	<u>47,345</u>	<u>22,833</u>
Total long-term obligations	<u>\$ 3,860,538</u>	<u>\$ 3,847</u>	<u>\$ 82,839</u>	<u>\$ 3,781,546</u>	<u>\$ 108,500</u>
Total government-wide obligations	<u>\$ 21,873,898</u>	<u>\$ 1,404,873</u>	<u>\$ 1,823,810</u>	<u>\$ 21,469,027</u>	<u>\$ 2,952,370</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**NOTE 7: 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, 2015</u>	<u>New issues</u>	<u>Refundings</u>	<u>Retirements</u>	<u>Balance, June 30, 2016</u>
<i>Governmental activities:</i>									
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 2,835,000	\$ -	\$ -	\$ 140,000	\$ 2,695,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	2,140,000	-	-	150,000	1,990,000
Town Hall Construction 2006	1,350,000	2006	4.0-4.75%	2026	70,000	-	-	70,000	-
School Construction 2006	1,100,000	2006	4.0-4.75%	2026	55,000	-	-	55,000	-
Thomas Property	240,000	2012	5.25%	2022	171,847	-	-	22,377	149,470
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	2,075,000	-	-	95,000	1,980,000
1998 BILT (Refunding)	311,000	2012	2.0-4.0%	2022	145,000	-	-	60,000	85,000
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	473,286	-	-	61,105	412,181
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	1,656,714	-	-	213,895	1,442,819
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	825,020	-	-	110,166	714,854
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	538,361	-	-	71,888	466,473
Town hall (Refunding)	444,540	2012	2.0-4.0%	2022	321,619	-	-	42,946	278,673
School Construction 2005 (Refunding)	4,930,000	2015	2.25%	2025	4,540,000	-	-	395,000	4,145,000
School Construction 2006 (Refunding)	645,000	2015	2.40%	2026	635,000	-	-	10,000	625,000
Town Hall Construction 2006 (Refunding)	640,000	2015	2.40%	2026	635,000	-	-	5,000	630,000
2014 MRBRF - Weldon's Way	255,000	2015	0.6-3.0%	2029	254,000	-	-	15,000	239,000
2016 MRBRF - Old Town Road	296,000	2016	0.8-2.7%	2035	-	296,000	-	-	296,000
BAN (Dr. House & Beach House)	1,050,000	2015	0.81%	2016	-	1,050,000	-	-	1,050,000
<b>Total</b>	<b><u>\$ 23,279,000</u></b>				<b><u>\$ 17,370,847</u></b>	<b><u>\$ 1,346,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,517,377</u></b>	<b><u>\$ 17,199,470</u></b>

*Continued*



**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

**NOTE 7: 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, 2015</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2016</u>
<i>Enterprise Funds:</i>								
<i>Sewer Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 315,978	\$ -	\$ 4,930	\$ 311,048
Sewer improvements	192,500	2006	4.375%	2046	172,574	-	2,726	169,848
Land	472,175	2005	4.25%	2045	415,276	-	7,103	408,173
Sewer improvements	458,000	2012	2.75%	2052	444,961	-	6,790	438,171
2014 Sewer Improvements	219,000	2014	2.75%	2053	215,924	-	3,160	212,764
2015 Sewer Improvements	<u>689,000</u>	2015	2.75%	2055	<u>689,000</u>	<u>-</u>	<u>9,575</u>	<u>679,425</u>
Total sewer	<u>2,379,675</u>				<u>2,253,713</u>	<u>-</u>	<u>34,284</u>	<u>2,219,429</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	400,189	-	6,242	393,947
Water supply	450,000	2011	3.25%	2051	426,321	-	6,409	419,912
Water supply	179,445	2005	4.25%	2045	157,817	-	2,700	155,117
Clean Water GOB	614,287	2004	3.26%	2024	358,000	-	30,000	328,000
2015 Water Supply	123,000	2015	2.75%	2055	123,000	-	1,728	121,272
2015 Water Supply	<u>98,000</u>	2015	2.75%	2055	<u>98,000</u>	<u>-</u>	<u>1,376</u>	<u>96,624</u>
Total water	<u>1,906,732</u>				<u>1,563,327</u>	<u>-</u>	<u>48,455</u>	<u>1,514,872</u>
Total enterprise	<u>\$ 4,286,407</u>				<u>\$ 3,817,040</u>	<u>\$ -</u>	<u>\$ 82,739</u>	<u>\$ 3,734,301</u>

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**NOTE 7: Long-Term Obligations (Continued)**

*General obligation bonds and notes (continued):*

At June 30, 2016, 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
2017	\$ 2,603,620	\$ 491,296	\$ 3,094,916
2018	1,532,910	443,579	1,976,489
2019	1,571,268	401,154	1,972,422
2020	1,612,692	357,380	1,970,072
2021	1,659,212	311,973	1,971,185
2022-2026	5,684,768	943,191	6,627,959
2027-2031	2,286,000	280,043	2,566,043
2032-2036	<u>249,000</u>	<u>12,430</u>	<u>261,430</u>
	<u>\$ 17,199,470</u>	<u>\$ 3,241,046</u>	<u>\$ 20,440,516</u>

***Business-type activities:***

Year ending June 30,	Principal	Interest	Total
2017	\$ 85,667	\$ 129,048	\$ 214,715
2018	88,563	125,974	214,537
2019	92,527	122,756	215,283
2020	95,562	119,389	214,951
2021	98,671	115,892	214,563
2022-2026	507,757	522,350	1,030,107
2027-2031	413,221	443,479	856,700
2032-2036	491,554	365,146	856,700
2037-2041	585,383	261,317	846,700
2042-2046	663,416	158,819	822,235
2047-2051	409,204	62,009	471,213
2052-2055	<u>202,684</u>	<u>12,700</u>	<u>215,384</u>
	<u>\$ 3,734,209</u>	<u>\$ 2,438,879</u>	<u>\$ 6,173,088</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

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**NOTE 7: Long-Term Obligations (Continued)**

*General obligation bonds and notes (continued):*

Component unit:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 381,673	\$ 114,187	\$ 495,860
2018	354,451	103,737	458,188
2019	342,229	93,854	436,083
2020	350,007	84,374	434,381
2021	362,785	74,662	437,447
2022-2026	846,674	252,403	1,099,077
2027-2031	710,000	119,800	829,800
2032	<u>160,000</u>	<u>6,400</u>	<u>166,400</u>
	<u>\$ 3,507,819</u>	<u>\$ 849,417</u>	<u>\$ 4,357,236</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, 2014 was \$1,697,117,959 limiting the amount of non-exempted general obligation bonds outstanding to \$50,913,539. At June 30, 2016, general obligation bonds outstanding totaled \$20,933,679, including amounts which are exempt from the cap.

# TOWN OF NEW SHOREHAM, RHODE ISLAND

## Notes to the Basic Financial Statements

June 30, 2016

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### **NOTE 7: 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, 2016 was \$3,507,819.

#### *Accrued compensated absences:*

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

#### *Other post-employment benefits:*

##### *Plan Description*

The School Department of New Shoreham Post-Employment benefit is a single employer defined benefit postretirement health insurance plan. The 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.

##### *Funding Policy*

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

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

**NOTE 7: Long-Term Obligations (Continued)**

*Other post-employment benefits (continued):*

*Annual OPEB and Net OPEB Obligation*

The School Departments' annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Departments annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Annual required contribution (ARC)	\$	69,632
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost		69,632
Contributions made		110,777
Increase in net OPEB obligation		(41,145)
Net OPEB obligation, beginning of year		-
Net OPEB obligation, end of year	\$	<u>(41,145)</u>

The School Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past fiscal year is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 69,632	159.09%	\$ (41,145)

*Funded Status and Funding Progress*

The funded status of the School Department's plan as of July 1, 2015 is as follows:

Actuarial Accrued Liability (AAL)	\$	952,261
Actuarial Value of Plan Assets		86,237
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u>866,024</u>
Funded ratio (actuarial value of plan assets / AAL)		9.06%
Annual covered payroll (active plan members)	\$	2,013,803
UAAL as a percentage of covered payroll		43.00%

## TOWN OF NEW SHOREHAM, RHODE ISLAND

### Notes to the Basic Financial Statements

June 30, 2016

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#### **NOTE 7: Long-Term Obligations (Continued)**

##### *Other post-employment benefits (continued):*

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

##### *Actuarial Methods and Assumptions*

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

#### **NOTE 8: Employees' Retirement System (ERS) Defined Benefit Pension Plan**

##### **General Information about the Pension Plan**

**Plan description** - Certain employees of the New Shoreham School Department (Teachers) 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>.

## TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2016

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### NOTE 8: Employees' Retirement System (ERS) Defined Benefit Pension Plan (Continued)

#### General Information about the Pension Plan (Continued)

**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 8.98% and 13.08% of annual covered payroll for the fiscal year ended June 30, 2016 for the state and the Town, respectively. The Town contributed \$258,842, \$250,456 and \$238,478 for the fiscal years ended June 30, 2016, 2015 and 2014, 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, 2016, the Town reported a liability of \$3,155,975 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, 2016

**Note 8. ERS Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

Town's proportionate share of the net pension liability	\$ 3,155,975
State's proportionate share of the net pension liability associated with the Town	<u>2,156,063</u>
Total net pension liability	<u>\$ 5,312,038</u>

The net pension liability was measured as of June 30, 2015, 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, 2014 rolled forward to June 30, 2015. 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, 2015 the Town proportion was .11463754%.

For the year ended June 30, 2015 the Town recognized gross pension expense of \$622,314 and revenue of \$261,805 for support provided by the State. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Contributions subsequent to the measurement date	\$ 258,842
Net difference between projected and actual earnings on pension plan investments	<u>177,824</u>
Deferred inflows of resources	
Change of assumptions	\$ 20,550
Difference between expected and actual experience	84,843
Changes in proportion and differences between employer contributions and proportionate share of contributions	153,015
Net difference between projected and actual earnings on pension plan investments	<u>180,205</u>
Total	<u>(\$ 1,947)</u>



TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2016

**Note 8. ERS Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

\$258,842 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2016 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	(\$ 56,434)
2018	(56,434)
2019	(56,434)
2020	3,634
2021	(40,822)
thereafter	(54,299)

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

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 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 23 sources. The June 30, 2015 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, 2016

**Note 8. ERS Defined Benefit Pension Plan (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

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 was 7.5 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 7.5 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.

## TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2016

### Note 8. ERS Defined Benefit Pension Plan (Continued)

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 3,957,567	\$ 3,155,975	\$ 2,499,758

**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 9. 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 Town recognized pension expense of \$14,835 for the fiscal year ended June 30, 2016.

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>.

### Note 10: 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](http://www.ersri.org).

## TOWN OF NEW SHOREHAM, RHODE ISLAND

### Notes to the Basic Financial Statements

June 30, 2016

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#### **Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

##### **General Information about the Pension Plan (Continued)**

**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.

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.

## TOWN OF NEW SHOREHAM, RHODE ISLAND

### Notes to the Basic Financial Statements

June 30, 2016

---

#### **Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

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).

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.

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

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**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

***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, 2014 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	20
Inactive, Nonretired Members	54
Active Members	<u>59</u>
Total	<u>133</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

**Note 10: 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 \$173,520 in the year ended June 30, 2016 which was 8% of annual covered payroll and \$77,695 to their police department plan in the year ended June 30, 2016 which was 25% of their annual covered payroll.

**Net Pension Liability (Asset)** - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS P&amp;F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS P&amp;F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 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 23 sources. The June 30, 2015 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, 2016*

**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

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 7.5 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, 2016

**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

**Changes in the Net Pension Liability (Asset) - General Employee Plan**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$ 6,449,505	\$ 6,516,742	\$ (67,237)
Changes for the Year			
Service cost	194,848	-	194,848
Interest on the total pension liability	480,925	-	448,421
Benefit changes	108,714	-	108,714
Difference between expected and actual experience	(171,167)	-	(171,167)
Employer contributions	-	170,916	(170,916)
Employee contributions	-	42,359	(42,359)
Net investment income	-	154,895	(154,895)
Benefit payments, including employee refunds	(269,199)	(269,199)	-
Administrative expense	-	(6,213)	(6,213)
Other changes	-	-	-
Net changes	<u>344,121</u>	<u>92,758</u>	<u>251,363</u>
Balances as of June 30, 2015	<u>\$ 6,793,626</u>	<u>\$ 6,516,742</u>	<u>\$ 184,126</u>

**Changes in the Net Pension Liability (Asset) - Police Department Plan**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$ 1,528,931	\$1,101,779	\$ 427,152
Changes for the Year			
Service cost	53,176	-	53,176
Interest on the total pension liability	113,763	-	113,763
Benefit changes	24,464	-	24,464
Employer contributions	-	73,342	(73,342)
Employee contributions	-	24,078	(24,078)
Net investment income	-	26,912	(26,912)
Benefit payments, including employee refunds	(77,346)	(77,346)	-
Administrative expense	-	(1,080)	1,080
Other changes	-	670	(670)
Net changes	<u>153,183</u>	<u>46,576</u>	<u>106,607</u>
Balances as of June 30, 2015	<u>\$ 1,682,114</u>	<u>\$ 1,148,355</u>	<u>\$ 533,759</u>

**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 7.5 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.

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

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**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

<b>1.00% Decrease (6.5%)</b>	<b>General Employee Plan Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$ 891,488	\$ 184,126	\$ (394,753)
<b>1.00% Decrease (6.5%)</b>	<b>Police Department Plan Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
\$ 710,083	\$ 533,759	\$ 389,454

**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, 2016 the employer recognized pension expense of \$211,192. 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	\$ 25,969	\$ -
Net difference between projected and actual earnings on pension plan investments	265,225	265,390
Difference between expected and actual experience	-	131,205
<b>Total</b>	<u>\$ 291,194</u>	<u>\$ 396,595</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

*June 30, 2016*

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**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

**General Employee Plan (Continued)**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2017	\$ (50,723)
2018	(50,723)
2019	(58,943)
2020	54,988
Thereafter	_____ -
<b>Total</b>	<u>\$ (105,401)</u>

**Police Department Plan**

For the year ended June 30, 2016 the employer recognized pension expense of \$95,650. 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	\$ -	\$ 7,959
Net difference between projected and actual earnings on pension plan investments	45,167	45,205
Difference between expected and actual experience	<u>22,808</u>	<u>-</u>
Total	<u>\$ 67,975</u>	<u>\$ 53,164</u>

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

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**Note 10: Municipal Employees' Retirement System (MERS) Pension Plan (Continued)**

**Police Department Plan (Continued)**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2017	\$ (1,376)
2018	(1,376)
2019	(1,374)
2020	13,692
2021	2,401
Thereafter	<u>2,844</u>
<b>Total</b>	<u><b>\$ 14,811</b></u>

**NOTE 11: Commitments and Contingencies**

During 2007, the component unit acquired a partial interest in a fee title ownership of the Kalba property for approximately \$483,000. The remainder of the ownership was acquired by The Nature Conservancy (TNC) for \$490,000, payable in 10 annual installments of \$49,000 plus interest at 6% commencing January 15, 2008. The component unit and TNC entered into an agreement whereby in the event that the component unit pays any or all of the amounts due under TNC's promissory note, the parties will equitably adjust their respective interests in the ownership. In 2016, the component unit made the eighth installment plus interest totaling \$54,800.

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.

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

Notes to the Basic Financial Statements

June 30, 2016

**NOTE 12: Fund Balance Classification**

	<u>Major Funds</u>		<u>Non-Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>School Department</u>	<u>Special Revenue</u>	<u>Permanent Trust</u>	
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ 205,926	\$ 205,926
In Form	-	-	-	-	-
Land Trust fund receivable	3,507,819	-	-	-	3,507,819
<b>Restricted for:</b>					
Bond proceeds	508,266	-	-	-	508,266
Educational purposes	-	40,646	-	-	40,646
Bond proceeds for Old Harbor Dock	-	-	23,611	-	23,611
<b>Committed to:</b>					
North Light purposes	17,897	-	-	-	17,897
Old Harbor Dock purposes	46,231	-	-	-	46,231
<b>Assigned to:</b>					
Reserve for encumbrances	235,456	-	-	-	235,456
Infrastructure purposes	-	-	355,008	-	355,008
Educational purposes	-	437,144	-	-	437,144
Recreational, library, and other purposes	-	-	795,468	-	795,468
<b>Unassigned</b>	<u>1,809,638</u>	<u>-</u>	<u>(5,221)</u>	<u>-</u>	<u>1,804,417</u>
	<u>\$ 6,125,307</u>	<u>\$ 477,790</u>	<u>\$ 1,168,866</u>	<u>\$ 205,926</u>	<u>\$ 7,977,889</u>

**NOTE 13: Fund Balance Deficits**

The following funds had fund balance deficits as of June 30, 2016:

Wellness Coalition	\$ 5,221
	<u>\$ 5,221</u>

The deficit above will be funded via General Fund.

## TOWN OF NEW SHOREHAM, RHODE ISLAND

### Notes to the Basic Financial Statements

June 30, 2016

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#### **NOTE 14: Risk Management**

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

The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2016.

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 16: 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 17: Subsequent Events**

Management has evaluated subsequent events through November 8, 2016, the date the financial statements were available to be issued. On November 7, 2016 the Town acquired 2/3 of the outstanding shares of the Block Island Power Company for \$1,800,000. The Town intends to create a non-profit, ratepayer-controlled utility district or electric cooperative to own and operate the electric utility.

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Required Supplementary Information*  
 Budgetary Comparison Schedule - General Fund

*For the Year Ended June 30, 2016*

	<u>Original Budget</u>			<u>Actual</u>	<u>Encumbrances Carried To FY 17</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried to FY 16</u>	<u>Budget As Adopted</u>	<u>Total Available</u>			
<b>Revenues:</b>						
Taxes	\$ -	\$ 9,484,921	\$ 9,484,921	\$ 9,348,850	\$ -	\$ (136,071)
Intergovernmental	-	941,057	941,057	1,187,172	-	246,115
Licenses, permits, and fees	-	415,300	415,300	378,618	-	(36,682)
Interest and investment	-	4,000	4,000	4,738	-	738
Other revenues	-	1,773,905	1,773,905	1,805,127	-	31,222
Total revenues	-	12,619,183	12,619,183	12,724,505	-	105,322
<b>Expenditures:</b>						
General government	3,194	1,278,575	1,281,769	1,154,987	3,194	123,588
Finance administration	-	389,353	389,353	373,225	-	16,128
Fire, rescue, and emergency services	-	315,667	315,667	296,591	-	19,076
Police	-	709,632	709,632	710,119	-	(487)
Town highways and maintenance	-	877,202	877,202	787,799	-	89,403
Harbors	-	521,971	521,971	518,257	-	3,714
Building official	-	210,653	210,653	207,149	-	3,504
Recreation	-	399,822	399,822	377,443	-	22,379
Library	-	469,418	469,418	404,964	-	64,454
GIS / Technology	-	206,203	206,203	164,242	-	41,961
Boards and commissions	-	164,620	164,620	203,850	-	(39,230)
Community support	1,215	517,552	518,767	508,253	1,215	9,299
Capital outlay	197,168	333,602	530,770	411,240	231,047	(111,517)
Debt service	-	2,062,651	2,062,651	2,046,202	-	16,449
Total expenditures	201,577	8,456,921	8,658,498	8,164,321	235,456	258,721
Excess (deficiency) of revenues over expenditures	(201,577)	4,162,262	3,960,685	4,560,184	(235,456)	364,043
<b>Other financing sources and (uses):</b>						
Transfer from component unit	-	493,199	493,199	493,199	-	-
Transfer (to) from other funds	-	(4,655,461)	(4,655,461)	(4,701,692)	-	(46,231)
	-	(4,162,262)	(4,162,262)	(4,208,493)	-	(46,231)
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (201,577)	\$ -	\$ (201,577)	\$ 351,691	\$ (235,456)	\$ 317,812
Adjustment of budgetary basis to U.S. GAAP				65,360		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				417,051		
Fund balance, beginning of year				5,708,256		
Fund balance, end of year				\$ 6,125,307		

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

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Required Supplementary Information*  
 Budgetary Comparison Schedule - School Unrestricted

*For the Year Ended June 30, 2016*

	Original Budget			Actual	Encumbrances Carried to FY 17	Variance Favorable (Unfavorable)
	Encumbrances Carried to FY 16	Budget As Adopted	Total Available			
<b>Revenues</b>						
Federal and State governments	\$ -	\$ 152,010	\$ 152,010	\$ 163,862	\$ -	\$ 11,852
Other revenues	-	-	-	3,120	-	3,120
Total revenues	-	152,010	152,010	166,982	-	14,972
<b>Expenditures</b>						
Salaries		2,752,642	2,752,642	2,741,815		10,827
Employee benefits		1,144,060	1,144,060	1,097,863		46,197
Purchased services		543,893	543,893	513,205		30,688
Supplies and materials		293,855	293,855	199,017	-	94,838
Capital outlay	-	43,021	43,021	107,047	-	(64,026)
Total expenditures	-	4,777,471	4,777,471	4,658,947	-	118,524
Excess (deficiencies) of revenues over expenditures	-	(4,625,461)	(4,625,461)	(4,491,965)	-	133,496
<b>Other financing sources (uses)</b>						
Transfer from Town of New Shoreham	-	4,655,461	4,655,461	4,655,461		-
Transfers out	-	(30,000)	(30,000)	(412,043)	-	382,043
Total other financing sources (uses)	-	4,625,461	4,625,461	4,243,418	-	(382,043)
<b>Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses</b>						
	\$ -	\$ -	\$ -	(248,547)	\$ -	\$ (248,547)
Adjustment of budgetary basis to U.S. GAAP basis				-		
Fund balance, beginning of year				685,691		
Fund balance, end of year				\$ 437,144		

*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, 2016*

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#### **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*

*Continued*  
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**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Required Supplementary Information*  
Notes to Required Supplementary Information

*For the Year Ended June 30, 2016*

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	<u>General Fund</u>	<u>School Unrestricted</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 351,691	\$ (248,547)
Unbudgeted grant revenues	122,035	-
Unbudgeted grant expenditures	(101,680)	-
Unbudgeted bond proceeds (net of costs)	328,649	-
Unbudgeted use of infrastructure fund for technology items	(112,000)	-
Unbudgeted transfer in from infrastructure fund	112,000	-
Budgeted transfer in from BILT	124,304	-
State contribution to teachers' pension plan revenue on behalf	-	177,152
State contribution to teacher's pension plan expense on behalf	-	(177,152)
Budgeted debt principal not considered an expense on full accrual statements	-	-
Budgeted principal for Block Island Land Trust bond which offsets note payable	(493,199)	-
Increase (decrease) in 60 day accrual	<u>85,251</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 417,051</u>	<u>\$ (248,547)</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, 2016*

	<b>2016</b>	<b>2015</b>
Employer's proportion of the net pension liability	0.11463754%	0.12110929%
Employer's proportionate share of the net pension liability	\$ 3,155,975	\$ 2,947,801
State's proportionate share of the net pension liability associated with the school district	<u>2,156,063</u>	<u>4,969,244</u>
Total	<u>\$ 5,312,038</u>	<u>\$ 7,917,045</u>
Employer's covered employee payroll	\$ 1,972,734	\$ 1,953,073
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	159.98%	150.93%
Plan fiduciary net position as a percentage of the total pension liability	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 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, 2016*

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	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 258,842	\$ 250,456
Contributions in relation to the actuarially determined contribution	<u>258,842</u>	<u>250,456</u>
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,972,734	\$ 1,953,073
Contributions as a percentage of covered- employee payroll	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 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, 2016*

	<u>Year Ended June 30,</u> <u>2015</u>	<u>Year Ended June 30,</u> <u>2014</u>
<b>A. Total pension liability</b>		
1. Service Cost	\$ 194,848	\$ 195,536
2. Interest on the Total Pension Liability	480,925	448,421
3. Changes of benefit terms	108,714	-
4. Difference between expected and actual experience of the Total Pension Liability	(171,167)	-
5. Changes of assumptions	-	48,761
6. Benefit payments, including refunds of employee contributions	<u>(269,199)</u>	<u>(248,780)</u>
7. Net change in total pension liability	344,121	443,938
8. Total pension liability – beginning	<u>6,449,505</u>	<u>6,005,567</u>
9. Total pension liability – ending (a)	<u><u>\$ 6,793,626</u></u>	<u><u>\$ 6,449,505</u></u>
<b>B. Plan fiduciary net position</b>		
1. Contributions – employer	\$ 170,916	\$ 168,351
2. Contributions – employee	42,359	41,678
3. Net investment income	154,895	867,957
4. Benefit payments, including refunds of employee contributions	(269,199)	(248,780)
5. Pension Plan Administrative Expense	(6,213)	(5,435)
6. Other	<u>-</u>	<u>(8,676)</u>
7. Net change in plan fiduciary net position	92,758	815,095
8. Plan fiduciary net position – beginning	<u>6,516,742</u>	<u>5,701,647</u>
9. Plan fiduciary net position – ending (b)	<u><u>\$ 6,609,500</u></u>	<u><u>\$ 6,516,742</u></u>
<b>C. Net pension liability - ending (a) - (b)</b>	\$ 184,126	\$ (67,237)
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	97.29%	101.04%
<b>E. Covered employee payroll</b>	\$ 2,117,910	\$ 2,066,975
<b>F. Net pension liability as a percentage of covered payroll</b>	8.69%	-3.25%

*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, 2016*

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	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Actuarially determined contribution	\$ 170,916	\$ 168,351
Contributions in relation to the actuarially determined contribution	<u>170,916</u>	<u>168,351</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,117,910	\$ 2,066,975
Contributions as a percentage of covered-employee payroll	8.07%	8.14%

**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 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, 2016*

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
<b>A. Total pension liability</b>		
1. Service Cost	\$ 53,176	\$ 46,199
2. Interest on the Total Pension Liability	113,763	108,488
3. Changes of benefit terms	37,126	-
4. Difference between expected and actual experience of the Total Pension Liability	26,464	-
5. Changes of assumptions	-	(10,469)
6. Benefit payments, including refunds of employee contributions	<u>(77,346)</u>	<u>(77,381)</u>
7. Net change in total pension liability	153,183	66,837
8. Total pension liability – beginning	<u>1,528,931</u>	<u>1,462,094</u>
9. Total pension liability – ending (a)	<u>\$ 1,682,114</u>	<u>\$ 1,528,931</u>
<b>B. Plan fiduciary net position</b>		
1. Contributions – employer	\$ 73,342	\$ 52,664
2. Contributions – employee	24,078	22,875
3. Net investment income	26,912	146,745
4. Benefit payments, including refunds of employee contributions	(77,346)	(77,381)
5. Pension Plan Administrative Expense	(1,080)	(919)
6. Other	<u>670</u>	<u>8,781</u>
7. Net change in plan fiduciary net position	46,576	152,765
8. Plan fiduciary net position – beginning	<u>1,101,779</u>	<u>949,014</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 1,148,355</u>	<u>\$ 1,101,779</u>
<b>C. Net pension liability - ending (a) - (b)</b>	\$ 533,759	\$ 427,152
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	68.27%	72.06%
<b>E. Covered employee payroll</b>	\$ 290,580	\$ 253,839
<b>F. Net pension liability as a percentage of covered payroll</b>	183.69%	168.28%

*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, 2016*

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	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Actuarially determined contribution	\$ 73,342	\$ 52,664
Contributions in relation to the actuarially determined contribution	<u>73,342</u>	<u>52,664</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 290,580	\$ 253,839
Contributions as a percentage of covered-employee payroll	25.24%	20.75%

**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 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, 2016*

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#### **Changes in benefit provisions –**

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 based on the member's years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service). 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 7/1/2012 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 - 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**

*Supplementary Information*  
 Budgetary Comparison Schedule - Sewer Enterprise Fund

*For the Year Ended June 30, 2016*

	<b>Original Budget As Adopted</b>	<b>Additional Appropriations and Transfers</b>	<b>Total Available</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenue:</b>					
Charges for services	\$ 1,312,716	\$ -	\$ 1,312,716	\$ 1,354,418	\$ 41,702
Interest income	8,000	-	8,000	9,104	1,104
Water contract	228,272	-	228,272	234,682	6,410
Miscellaneous	<u>47,700</u>	<u>-</u>	<u>47,700</u>	<u>40,541</u>	<u>(7,159)</u>
Total revenue	<u>1,596,688</u>	<u>-</u>	<u>1,596,688</u>	<u>1,638,745</u>	<u>42,057</u>
<b>Expenses:</b>					
Personnel services	584,041	-	584,041	589,440	(5,399)
Purchase of services	244,650	-	244,650	239,472	5,178
Supplies	129,000	-	129,000	100,998	28,002
Other charges and expenditures	84,600	-	84,600	43,980	40,620
Capital outlay	77,586	-	77,586	8,336	69,250
Debt service	126,811	-	126,811	109,347	17,464
Depreciation	<u>350,000</u>	<u>-</u>	<u>350,000</u>	<u>331,963</u>	<u>18,037</u>
Total expenses	<u>1,596,688</u>	<u>-</u>	<u>1,596,688</u>	<u>1,423,536</u>	<u>173,152</u>
Excess(deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,209</u>	<u>215,209</u>
<b>Other financing sources (uses):</b>					
Transfers from retained earnings	-	-	-	-	-
Transfers between funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>215,209</u>	<u>\$ 215,209</u>
Adjustments of budgetary basis for US GAAP basis				<u>215,437</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>430,646</u>	
Fund balance, beginning of year				<u>4,480,711</u>	
Fund balance, end of year				<u>\$ 4,695,920</u>	

*See independent auditors' report*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
 Budgetary Comparison Schedule - Water Enterprise Fund

*For the Year Ended June 30, 2016*

	<b>Original Budget</b>	<b>Additional</b>	<b>Total</b>		<b>Variance</b>
	<b>As</b>	<b>Appropriations</b>	<b>Available</b>	<b>Actual</b>	<b>Favorable</b>
	<b>Adopted</b>	<b>and Transfers</b>			<b>(Unfavorable)</b>
<b>Revenues:</b>					
Charges for services	\$ 617,046	\$ -	\$ 617,046	\$ 663,922	\$ 46,876
Interest income	5,000	-	5,000	3,849	(1,151)
Miscellaneous	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>14,676</u>	<u>6,676</u>
Total revenues	<u>630,046</u>	<u>-</u>	<u>630,046</u>	<u>682,447</u>	<u>52,401</u>
<b>Expenses:</b>					
Purchase of services	135,854	-	135,854	134,819	1,035
Supplies	39,500	-	39,500	30,746	8,754
Other charges and expenditures	46,500	-	46,500	36,082	10,418
Depreciation	180,000	-	180,000	185,598	(5,598)
Debt service	<u>105,162</u>	<u>-</u>	<u>105,162</u>	<u>104,481</u>	<u>681</u>
Total expenses	<u>507,016</u>	<u>-</u>	<u>507,016</u>	<u>491,726</u>	<u>15,290</u>
Excess(deficiency) of revenues over expenses	123,030	-	123,030	190,721	67,691
<b>Other financing sources (uses):</b>					
Contributions from Reserves	111,652	-	111,652	111,652	-
Transfers between funds	<u>(234,682)</u>	<u>-</u>	<u>(234,682)</u>	<u>(234,682)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	67,691	<u>\$ 67,691</u>
Adjustments of budgetary basis for US GAAP basis				<u>(61,863)</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>5,828</u>	
Fund balance, beginning of year				<u>3,598,424</u>	
Fund balance, end of year				<u>\$ 3,666,115</u>	

*See independent auditors' report*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
Notes to Supplementary Information

*For the Year Ended June 30, 2016*

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	<u>Sewer</u>	<u>Water</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 215,209	\$ 67,691
Unbudgeted grant revenues	181,153	1,334
Budgeted contribution from reserve	-	(111,652)
Budgeted debt principal not considered an expense on full accrual statements	<u>34,284</u>	<u>48,455</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 430,646</u>	<u>\$ 5,828</u>

*See independent auditors' report*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
Tax Collector's Annual Report

*For the Year Ended June 30, 2016*

Tax Collector's Annual Report

Real estate and personal property tax receivable:

<u>Tax Roll Year</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Assessment</u>	<u>Abatements</u> <u>Refunds</u>	<u>Tranfers/</u> <u>Adjustments</u>	<u>Amount to</u> <u>be collected</u>	<u>Collections</u>	<u>Balance</u> <u>June 30, 2016</u>
2015	\$ -	\$ 9,325,979	\$ 14,370	\$ 8,069	\$ 9,348,418	\$ 8,928,382	\$ 420,036
2014	262,971	20,991	(119)	72,540	356,383	358,877	(2,494)
2013	67,013	-	-	465	67,478	66,564	914
2012	26,490	-	-	-	26,490	24,256	2,234
2011	949	-	-	(2)	947	94	853
2010	466	-	-	-	466	-	466
2009	548	-	-	-	548	-	548
2008	3,424	-	-	-	3,424	-	3,424
2007	485	-	-	-	485	-	485
2006	1,231	-	(335)	-	896	-	896
2005	428	-	-	(541)	(113)	-	(113)
2004	55	-	-	-	55	-	55
2003	166	-	-	-	166	-	166
2002	1,244	-	-	-	1,244	-	1,244
2001 and prior	<u>5,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,719</u>	<u>-</u>	<u>5,719</u>
	<u>\$ 371,189</u>	<u>\$ 9,346,970</u>	<u>\$ 13,916</u>	<u>\$ 80,531</u>	<u>\$ 40,327</u>	<u>\$ 9,378,173</u>	<u>\$ 434,433</u>
						Less reserve for abatements	<u>(40,000)</u>
							<u>\$ 394,433</u>

*See independent auditors' report*

*Continued*

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
Tax Collector's Annual Report

*For the Year Ended June 30, 2016*

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<u>Description of Property</u>	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 1,674,106,000	\$ 9,124,570
Motor vehicles	19,053,173	145,792
Tangible personal	<u>3,958,786</u>	<u>21,934</u>
Total	1,697,117,959	9,292,296
Exemptions	<u>22,202,562</u>	<u>-</u>
Current year assessment	<u>\$ 1,674,915,397</u>	<u>\$ 9,292,296</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 9,378,173
Revenues collected within 60 days subsequent to year ended June 30, 2016	<u>260,641</u>
	9,638,814
Prior year revenue received in current year	<u>(175,390)</u>
Current year real estate and personal property tax revenue	<u>\$ 9,463,424</u>

*See independent auditors' report*

**OWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
 Combining Balance Sheet - Non Major Governmental Funds

*June 30, 2016*

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 1,253,767	\$ 190,751	\$ 1,444,518
Federal and state grants receivable	4,180	-	4,180
Receivables, other	108,720	-	108,720
Due from other funds	<u>-</u>	<u>15,175</u>	<u>15,175</u>
Total assets	<u>1,366,667</u>	<u>205,926</u>	<u>1,572,593</u>
<b>Deferred outflows of resources</b>			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,366,667</u>	<u>\$ 205,926</u>	<u>\$ 1,572,593</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 62,818	\$ -	\$ 62,818
Due to other funds	<u>134,983</u>	<u>-</u>	<u>134,983</u>
Total liabilities	<u>197,801</u>	<u>-</u>	<u>197,801</u>
<b>Deferred inflows of resources</b>			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	205,926	205,926
Restricted	23,611	-	23,611
Committed	-	-	-
Assigned	1,150,476	-	1,150,476
Unassigned	<u>(5,221)</u>	<u>-</u>	<u>(5,221)</u>
Total fund balance	<u>1,168,866</u>	<u>205,926</u>	<u>1,374,792</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,366,667</u>	<u>\$ 205,926</u>	<u>\$ 1,572,593</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, 2016*

	<b>Special Revenue</b>	<b>Permanent Trust Funds</b>	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>			
Federal and state grant income	\$ 8,431	\$ -	\$ 8,431
Other revenue	389,495	5,775	395,270
Investment income	<u>578</u>	<u>266</u>	<u>844</u>
Total revenue	<u>398,504</u>	<u>6,041</u>	<u>404,545</u>
<b>Expenditures</b>			
Education			-
Recreation, library, and other	<u>859,772</u>	<u>-</u>	<u>859,772</u>
Total Expenditures	<u>859,772</u>	<u>-</u>	<u>859,772</u>
Excess (deficiency) of revenues over expenditures	(461,268)	6,041	(455,227)
<b>Other financing sources (uses)</b>			
Bond proceeds	700,000	-	700,000
Transfers in (out)	<u>(65,769)</u>	<u>-</u>	<u>(65,769)</u>
Total other financing sources (uses)	<u>634,231</u>	<u>-</u>	<u>634,231</u>
Excess of revenue and other sources over expenditures and other uses	172,963	6,041	179,004
Fund balance, July 1, 2015	<u>995,903</u>	<u>199,885</u>	<u>1,195,788</u>
Fund balance, June 30, 2016	<u>\$ 1,168,866</u>	<u>\$ 205,926</u>	<u>\$ 1,374,792</u>

*See independent auditors' report*



**TOWN OF NEW SHOREHAM, RHODE ISLAND**

*Supplementary Information*  
Combining Balance Sheet - School Department

June 30, 2016

	<u>School Restricted</u>				<b>Total School Department Funds</b>
	<b>School Unrestricted</b>	<b>School Special Revenue</b>	<b>Capital Projects</b>	<b>School Lunch</b>	
<b>Assets</b>					
Cash and investments	\$ 590,043	\$ -	\$ -	\$ 23,595	\$ 613,638
Receivables, other	380	-	-	-	380
Due from state and federal government	6,800	16,872	-	1,013	24,685
Due from Town of New Shoreham	384,731	-	-	-	384,731
Due from other funds	-	40,646	-	-	40,646
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>981,954</u>	<u>57,518</u>	<u>-</u>	<u>24,608</u>	<u>1,064,080</u>
<b>Deferred outflows of resources</b>					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 981,954</u>	<u>\$ 57,518</u>	<u>\$ -</u>	<u>\$ 24,608</u>	<u>\$ 1,064,080</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 511,402	\$ 4,206	\$ -	\$ 17,515	\$ 533,123
Due to other funds	33,408	12,666	-	8,941	55,015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>544,810</u>	<u>16,872</u>	<u>-</u>	<u>26,456</u>	<u>588,138</u>
<b>Deferred inflows of resources</b>					
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,848)</u>	<u>(1,848)</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,848)</u>	<u>(1,848)</u>
<b>Fund balances</b>					
Restricted	-	40,646	-	-	40,646
Assigned	437,144	-	-	-	437,144
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>437,144</u>	<u>40,646</u>	<u>-</u>	<u>-</u>	<u>477,790</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 981,954</u>	<u>\$ 57,518</u>	<u>\$ -</u>	<u>\$ 24,608</u>	<u>\$ 1,064,080</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, 2016*

	<b>School Unrestricted</b>	<b>School Restricted</b>			<b>Total School Department Funds</b>
		<b>School Special Revenue</b>	<b>Capital Projects</b>	<b>School Lunch</b>	
<b>Revenues</b>					
Federal and state grant income	\$ 110,612	\$ 81,871	\$ -	\$ 14,022	\$ 206,505
Medicaid reimbursement	53,250	-	-	-	53,250
Other revenue	3,120	48,340	-	30,757	82,217
State contribution to teachers' pension plan	<u>177,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,152</u>
Total revenue	<u>344,134</u>	<u>130,211</u>	<u>-</u>	<u>44,779</u>	<u>519,124</u>
<b>Expenditures</b>					
Education	<u>4,836,099</u>	<u>92,565</u>	<u>123,325</u>	<u>68,977</u>	<u>5,120,966</u>
Total Expenditures	<u>4,836,099</u>	<u>92,565</u>	<u>123,325</u>	<u>68,977</u>	<u>5,120,966</u>
Excess (deficiency) of revenues over expenditures	(4,491,965)	37,646	(123,325)	(24,198)	(4,601,842)
<b>Other financing sources (uses):</b>					
Transfers in	4,655,461	-	249,175	56,573	4,961,209
Transfers out	<u>(412,043)</u>	<u>-</u>	<u>-</u>	<u>(1,013)</u>	<u>(413,056)</u>
Total other financing sources (uses)	<u>4,243,418</u>	<u>-</u>	<u>249,175</u>	<u>55,560</u>	<u>4,548,153</u>
Excess of revenue and other sources over expenditures and other uses	(248,547)	37,646	125,850	31,362	(53,689)
Fund balance, July 1, 2015	<u>685,691</u>	<u>3,000</u>	<u>(125,850)</u>	<u>(31,362)</u>	<u>531,479</u>
Fund balance, June 30, 2016	<u>\$ 437,144</u>	<u>\$ 40,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,790</u>

*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, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 8, 2016.

## **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.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
November 8, 2016