

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

TOWN OF NEW SHOREHAM, RHODE ISLAND

June 30, 2017

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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, 2017, 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, 2017, 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, including combining financial statements, tax collector's annual report, and Annual Supplemental Transparency Report (MTP2), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules including combining financial statements, tax collector's annual report, and Annual Supplemental Transparency Report (MTP2), are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 20, 2017, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
December 20, 2017

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

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, 2017. 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, 2017 by \$34,148,998 (net position). Net position includes \$27,893,814 net investment in capital assets; \$3,954,595 of restricted net position; and \$2,300,589 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 \$63,125,709 and total liabilities plus deferred inflows were \$28,976,711 at June 30, 2017. The Town's total net position increased by \$1,632,293 in FY 2017.

As of June 30, 2017, the Town's governmental funds reported combined ending fund balances of \$7,801,986, a decrease of \$175,903 from the prior year.

As of June 30, 2017, the unassigned fund balance for the General Fund was \$2,219,370, or 16.5% of total budgeted 2017 General Fund expenditures and other financial uses of \$13,441,769. This amount is available for spending at the Town's discretion.

The Town total debt increased by \$590,775 (2.3%) during the current fiscal year. The key factors in this change were the short term debt obtained to cover the cost of the Block Island Power Company stock acquisition, 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, 2017

Government-Wide Financial Statements (Continued)

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

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 28-68 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 69-83 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$34,148,998 at June 30, 2017.

Net investment in capital assets, comprises \$27,893,814, or 81.7% 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 \$3,954,595 or 11.6%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$210,626 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$2,300,589, 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, 2017

Government-Wide Financial Analysis (Continued)

Town of New Shoreham's Net Position - Primary Government

June 30, 2017 and 2016

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
Assets							
Current assets	\$ 11,789,290	\$ 10,213,140	\$ 2,691,442	\$ 1,943,259	\$ 14,480,732	\$ 12,156,399	\$ 2,324,333
Capital assets	36,322,085	36,915,340	10,779,982	10,479,837	47,102,067	47,395,177	(293,110)
Total assets	<u>48,111,375</u>	<u>47,128,480</u>	<u>13,471,424</u>	<u>12,423,096</u>	<u>61,582,799</u>	<u>59,551,576</u>	<u>2,031,223</u>
Deferred outflows of resources							
Pension related outflows	<u>1,542,910</u>	<u>993,496</u>	<u>-</u>	<u>-</u>	<u>1,542,910</u>	<u>993,496</u>	<u>549,414</u>
Total deferred outflows of resources	<u>1,542,910</u>	<u>993,496</u>	<u>-</u>	<u>-</u>	<u>1,542,910</u>	<u>993,496</u>	<u>549,414</u>
Liabilities							
Current liabilities	5,190,272	4,493,346	501,567	233,290	5,691,839	4,726,636	965,203
Long-term liabilities	<u>18,843,762</u>	<u>18,758,616</u>	<u>3,584,816</u>	<u>3,674,197</u>	<u>22,428,578</u>	<u>22,432,813</u>	<u>(4,235)</u>
Total liabilities	<u>24,034,034</u>	<u>23,251,962</u>	<u>4,086,383</u>	<u>3,907,487</u>	<u>28,120,417</u>	<u>27,159,449</u>	<u>960,968</u>
Deferred inflows of resources							
Unearned revenue	4,100	34,100	-	-	4,100	34,100	(30,000)
Pension related inflows	<u>852,194</u>	<u>834,818</u>	<u>-</u>	<u>-</u>	<u>852,194</u>	<u>834,818</u>	<u>17,376</u>
Total deferred inflows of resources	<u>856,294</u>	<u>868,918</u>	<u>-</u>	<u>-</u>	<u>856,294</u>	<u>868,918</u>	<u>(12,624)</u>
Net Assets							
Net investment in capital assets	20,789,308	19,789,302	7,104,506	6,718,157	27,893,814	26,507,459	1,386,355
Restricted	3,925,271	4,286,268	29,324	24,324	3,954,595	4,310,592	(355,997)
Unrestricted	<u>49,378</u>	<u>(74,474)</u>	<u>2,251,211</u>	<u>1,773,128</u>	<u>2,300,589</u>	<u>1,698,654</u>	<u>601,935</u>
Total net assets	<u>\$ 24,763,957</u>	<u>\$ 24,001,096</u>	<u>\$ 9,385,041</u>	<u>\$ 8,515,609</u>	<u>\$ 34,148,998</u>	<u>\$ 32,516,705</u>	<u>\$ 1,632,293</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 \$27,253,232. Net investment in capital assets, comprises \$25,253,232, or 92.9% of total net position. The remaining balance of net position of the Land Trust, totaling \$1,939,645 is restricted.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

Government-Wide Financial Analysis (Continued)

Changes in Net Position

The Town's net position increased by \$1,632,293 in FY 2017. Approximately 56.9% of the Town's total revenue came from taxes and payments in lieu of taxes, while 6.9% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 26.1% 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 2017, governmental activities revenues exceeded expenses by \$795,855. Net revenues from business-type activities exceed program expenses in 2017 by \$869,432.

**Town of New Shoreham's Changes in Net Position - Primary Government
For the Year Ended June 30, 2017 and 2016**

	Governmental		Business-Type		Total		\$ Change
	Activities	Activities	Activities	Activities	Activities	Activities	
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program Revenues:							
Charges for service	\$ 2,326,547	\$ 2,214,502	\$ 2,026,486	\$ 2,031,293	\$ 4,353,033	\$ 4,245,795	\$ 107,238
Operating grants & contributions	501,995	499,789	-	-	501,995	499,789	2,206
Capital grants & contributions	31,000	466,180	614,585	182,487	645,585	648,667	(3,082)
General Revenues:							
Property taxes	9,504,248	9,370,749	-	-	9,504,248	9,370,749	133,499
Grants and contributions	1,586,103	1,594,917	-	-	1,586,103	1,594,917	(8,814)
Other	21,512	14,617	77,972	55,217	99,484	69,834	29,650
Total revenue	13,971,405	14,160,754	2,719,043	2,268,997	16,690,448	16,429,751	260,697
Expenses:							
General government	2,348,761	2,170,261	-	-	2,348,761	2,170,261	178,500
Public safety	1,388,005	441,117	-	-	1,388,005	441,117	946,888
Education	5,506,786	5,653,584	-	-	5,506,786	5,653,584	(146,798)
Public works	1,785,631	2,721,340	-	-	1,785,631	2,721,340	(935,709)
Recreation, library, and other	1,724,318	2,468,485	-	-	1,724,318	2,468,485	(744,167)
Interest on debt	492,230	528,967	-	-	492,230	528,967	(36,737)
Sewer	-	-	1,391,487	1,389,252	1,391,487	1,389,252	2,235
Water	-	-	458,124	443,271	458,124	443,271	14,853
Total expenses	13,245,731	13,983,754	1,849,611	1,832,523	15,095,342	15,816,277	(720,935)
Transfer from component unit	114,187	124,304	-	-	114,187	124,304	(10,117)
Transfer to OPEB trust	(51,000)	(106,294)	-	-	(51,000)	(106,294)	55,294
Bond fees and closing costs	(26,000)	1,028,649	-	-	(26,000)	1,028,649	(1,054,649)
Increase(decrease) in net assets	762,861	1,223,659	869,432	436,474	1,632,293	1,660,133	(27,840)
Net assets-beginning of year	24,001,096	22,777,437	8,515,609	8,079,135	32,516,705	30,856,572	1,660,133
Net assets-end of year	<u>\$ 24,763,957</u>	<u>\$ 24,001,096</u>	<u>\$ 9,385,041</u>	<u>\$ 8,515,609</u>	<u>\$ 34,148,998</u>	<u>\$ 32,516,705</u>	<u>\$ 1,632,293</u>

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

Governmental Activities

Governmental activities increased the Town's net position by \$762,861, or 3.2%, 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
	2017	2016	2017	2016	
Expenses net of program revenues:					
General government	\$ 2,348,761	\$ 2,170,261	\$ 1,933,648	\$ 1,830,154	\$ 103,494
Public safety	1,388,005	441,117	1,345,531	400,485	945,046
Public works	1,785,631	2,721,340	122,217	646,009	(523,792)
Education	5,506,786	5,653,584	5,381,058	5,478,594	(97,536)
Recreation, library, and other	1,724,318	2,468,485	1,111,505	1,919,074	(807,569)
Interest on long-term debt	<u>492,230</u>	<u>528,967</u>	<u>492,230</u>	<u>528,967</u>	<u>(36,737)</u>
Total expenses net of program revenue	<u>\$ 13,245,731</u>	<u>\$ 13,983,754</u>	<u>\$ 10,386,189</u>	<u>\$ 10,803,283</u>	<u>\$ (417,094)</u>

Component Unit

The net position of the Town's Component Unit increased by \$1,503,683. A key element in the increase is revenue derived from the 3% transfer fee.

General Fund Budgetary Highlights

The original budget for FY 2017 adopted at the Financial Town Meeting was \$13,441,769; no changes were made to the final budget.

Actual revenues reported in FY 2017 were greater than budgeted amounts by \$323,294, 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 \$14,848.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$338,142.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

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, 2017 amounts to \$47,102,067 (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 \$293,110, comprised of an increase related to business-type activities of \$300,145 offset by a decrease of \$593,255 related to governmental activities, net of accumulated depreciation.

Additions to capital assets in 2017 for governmental activities included 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.

	Capital Asset Administration						
	Governmental Activities		Business-Type Activities		Total		\$ Change
	2017	2016	2017	2016	2017	2016	
Land and land easements	\$ 19,313,847	\$ 18,909,776	\$ 954,203	\$ 954,203	\$ 20,268,050	\$ 19,863,979	
Construction in progress	407,913	322,683	-	27,223	407,913	349,906	58,007
Infrastructure, net	1,349,278	1,424,708	7,738,485	7,298,785	9,087,763	8,723,493	364,270
Land improvements, net	3,081,926	3,151,849	-	-	3,081,926	3,151,849	(69,923)
Building & improvements, net	11,012,208	11,801,297	1,878,966	2,027,421	12,891,174	13,828,718	(937,544)
Automobiles and vessels, net	499,748	592,432	-	-	499,748	592,432	(92,684)
Machinery and equipment, net	403,367	422,841	208,328	172,205	611,695	595,046	16,649
Office equipment and furniture, net	217,013	256,040	-	-	217,013	256,040	(39,027)
Library books and textbooks net	36,785	33,714	-	-	36,785	33,714	3,071
Total	<u>\$ 36,322,085</u>	<u>\$ 36,915,340</u>	<u>\$ 10,779,982</u>	<u>\$ 10,479,837</u>	<u>\$ 47,102,067</u>	<u>\$ 47,395,177</u>	<u>\$ (293,110)</u>

Long-term debt. As of June 30, 2017, the Town has total bonded debt outstanding of \$19,250,037, which is backed by the full faith and credit of the Town.

The Town has capital leases outstanding at June 30, 2017 with a balance totaling \$148,634.

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

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

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
	2017	2016	2017	2016	2017	2016	
General obligation bonds	\$ 15,601,503	\$ 17,144,207	\$ 3,648,534	\$ 3,734,201	\$ 19,250,037	\$ 20,878,408	\$ (1,628,371)
Capital leases	148,634	194,877	-	-	148,634	194,877	(46,243)
Accrued compensated absences	345,289	389,542	50,677	47,345	395,966	436,887	(40,921)
Other post-employment benefits	(150,125)	(41,145)	-	-	(150,125)	(41,145)	(108,980)
Net pension liability	<u>4,489,150</u>	<u>3,873,860</u>	<u>-</u>	<u>-</u>	<u>4,489,150</u>	<u>3,873,860</u>	<u>615,290</u>
Total expenditures	<u>\$ 20,434,451</u>	<u>\$ 21,561,341</u>	<u>\$ 3,699,211</u>	<u>\$ 3,781,546</u>	<u>\$ 24,133,662</u>	<u>\$ 25,342,887</u>	<u>\$ (1,209,225)</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 \$50,459,295 as of the December 31, 2015 assessment, which significantly exceeds the Town's outstanding general debt.

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

Component Unit

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

The Land Trust is funded principally by fees levied on qualifying real property transfers within the Town. The transfer fee adopted by the Land Trust for the year ended June 30, 2017 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.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2017

Economic Factors and Next Year's Budget and Rates

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

With the approval of the tax payers at the May 1, 2017 Financial Town meeting, the tax rate on real property increased by \$0.17/\$1,000 (3.0%) to \$5.89/\$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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
ASSETS				
Cash and investments	\$ 4,900,093	\$ 1,726,932	\$ 6,627,025	\$ 1,949,778
Receivables, net				
Personal property taxes	312,589	-	312,589	-
User charges	-	277,625	277,625	-
Intergovernmental	648,163	634,871	1,283,034	-
Departmental and other	253,363	-	253,363	2,800
Due from other funds	588,724	52,014	640,738	-
Due from component unit	10,087	-	10,087	-
Short term investment in BIPCO	1,800,000	-	1,800,000	-
Notes receivable, net	3,126,146	-	3,126,146	-
Net OPEB obligation asset	150,125	-	150,125	-
Capital assets:				
Capital assets not being depreciated	19,721,760	954,203	20,675,963	28,602,746
Capital assets being depreciated, net	<u>16,600,325</u>	<u>9,825,779</u>	<u>26,426,104</u>	<u>-</u>
Total capital assets	<u>36,322,085</u>	<u>10,779,982</u>	<u>47,102,067</u>	<u>28,602,746</u>
Total assets	<u>48,111,375</u>	<u>13,471,424</u>	<u>61,582,799</u>	<u>30,555,324</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related outflows	<u>1,542,910</u>	<u>-</u>	<u>1,542,910</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 49,654,285</u>	<u>\$ 13,471,424</u>	<u>\$ 63,125,709</u>	<u>\$ 30,555,324</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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,057,758	\$ 187,990	\$ 1,245,748	\$ 2,846
Accrued interest	78,640	26,955	105,595	-
Due to federal and state governments	44,562	-	44,562	-
Due to other funds	468,498	172,240	640,738	10,087
Current portion of capital leases	95,831	-	95,831	-
Current portion of bonds and notes payable	1,539,943	88,562	1,628,505	354,451
Current portion of compensated absences	105,040	25,820	130,860	-
Short term debt	1,800,000	-	1,800,000	-
Portion due or payable in more than one year:				
Capital leases	52,803	-	52,803	-
Bonds and notes payable	14,061,560	3,559,959	17,621,519	2,771,695
Compensated absences	240,249	24,857	265,106	-
Net pension liability	4,489,150	-	4,489,150	-
Total liabilities	24,034,034	4,086,383	28,120,417	3,139,079
DEFERRED INFLOWS OF RESOURCES				
Pension related inflows	852,194	-	852,194	-
Unearned revenue	4,100	-	4,100	-
Gains on refunding of debt	-	-	-	223,368
Total deferred inflows or resources	856,294	-	856,294	223,368
NET POSITION				
Net investment in capital assets	20,789,308	7,104,506	27,893,814	25,253,232
Restricted	3,925,271	29,324	3,954,595	1,939,645
Unrestricted	49,378	2,251,211	2,300,589	-
Total net position	24,763,957	9,385,041	34,148,998	27,192,877
Total liabilities, deferred inflows or resources and net position	\$ 49,654,285	\$ 13,471,424	\$ 63,125,709	\$ 30,555,324

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, 2017

	<u>Net (Expense) Revenue and Changes in Net Position</u>							
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>			<u>Component Unit</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
Governmental Activities								
General government	\$ 2,348,761	\$ 414,713	\$ 400	\$ -	\$ (1,933,648)	\$ -	\$ (1,933,648)	\$ -
Public safety	1,388,005	35,009	7,465	-	(1,345,531)	-	(1,345,531)	-
Education	5,506,786	30,941	94,787	-	(5,381,058)	-	(5,381,058)	-
Public works	1,785,631	1,629,189	3,225	31,000	(122,217)	-	(122,217)	-
Recreation, library, and other	1,724,318	216,695	396,118	-	(1,111,505)	-	(1,111,505)	-
Interest on debt	492,230	-	-	-	(492,230)	-	(492,230)	-
Total governmental activities	<u>13,245,731</u>	<u>2,326,547</u>	<u>501,995</u>	<u>31,000</u>	<u>(10,386,189)</u>	<u>-</u>	<u>(10,386,189)</u>	<u>-</u>
Business-Type Activities								
Water	1,391,487	1,367,535	-	576,306	-	552,354	552,354	-
Sewer	458,124	658,951	-	38,279	-	239,106	239,106	-
Total business-type activities	<u>1,849,611</u>	<u>2,026,486</u>	<u>-</u>	<u>614,585</u>	<u>-</u>	<u>791,460</u>	<u>791,460</u>	<u>-</u>
Total primary government	<u>15,095,342</u>	<u>4,353,033</u>	<u>501,995</u>	<u>645,585</u>	<u>(10,386,189)</u>	<u>791,460</u>	<u>(9,594,729)</u>	<u>-</u>
Component Units								
Block Island Land Trust	<u>113,495</u>	<u>1,704,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591,447</u>
Total component units	<u>113,495</u>	<u>1,704,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591,447</u>
Total Town of New Shoreham	<u>\$ 15,208,837</u>	<u>\$ 6,057,975</u>	<u>\$ 501,995</u>	<u>\$ 645,585</u>	<u>\$ (10,386,189)</u>	<u>\$ 791,460</u>	<u>\$ (9,594,729)</u>	<u>\$ 1,591,447</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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
General revenues				
Real estate and personal property, net of reserve for abatements	\$ 9,504,248	\$ -	\$ 9,504,248	\$ -
Hotel and meals tax	832,704	-	832,704	-
State construction aid	263,872	-	263,872	-
Earnings on investments	6,601	-	6,601	468
State aid to town	126,271	-	126,271	-
State aid to education	161,001	-	161,001	-
State contribution to teachers' pension plan	195,654	-	195,654	-
Miscellaneous	21,512	77,972	99,484	25,955
Total general revenues	11,111,863	77,972	11,189,835	26,423
Special Item - transfer from component unit	114,187	-	114,187	(114,187)
Bond fees and closing costs	(26,000)	-	(26,000)	-
Transfers between funds - operating	-	-	-	-
Transfers to OPEB trust	(51,000)	-	(51,000)	-
Total general revenues, special items, and transfers	11,149,050	77,972	11,227,022	(87,764)
Changes in net position	762,861	869,432	1,632,293	1,503,683
Net position - July 1, 2016	24,001,096	8,515,609	32,516,705	25,689,194
Net position - June 30, 2017	\$ 24,763,957	\$ 9,385,041	\$ 34,148,998	\$ 27,192,877

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2017

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and investments	\$ 3,079,335	\$ 754,172	\$ 1,066,586	\$ 4,900,093
Receivables:				
Property taxes, net	312,589	-	-	312,589
Intergovernmental	311,757	31,636	8,770	352,163
Other	253,363	-	-	253,363
Due from other funds	165,093	419,231	4,400	588,724
Due from component unit	10,087	-	-	10,087
Short term investment in BIPCO	1,800,000	-	-	1,800,000
Notes receivable, component unit	<u>3,126,146</u>	<u>-</u>	<u>-</u>	<u>3,126,146</u>
Total assets	<u>9,058,370</u>	<u>1,205,039</u>	<u>1,079,756</u>	<u>11,343,165</u>
Deferred outflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 9,058,370</u>	<u>\$ 1,205,039</u>	<u>\$ 1,079,756</u>	<u>\$ 11,343,165</u>
Liabilities				
Accounts payable and accrued expenses	\$ 474,999	\$ 582,427	\$ 332	\$ 1,057,758
Due to federal and state governments	44,562	-	-	44,562
Short term debt	1,800,000	-	-	1,800,000
Due to other funds	<u>396,958</u>	<u>59,482</u>	<u>12,058</u>	<u>468,498</u>
Total liabilities	<u>2,716,519</u>	<u>641,909</u>	<u>12,390</u>	<u>3,370,818</u>
Deferred inflows of resources				
Unearned revenue	<u>170,361</u>	<u>-</u>	<u>-</u>	<u>170,361</u>
Total deferred inflows of resources	<u>170,361</u>	<u>-</u>	<u>-</u>	<u>170,361</u>
Fund balances				
Nonspendable	3,126,146	-	210,626	3,336,772
Restricted	493,727	71,161	23,611	588,499
Committed	17,897	-	-	17,897
Assigned	314,350	491,969	833,129	1,639,448
Unassigned	<u>2,219,370</u>	<u>-</u>	<u>-</u>	<u>2,219,370</u>
Total fund balance	<u>6,171,490</u>	<u>563,130</u>	<u>1,067,366</u>	<u>7,801,986</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 9,058,370</u>	<u>\$ 1,205,039</u>	<u>\$ 1,079,756</u>	<u>\$ 11,343,165</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, 2017

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Real estate and personal property taxes	\$ 9,635,471	\$ -	\$ -	\$ 9,635,471
Intergovernmental	1,445,695	225,500	14,066	1,685,261
Licenses, permits, and fees	444,537	-	-	444,537
Investment Income	5,904	-	697	6,601
State contribution to teachers' pension plan	-	177,217	-	177,217
Medicaid reimbursement	-	30,288	-	30,288
Other revenue	<u>1,860,729</u>	<u>31,474</u>	<u>212,613</u>	<u>2,104,816</u>
Total revenue	<u>13,392,336</u>	<u>464,479</u>	<u>227,376</u>	<u>14,084,191</u>
Expenditures				
General government	2,317,691	-	-	2,317,691
Public safety	1,188,163	-	-	1,188,163
Education	-	5,040,471	5,849	5,046,320
Public works	1,652,543	-	-	1,652,543
Recreation, library, and other	1,525,697	-	516,703	2,042,400
Debt service				
Principal	1,553,620	-	-	1,553,620
Interest	<u>496,544</u>	<u>-</u>	<u>-</u>	<u>496,544</u>
Total expenditures	<u>8,734,258</u>	<u>5,040,471</u>	<u>522,552</u>	<u>14,297,281</u>
Excess (deficiency) of revenues over expenditures	4,658,078	(4,575,992)	(295,176)	(213,090)
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Bond fees and closing costs	(26,000)	-	-	(26,000)
Transfer from component unit	114,187	-	-	114,187
Transfers in	12,250	4,771,119	-	4,783,369
Transfers out	<u>(4,712,332)</u>	<u>(109,787)</u>	<u>(12,250)</u>	<u>(4,834,369)</u>
Other financing sources (uses)	<u>(4,611,895)</u>	<u>4,661,332</u>	<u>(12,250)</u>	<u>37,187</u>
Excess of revenue and other sources over expenditures and other uses	46,183	85,340	(307,426)	(175,903)
Fund balance, July 1, 2016	<u>6,125,307</u>	<u>477,790</u>	<u>1,374,792</u>	<u>7,977,889</u>
Fund balance, June 30, 2017	<u>\$ 6,171,490</u>	<u>\$ 563,130</u>	<u>\$ 1,067,366</u>	<u>\$ 7,801,986</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, 2017

Total governmental fund balances	\$ 7,801,986
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
MRBRF receivable	296,000
Capital assets, net	36,322,085
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.	1,542,910
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	166,261
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.	(852,194)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(78,640)
Long-term liabilities are not due and payable in the current period period and, therefore are not reported in the governmental funds	
Bonds and notes payable	(15,601,503)
Capital leases	(148,634)
Compensated absences	(345,289)
Other postemployment benefits	150,125
ERS - net pension liability	(3,412,971)
MERS - net pension liability	<u>(1,076,179)</u>
Net position of governmental activities	<u>\$ 24,763,957</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, 2017

Net change in fund balances - total governmental funds	\$ (175,903)
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.	(593,255)
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.	(131,223)
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.	1,588,947
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	4,315
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	108,980
Some expenses reported in the Statement of Activities, such as compensated absences do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	44,252
Some expenses reported in the Statement of Activities, such as state net pension liability do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>(83,252)</u>
Change in net position of governmental activities	<u>\$ 762,861</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, 2017

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Assets			
Current assets			
Cash and short-term investments	\$ 990,121	\$ 736,811	\$ 1,726,932
Receivables, net:			
User fees	178,989	98,636	277,625
Intergovernmental	634,871	-	634,871
Assessments and miscellaneous fees	-	-	-
Due from other funds	<u>52,014</u>	<u>-</u>	<u>52,014</u>
Total current assets	<u>1,855,995</u>	<u>835,447</u>	<u>2,691,442</u>
Non-current assets			
Capital assets not being depreciated	892,880	61,323	954,203
Capital assets being depreciated, net	<u>5,478,907</u>	<u>4,346,872</u>	<u>9,825,779</u>
Total non-current assets	<u>6,371,787</u>	<u>4,408,195</u>	<u>10,779,982</u>
Total assets	<u>8,227,782</u>	<u>5,243,642</u>	<u>13,471,424</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 8,227,782</u>	<u>\$ 5,243,642</u>	<u>\$ 13,471,424</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, 2017

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 142,599	\$ 45,391	\$ 187,990
Current portion of serial bonds payable	36,752	51,810	88,562
Current portion of compensated absences	25,820	-	25,820
Accrued interest payable	20,798	6,157	26,955
Due to other funds	85,226	87,014	172,240
 Total current liabilities	 311,195	 190,372	 501,567
Non-current liabilities			
Serial bonds payable	2,147,029	1,412,930	3,559,959
Compensated absences	24,857	-	24,857
 Total non-current liabilities	 2,171,886	 1,412,930	 3,584,816
 Total liabilities	 2,483,081	 1,603,302	 4,086,383
 Deferred inflows of resources			
None	-	-	-
 Total deferred inflows of resources	 -	 -	 -
 Net Position			
Invested in capital assets, net of related debt	4,167,208	2,937,298	7,104,506
Restricted	29,324	-	29,324
Unrestricted	1,548,169	703,042	2,251,211
 Total liabilities, deferred inflows of resources and net position	 \$ 8,227,782	 \$ 5,243,642	 \$ 13,471,424

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, 2017

	Business-type Activities		
	Enterprise Funds		
	<u>Sewer Enterprise</u>	<u>Water Enterprise</u>	<u>Total Enterprise</u>
Operating revenues			
Charges for services	\$ 1,367,535	\$ 658,951	\$ 2,026,486
Other revenues	<u>48,362</u>	<u>29,610</u>	<u>77,972</u>
Total operating revenues	<u>1,415,897</u>	<u>688,561</u>	<u>2,104,458</u>
Operating expenses			
Salaries and benefits	578,310	-	578,310
Services and supplies	401,211	219,137	620,348
Depreciation	<u>338,123</u>	<u>184,318</u>	<u>522,441</u>
Total operating expenses	<u>1,317,644</u>	<u>403,455</u>	<u>1,721,099</u>
Operating income (loss)	<u>98,253</u>	<u>285,106</u>	<u>383,359</u>
Nonoperating revenues (expenses)			
Grant activity	576,306	38,279	614,585
Interest expense	<u>(73,843)</u>	<u>(54,669)</u>	<u>(128,512)</u>
Total nonoperating revenue (expenses)	<u>502,463</u>	<u>(16,390)</u>	<u>486,073</u>
Income (loss) before transfers	<u>600,716</u>	<u>268,716</u>	<u>869,432</u>
Transfers			
Transfer in - operating	232,628	-	232,628
Transfers out - operating	<u>-</u>	<u>(232,628)</u>	<u>(232,628)</u>
Total Transfers	<u>232,628</u>	<u>(232,628)</u>	<u>-</u>
Change in net position	833,344	36,088	869,432
Total net position, July 1, 2016	<u>4,911,357</u>	<u>3,604,252</u>	<u>8,515,609</u>
Total net position, June 30, 2017	<u>\$ 5,744,701</u>	<u>\$ 3,640,340</u>	<u>\$ 9,385,041</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, 2017

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Cash flows from operating activities			
Cash received from customers	\$ 1,001,473	\$ 648,065	\$ 1,649,538
Cash due from (to) governments	(581,095)	38,279	(542,816)
Payments to suppliers and employees	(487,952)	(203,980)	(691,932)
Cash received from (to) other funds	<u>32,150</u>	<u>87,014</u>	<u>119,164</u>
Net cash provided (used) by operating activities	<u>(35,424)</u>	<u>569,378</u>	<u>533,954</u>
Cash flows from noncapital financing activities			
Grant revenue	576,306	38,279	614,585
Transfers in (out)	<u>232,628</u>	<u>(232,628)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>808,934</u>	<u>(194,349)</u>	<u>614,585</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(635,302)	(187,284)	(822,586)
Acquisition of capital debt	(1,264)	-	(1,264)
Principal paid on debt	(34,284)	(50,120)	(84,404)
Interest paid on capital debt	<u>(74,191)</u>	<u>(54,857)</u>	<u>(129,048)</u>
Net cash used by capital and related financing activities	<u>(745,041)</u>	<u>(292,261)</u>	<u>(1,037,302)</u>
Cash flows from investing activities:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	28,469	82,768	111,237
Balances-beginning of the year	<u>961,652</u>	<u>654,043</u>	<u>1,615,695</u>
Balances-end of the year	<u>\$ 990,121</u>	<u>\$ 736,811</u>	<u>\$ 1,726,932</u>
Displayed as:			
Cash and short-term investments	<u>\$ 990,121</u>	<u>\$ 736,811</u>	<u>\$ 1,726,932</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, 2017

	Business-type Activities		
	Enterprise Funds		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Enterprise</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 98,253	\$ 285,106	\$ 383,359
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	338,123	184,318	522,441
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	(20,086)	(2,217)	(22,303)
(Increase) decrease in utility lien and other receivables	6,873	-	6,873
(Increase) decrease in due from government	(621,516)	-	(621,516)
Increase (decrease) in due to other funds	66,602	87,014	153,616
Increase (decrease) in compensated absences	3,332	-	3,332
Increase (decrease) accounts payable and accrued expenses	<u>92,995</u>	<u>15,157</u>	<u>108,152</u>
Net cash provided (used) by operating activities	<u>\$ (35,424)</u>	<u>\$ 569,378</u>	<u>\$ 533,954</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, 2017

	Fiduciary Funds			
	Student Activities	OPEB Trust	North Light Fund	Total
Assets				
Cash and investments	\$ 37,997	\$ 168,482	\$ 12,049	\$ 218,528
Total assets	<u>\$ 37,997</u>	<u>\$ 168,482</u>	<u>\$ 12,049</u>	<u>\$ 218,528</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,715	\$ 1,715
Deposits held	<u>37,997</u>	<u>-</u>	<u>10,334</u>	<u>48,331</u>
Total liabilities	<u>37,997</u>	<u>-</u>	<u>12,049</u>	<u>50,046</u>
Net Position	<u>-</u>	<u>168,482</u>	<u>-</u>	<u>-</u>
Total net position	<u>-</u>	<u>168,482</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 37,997</u>	<u>\$ 168,482</u>	<u>\$ 12,049</u>	<u>\$ 218,528</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2017

	OPEB Trust
Additions	
Employer contributions	\$ 51,000
Earnings on investment	<u>7,128</u>
Total additions	<u>58,128</u>
Deductions	
Administrative expenses	<u>306</u>
Total deductions	<u>306</u>
Changes in fund equity held in trust for individuals, organizations, and other governments	57,822
Net position, July 1, 2016	<u>110,660</u>
Net position June 30, 2017	<u><u>\$ 168,482</u></u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

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, 2017

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

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, 2017

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, 2017

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

E. Financial Statements Amounts

1. Cash and cash equivalents

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

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

2. Investments

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

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

3. Interfund transactions

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

4. Farm, Forest and Open Space

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

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, 2017

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, 2017

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 15th day of August. Taxes may be paid in quarterly installments on August 15, November 15, February 15 and May 15.

11. Intergovernmental revenues

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

12. 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, 2017

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, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosure*

The implementation of GASB Statement No. 77 had no material reporting impact for the Town. The implementation of GASB Statement No. 74 had a significant impact on the information disclosed relating to the Town's Other Postemployment Benefit plan.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

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, 2017, the carrying amount of the Town's deposits was \$6,845,553 and the total bank balance was \$6,825,102.

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, 2017, deposits are categorized as follows:

	<u>Insured/ Collateralized in Town's Name</u>	<u>Maturities</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Deposits:				
Demand deposits	\$ 2,935,744		\$ 3,632,071	\$ 3,647,989
Petty cash				5,958
Certificate of deposit	572,075	8/12/16-10/11/16	572,075	572,075
Money market	2,452,474		2,452,474	2,451,049
OPEB	<u>168,482</u>		<u>168,482</u>	<u>168,482</u>
	<u>\$ 6,128,775</u>		<u>\$ 6,825,102</u>	<u>\$ 6,845,553</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

NOTE 3: Cash and Investments (Continued)

At June 30, 2017, deposits and investments of the component unit are categorized as follows:

	<u>Maturities</u>	<u>Total Bank Balance</u>	<u>Carrying Value</u>	<u>Fair Value Measurement</u>		
				<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Demand deposits		\$ 1,452,088	\$ 1,449,237	N/A		
Investments, US Treasury Bill	N/A		\$ 500,541	\$ 500,541	\$ -	\$ -

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, 2017 totaled approximately \$85,680.

NOTE 5: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2017 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds:		
General fund	\$ 165,005	\$ 396,870
School department	478,149	118,400
Nonmajor governmental funds	<u>4,400</u>	<u>12,058</u>
Proprietary funds:		
Sewer	52,014	85,226
Water	<u>-</u>	<u>87,014</u>
	<u>\$ 699,568</u>	<u>\$ 699,568</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2017

NOTE 5: Interfund Receivables/Payables (Continued)

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

	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
Governmental Funds		
General Fund	\$ 12,250	\$ 4,712,401
School Department	4,771,188	109,787
Special Revenue	-	12,250
Fiduciary Funds		
OPEB Trust Fund	51,000	-
Proprietary Funds		
Sewer	232,628	-
Water	<u>-</u>	<u>232,628</u>
Totals	<u>\$ 5,067,066</u>	<u>\$ 5,067,066</u>

Funds were transferred from water to sewer in fiscal year 2017 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 \$4,712,401 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, 2017

NOTE 6: Capital Assets

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 18,909,776	\$ 404,071	\$ -	\$ 19,313,847
Construction in progress	322,683	176,228	90,998	407,913
Subtotal	19,232,459	580,299	90,998	19,721,760
Other Capital Assets:				
Infrastructure	2,005,757	25,700	-	2,031,457
Land improvements	4,687,559	98,500	-	4,786,059
Buildings and improvements	22,039,196	27,240	-	22,066,436
Machinery and equipment	1,569,375	101,395	-	1,670,770
Office equipment and furniture	766,839	10,444	-	777,283
Library books and textbooks	203,588	16,540	-	220,128
Automobiles & Vessels	2,482,487	-	-	2,482,487
Subtotal	33,754,801	279,819	-	34,034,620
Accumulated Depreciation:				
Infrastructure	581,049	101,130	-	682,179
Land improvements	1,535,710	168,423	-	1,704,133
Buildings and improvements	10,237,899	816,329	-	11,054,228
Machinery and equipment	1,146,534	120,869	-	1,267,403
Office equipment and furniture	510,799	49,471	-	560,270
Library books and textbooks	169,874	13,469	-	183,343
Automobiles & Vessels	1,890,055	92,684	-	1,982,739
Subtotal	16,071,920	1,362,375	-	17,434,295
Net other capital assets	17,682,881	(1,082,556)	-	16,600,325
Net capital assets	\$ 36,915,340	\$ (502,257)	\$ 90,998	\$ 36,322,085

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 6: Capital Assets (Continued)

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Not Being Depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	<u>27,223</u>	<u>-</u>	<u>27,223</u>	<u>-</u>
Subtotal	<u>981,426</u>	<u>-</u>	<u>27,223</u>	<u>954,203</u>
Other Capital Assets:				
Buildings and improvements	4,983,960	9,164	-	4,993,124
Equipment	1,511,846	92,565	-	1,604,411
Underground piping	13,616,415	586,174	-	14,202,589
Wells / reserves osmosis / water supply	<u>1,661,882</u>	<u>161,908</u>	<u>-</u>	<u>1,823,790</u>
Subtotal	<u>21,774,103</u>	<u>849,811</u>	<u>-</u>	<u>22,623,914</u>
Accumulated Depreciation				
Buildings and improvements	2,956,539	157,619	-	3,114,158
Equipment	1,339,641	56,442	-	1,396,083
Underground piping	7,534,198	269,376	-	7,803,574
Wells / reserves osmosis / water supply	<u>445,314</u>	<u>39,006</u>	<u>-</u>	<u>484,320</u>
Subtotal	<u>12,275,692</u>	<u>522,443</u>	<u>-</u>	<u>12,798,135</u>
Net other capital assets	<u>9,498,411</u>	<u>327,368</u>	<u>-</u>	<u>9,825,779</u>
Net capital assets	<u>\$ 10,479,837</u>	<u>\$ 327,368</u>	<u>\$ 27,223</u>	<u>\$ 10,779,982</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 6: Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

Depreciation was charged to functions as follows:

General government	\$ 138,666
Public safety	221,490
Public works	286,411
Recreation, library, and other	241,224
Education	474,584
	<u>\$ 1,362,375</u>

Depreciation was charged to proprietary functions as follows:

Depreciation was charged to functions as follows:

Business-type activities:

Sewer Fund	\$ 338,123
Water Fund	184,320
	<u>\$ 522,443</u>

NOTE 7: Long-Term Obligations

At summary of long-term obligations as of June 30, 2017 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 15,645,850	\$ 3,648,534	\$ 19,294,384
Deferred amounts:			
On refunding	(304,898)	-	(304,898)
On premium	<u>260,551</u>	<u>-</u>	<u>260,551</u>
Subtotal	15,601,503	3,648,534	19,250,037
Capital leases	148,634	-	148,634
Accrued compensated absences	<u>345,289</u>	<u>50,677</u>	<u>395,966</u>
Total debt outstanding	16,095,426	3,699,211	19,794,637
Less portion due within one year	<u>1,740,814</u>	<u>114,383</u>	<u>1,609,262</u>
Total long term debt outstanding	<u>\$ 14,354,612</u>	<u>\$ 3,584,828</u>	<u>\$ 18,185,375</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 7: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 17,199,470	\$ 1,050,000	\$ 2,603,620	\$ 15,645,850	\$ 1,532,910
Deferred amounts:					
For issuance costs					
On refunding	(354,756)	-	49,858	(304,898)	45,697
On premium	<u>299,493</u>	<u>-</u>	<u>(38,942)</u>	<u>260,551</u>	<u>(38,664)</u>
Total bonds payable	<u>17,144,207</u>	<u>1,050,000</u>	<u>2,614,536</u>	<u>15,601,503</u>	<u>1,539,943</u>
Capital leases	194,877	60,067	106,310	148,634	95,831
Other post-employment benefit obligation	(41,145)	59,781	168,761	(150,125)	-
Accrued compensated absences	<u>389,542</u>	<u>-</u>	<u>44,253</u>	<u>345,289</u>	<u>105,040</u>
Total long-term obligations	<u>\$ 17,687,481</u>	<u>\$ 1,169,848</u>	<u>\$ 2,933,860</u>	<u>\$ 15,945,301</u>	<u>\$ 1,740,814</u>
Business-type activities:					
Bonds and notes	\$ 3,734,201	\$ -	\$ 85,667	\$ 3,648,534	\$ 88,563
Accrued compensated absences	<u>47,345</u>	<u>3,332</u>	<u>-</u>	<u>50,677</u>	<u>25,820</u>
Total long-term obligations	<u>\$ 3,781,546</u>	<u>\$ 3,332</u>	<u>\$ 85,667</u>	<u>\$ 3,699,211</u>	<u>\$ 114,383</u>
Total government-wide obligations	<u>\$ 21,469,027</u>	<u>\$ 1,173,180</u>	<u>\$ 3,019,527</u>	<u>\$ 19,644,512</u>	<u>\$ 1,855,197</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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, 2016</u>	<u>New issues</u>	<u>Refundings</u>	<u>Retirements</u>	<u>Balance, June 30, 2017</u>
<i>Governmental activities:</i>									
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 2,695,000	\$ -	\$ -	\$ 145,000	\$ 2,550,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	1,990,000	-	-	150,000	1,840,000
Thomas Property	240,000	2012	5.25%	2022	149,470	-	-	23,620	125,850
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	1,980,000	-	-	100,000	1,880,000
1998 BILT (Refunding)	311,000	2012	2.0-4.0%	2022	85,000	-	-	60,000	25,000
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	412,181	-	-	63,327	348,854
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	1,442,819	-	-	221,673	1,221,146
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	714,854	-	-	115,062	599,792
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	466,473	-	-	75,083	391,390
Town hall (Refunding)	444,540	2012	2.0-4.0%	2022	278,673	-	-	44,855	233,818
School Construction 2005 (Refunding)	4,930,000	2015	2.25%	2025	4,145,000	-	-	405,000	3,740,000
School Construction 2006 (Refunding)	645,000	2015	2.40%	2026	625,000	-	-	65,000	560,000
Town Hall Construction 2006 (Refunding)	640,000	2015	2.40%	2026	630,000	-	-	70,000	560,000
2014 MRBRF - Weldon's Way	255,000	2015	0.6-3.0%	2029	239,000	-	-	15,000	224,000
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	<u>1,050,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,050,000</u>
Total	<u>\$ 20,829,000</u>				<u>\$ 17,199,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,553,620</u>	<u>\$ 15,645,850</u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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, 2016</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2017</u>
<i>Enterprise Funds:</i>								
<i>Sewer Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 311,048	\$ -	\$ 5,133	\$ 305,915
Sewer improvements	192,500	2006	4.375%	2046	169,848	-	2,845	167,003
Land	472,175	2005	4.25%	2045	408,173	-	7,405	400,768
Sewer improvements	458,000	2012	2.75%	2052	438,171	-	6,976	431,195
2014 Sewer Improvements	219,000	2014	2.75%	2053	212,764	-	3,247	209,517
2015 Sewer Improvements	<u>689,000</u>	2015	2.75%	2055	<u>679,325</u>	<u>-</u>	<u>9,954</u>	<u>669,371</u>
Total sewer	<u>2,379,675</u>				<u>2,219,329</u>	<u>-</u>	<u>35,560</u>	<u>2,183,769</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	393,947	-	6,500	387,447
Water supply	450,000	2011	3.25%	2051	419,912	-	6,617	413,295
Water supply	179,445	2005	4.25%	2045	155,117	-	2,814	152,303
Clean Water GOB	614,287	2004	3.26%	2024	328,000	-	1,775	326,225
2015 Water Supply	123,000	2015	2.75%	2055	121,272	-	1,414	119,858
2015 Water Supply	<u>98,000</u>	2015	2.75%	2055	<u>96,624</u>	<u>-</u>	<u>31,000</u>	<u>65,624</u>
Total water	<u>1,906,732</u>				<u>1,514,872</u>	<u>-</u>	<u>50,120</u>	<u>1,464,752</u>
Total enterprise	<u>\$ 4,286,407</u>				<u>\$ 3,734,201</u>	<u>\$ -</u>	<u>\$ 85,680</u>	<u>\$ 3,648,521</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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:

Year ending June 30,	Principal	Interest	Total
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	1,687,768	265,134	1,952,902
2023-2027	4,540,000	777,998	5,317,998
2028-2032	1,920,000	188,606	2,108,606
2033-2036	72,000	3,926	75,926
	<u>\$ 14,595,850</u>	<u>\$ 2,749,750</u>	<u>\$ 17,345,600</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
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	102,856	112,239	215,095
2023-2027	481,930	313,188	795,119
2028-2032	427,781	266,292	694,074
2033-2037	508,987	219,335	728,321
2038-2042	606,277	153,088	759,366
2043-2047	642,243	95,645	737,888
2048-2052	360,814	36,365	397,180
2053-2055	142,330	7,126	149,456
	<u>\$ 3,648,542</u>	<u>\$ 1,687,290</u>	<u>\$ 5,335,832</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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>
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	846,674	252,403	1,099,077
2023-2027	710,000	119,800	829,800
2028-2032	<u>160,000</u>	<u>6,400</u>	<u>166,400</u>
	<u>\$ 3,126,146</u>	<u>\$ 735,230</u>	<u>\$ 3,861,376</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, 2015 was \$1,681,976,483 limiting the amount of non-exempted general obligation bonds outstanding to \$50,459,294. At June 30, 2017, general obligation bonds outstanding totaled \$18,244,391, including amounts which are exempt from the cap.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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.

NOTE 8: Other Post-Employment Benefits

Other post-employment benefits:

Plan Description

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

Contributions

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

Plan Membership

At June 30, 2017, the plans membership consisted of the following:

<u>Description</u>	<u>Active Employees</u>	<u>Inactive or Beneficiaries Receiving Benefits</u>	<u>Total</u>
Number	29	5	34

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 8: 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:

	June 30, 2017
Annual required contribution	\$ 59,397
Interest on net OPEB obligation	(1,440)
Adjustment to annual required contribution	1,824
Annual OPEB cost (expense)	59,781
Contributions made	(168,761)
Increase in net OPEB obligation	(108,980)
Net OPEB obligation - June 30, 2016	(41,145)
Net OPEB obligation - June 30, 2017	\$ (150,125)

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Town to pursue an investment strategy that reduced risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Town's adopted asset allocation policy as of June 30, 2017:

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 8. Other Post-Employment Benefits (Continued):

Concentrations

There were no concentrations noted as of June 30, 2017.

Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 5.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2017 were as follows:

Total OPEB liability	\$ 767,938
Plans fiduciary net position	<u>168,482</u>
Town's net OPEB liability	<u>\$ 599,456</u>

Plan net position as a percentage of the total OPEB liability	21.94%
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Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2017.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2017.

Actuarial Assumptions:

Investment Rate of Return:	5.50%, net of OPEB plan investment expense
Medical inflation	8.00% for 2015, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2022 and later
Inflation:	2.60% as of June 30, 2017 and for future periods
Salary Increases:	2.60% annually as of June 30, 2017 and for future periods
Pre-Retirement Mortality:	RP-2014 adjusted to 2006 total database set mortality table projected to valuation date with Scale MP-2015
Assumed rate of retirement:	25% for 10 or more years of service, 60% for age 60 with 25 years of service, and 60% for age 65 with 10 or more years of service
Marriage assumptions	85% of males and 85% of females assumed to be married with wives to be three years younger than their husbands
Changes in Assumptions:	Effective June 30, 2017 • Discount rate is 5.50% previously 3.50%

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 8. Other Post-Employment Benefits (Continued):

Actuarial assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. Equity	5.40%
Non-U.S. Equity	6.00%
U.S. Aggregate Bonds	1.00%
Intermediate-Term Credit	1.60%
Short-Term Credit	1.30%
Intermediate-Term TIPS	10.00%
REITs	<u>4.20%</u>
I. Real Rate of Return	2.83%
II. Inflation Assumption	<u>2.60%</u>
III. Total Nominal Return [I. + II.]	<u>5.43%</u>

Discount rate

The discount rate used to measure the total OPEB liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

Impact of 1% Change in Discount Rate			
	1% Decrease (4.50%)	Current discount rate (5.50%)	1% Increase (6.50%)
Total OPEB liability	674,666	599,456	531,044

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 8. Other Post-Employment Benefits (Continued):

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

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

	Impact of 1% Change in Healthcare Trend Rate		
	1% Decrease	Current trend	1% Increase
	(7.00%	rate (8.00%	(9.00%
	decreasing to	decreasing to	decreasing to
	3.60%)	4.60%)	5.60%)
Total OPEB liability	538,411	599,456	678,925

NOTE 9: ERS Pension Plan

General Information about the Pension Plan

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 9: ERS Pension Plan (Continued)

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 8.80% and 12.79% of annual covered payroll for the fiscal year ended June 30, 2017 for the state and the Town, respectively. The Town contributed \$177,217, \$258,842 and \$250,456 for the fiscal years ended June 30, 2017, 2016 and 2015, 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, 2017, 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's proportionate share of the net pension liability	\$ 3,412,971
State's proportionate share of the net pension liability associated with the Town	<u>2,337,384</u>
Total net pension liability	<u>\$ 5,750,355</u>

The net pension liability was measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016. 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, 2016 the Town proportion was .11439191%.

For the year ended June 30, 2016 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:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 9: ERS Pension Plan (Continued)

Deferred outflows of resources	
Contributions subsequent to the measurement date	\$ 177,217
Net difference between projected and actual earnings on pension plan investments	<u>386,211</u>
Deferred inflows of resources	
Change of assumptions	\$ 70,698
Difference between expected and actual experience	67,340
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,375
Net difference between projected and actual earnings on pension plan investments	<u>119,879</u>
Total	<u>\$ 170,136</u>

\$177,217 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. 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:	
2018	(\$ 2,220)
2019	(2,220)
2020	57,720
2021	13,359
2022	(49,923)
thereafter	(23,797)

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 9: ERS Pension Plan (Continued)

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

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

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 9: ERS Pension Plan (Continued)

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.

1.00% Decrease	Current Discount Rate	1.00 Increase
(6.5%)	(7.5%)	(8.5%)
\$ 4,214,721	\$ 3,412,971	\$ 2,756,619

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 School recognized pension expense of \$3,716, for the fiscal year ended June 30, 2017.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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.

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

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

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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

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

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

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

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

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

Police and Fire employees

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

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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

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

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

Other benefit provisions

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

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

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

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

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

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

Employees covered by benefit terms.

At the June 30, 2015 valuation date, the following employees were covered by the benefit terms:

	General Employees	Police Plan
Retirees and Beneficiaries	19	2
Inactive, Nonretired		
Members	55	3
Active Members	<u>51</u>	<u>5</u>
Total	<u>135</u>	<u>10</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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 \$177,648 in the year ended June 30, 2017 which was 8% of annual covered payroll and \$70,840 to their police department plan in the year ended June 30, 2017 which was 23% of their annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2015 measurement date (June 30, 2015 valuation rolled forward to June 30, 2016)	
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"> • Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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, 2017

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, 2015	\$ 6,793,626	\$ 6,609,500	\$ 184,126
Changes for the Year			
Service cost	198,515	-	198,515
Interest on the total pension liability	505,381	-	505,381
Benefit changes	-	-	-
Difference between expected and actual experience	(164,932)	-	(164,932)
Employer contributions	-	177,648	(177,648)
Employee contributions	-	59,083	(59,083)
Net investment income	-	(1,278)	1,278
Benefit payments, including employee refunds	(308,032)	(308,932)	-
Administrative expense	-	(7,085)	7,085
Other changes	-	1	(1)
Net changes	<u>230,032</u>	<u>(80,563)</u>	<u>310,595</u>
Balances as of June 30, 2016	<u>\$ 7,023,658</u>	<u>\$ 6,528,937</u>	<u>\$ 494,721</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, 2015	\$ 1,682,114	\$ 1,148,355	\$ 533,759
Changes for the Year			
Service cost	55,494	-	55,494
Interest on the total pension liability	125,264	-	125,264
Difference in expected and actual experience	(33,733)	-	(33,733)
Employer contributions	-	70,840	(70,840)
Employee contributions	-	29,982	(29,982)
Net investment income	-	(405)	405
Benefit payments, including employee refunds	(79,345)	(79,345)	-
Administrative expense	-	(1,091)	1,091
Other changes	-	-	-
Net changes	<u>67,680</u>	<u>19,981</u>	<u>47,699</u>
Balances as of June 30, 2016	<u>\$ 1,749,794</u>	<u>\$ 1,168,336</u>	<u>\$ 581,458</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, 2017

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

1.00% Decrease (6.5%)	General Employee Plan Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 1,229,318	\$ 494,721	\$ (106,469)
1.00% Decrease (6.5%)	Police Department Plan Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 764,756	\$ 581,458	\$ 431,444

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, 2017 the employer recognized pension expense of \$167,320. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Contributions subsequent to the measurement date	\$ 155,907	\$ -
Changes in assumptions	14,573	-
Net difference between projected and actual earnings on pension plan investments	594,133	176,927
Difference between expected and actual experience	<u>-</u>	<u>216,257</u>
Total	<u>\$ 764,613</u>	<u>\$ 396,595</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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

General Employee Plan (Continued)

\$155,907 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. 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
2018	\$ 8,162
2019	(58)
2020	113,873
2021	93,545
Thereafter	-
Total	<u>\$ 215,522</u>

Police Department Plan

For the year ended June 30, 2017 the employer recognized pension expense of \$76,204. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Contributions subsequent to the measurement date	\$ 92,005	\$ -
Changes in assumptions	-	6,704
Net difference between projected and actual earnings on pension plan investments	103,712	30,136
Difference between expected and actual experience	<u>19,152</u>	<u>28,878</u>
Total	<u>\$ 214,869</u>	<u>\$ 65,718</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

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

Police Department Plan (Continued)

\$92,005 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. 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
2018	\$ 11,228
2019	11,230
2020	26,296
2021	15,006
2022	(2,454)
Thereafter	<u>(4,160)</u>
Total	<u>\$ 57,146</u>

Note 11: Defined Contribution Plan Description:

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

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

The Town of New Shoreham recognized pension expense of \$19,333, for the fiscal year ended June 30, 2017.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 12: 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 2017, the component unit made the final installment plus interest totaling \$51,940. The Trustees of the Land Trust agreed to TNC keeping its easement in place.

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

NOTE 13: Fund Balance Classification

	<u>Major Funds</u>		<u>Non-Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>School Department</u>	<u>Special Revenue</u>	<u>Permanent Trust</u>	
Fund Balances:					
Nonspendable:					
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ 210,626	\$ 210,626
In Form	-	-	-	-	-
Land Trust fund receivable	3,126,146	-	-	-	3,126,146
Restricted for:					
Bond proceeds	493,727	-	-	-	493,727
Educational purposes	-	71,161	-	-	71,161
Bond proceeds for Old Harbor Dock	-	-	23,611	-	23,611
Committed to:					
North Light purposes	17,897	-	22,872	-	40,769
Assigned to:					
Reserve for encumbrances	314,350	-	-	-	314,350
Infrastructure purposes	-	-	319,470	-	319,470
Educational purposes	-	491,969	-	-	491,969
Recreational, library, and other purposes	-	-	490,787	-	490,787
Unassigned	<u>2,219,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,219,370</u>
	<u>\$ 6,171,490</u>	<u>\$ 563,130</u>	<u>\$ 856,740</u>	<u>\$ 210,626</u>	<u>\$ 7,801,986</u>

NOTE 14: Block Island Power Company Investment

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2017

NOTE 15: 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, 2017.

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 December 20, 2017, the date the financial statements were available to be issued. There were not material disclosures deemed necessary.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2017

	Original Budget			Actual	Encumbrances Carried To FY 18	Variance Favorable (Unfavorable)
	Encumbrances	Budget	Total			
	Carried from FY 16	As Adopted	Available			
Revenues:						
Taxes	\$ -	\$ 9,671,524	\$ 9,671,524	\$ 9,723,661	\$ -	\$ 52,137
Intergovernmental	-	1,102,625	1,102,625	1,234,372	-	131,747
Licenses, permits, and fees	-	420,500	420,500	444,537	-	24,037
Interest and investment	-	3,200	3,200	5,904	-	2,704
Other revenues	-	1,748,060	1,748,060	1,860,729	-	112,669
Total revenues	-	12,945,909	12,945,909	13,269,203	-	323,294
Expenditures:						
General government	3,194	1,360,105	1,363,299	1,501,743	2,500	(140,944)
Finance administration	-	349,531	349,531	340,910	-	8,621
Fire, rescue, and emergency services	-	309,925	309,925	276,495	-	33,430
Police	-	865,345	865,345	854,691	-	10,654
Town highways and maintenance	-	839,970	839,970	850,913	-	(10,943)
Harbors	-	542,743	542,743	571,389	-	(28,646)
Building official	-	214,494	214,494	195,047	-	19,447
Recreation	-	379,052	379,052	411,499	-	(32,447)
Library	-	495,039	495,039	469,528	-	25,511
GIS / Technology	-	207,118	207,118	146,067	-	61,051
Boards and commissions	-	186,648	186,648	203,910	-	(17,262)
Community support	1,215	546,552	547,767	554,108	-	(6,341)
Capital outlay	231,047	344,065	575,112	262,070	311,850	1,192
Debt service	-	2,088,781	2,088,781	2,050,164	-	38,617
Total expenditures	235,456	8,729,368	8,964,824	8,688,534	314,350	(38,060)
Excess (deficiency) of revenues over expenditures	(235,456)	4,216,541	3,981,085	4,580,669	(314,350)	285,234
Other financing sources and (uses):						
Transfer from component unit	-	495,860	495,860	495,860	-	-
Transfer (to) from other funds	-	(4,712,401)	(4,712,401)	(4,712,401)	-	-
	-	(4,216,541)	(4,216,541)	(4,216,541)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (235,456)	\$ -	\$ (235,456)	\$ 364,128	\$ (314,350)	\$ 285,234
Adjustment of budgetary basis to U.S. GAAP				(317,945)		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				46,183		
Fund balance, beginning of year				6,125,307		
Fund balance, end of year				\$ 6,171,490		

*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, 2017

	Original Budget		Total Available	Actual	Encumbrances Carried to FY 18	Variance Favorable (Unfavorable)
	Encumbrances Carried from FY 16	Budget As Adopted				
Revenues						
Federal and State governments	\$ -	\$ 163,688	\$ 163,688	\$ 161,001	\$ -	\$ (2,687)
Other revenues	-	-	-	533	-	533
Total revenues	-	163,688	163,688	161,534	-	(2,154)
Expenditures						
Salaries	-	2,896,491	2,896,491	2,825,739	-	70,752
Employee benefits	-	1,197,574	1,197,574	1,132,927	-	64,647
Purchased services	-	447,490	447,490	429,388	-	18,102
Supplies and materials	-	256,105	256,105	215,104	-	41,001
Capital outlay	-	86,429	86,429	107,360	-	(20,931)
Total expenditures	-	4,884,089	4,884,089	4,710,518	-	173,571
Excess (deficiencies) of revenues over expenditures	-	(4,720,401)	(4,720,401)	(4,548,984)	-	171,417
Other financing sources (uses)						
Transfer from Town of New Shoreham	-	4,712,401	4,712,401	4,712,401	-	-
Transfers out	-	(30,000)	(30,000)	(108,592)	-	(78,592)
Re-appropriated fund balance	-	38,000	38,000	-	-	(38,000)
Total other financing sources (uses)	-	4,720,401	4,720,401	4,603,809	-	(116,592)
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	54,825	\$ -	\$ 54,825
Adjustment of budgetary basis to U.S. GAAP basis				-		
Fund balance, beginning of year				437,144		
Fund balance, end of year				<u>\$ 491,969</u>		

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information Notes to Required Supplementary Information

For the Year Ended June 30, 2017

Budget preparation and budgetary basis of accounting:

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

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

Budget compliance:

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

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

See independent auditors' report

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Notes to Required Supplementary Information

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>School Unrestricted</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 364,128	\$ 54,825
Unbudgeted grant revenues	211,323	-
Unbudgeted grant expenditures	(45,655)	-
Unbudgeted bond fees and closing costs	(26,000)	-
Budgeted transfer in from BILT	126,437	-
State contribution to teachers' pension plan revenue on behalf	-	177,217
State contribution to teacher's pension plan expense on behalf	-	(177,217)
Budgeted principal for Block Island Land Trust bond which offsets note payable	(495,860)	-
Increase (decrease) in 60 day accrual	<u>(88,190)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 46,183</u>	<u>\$ 54,825</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, 2017

	2016	2015	2014
Employer's proportion of the net pension liability	0.11439191%	0.11463754%	0.12110929%
Employer's proportionate share of the net pension liability	\$ 3,412,971	\$ 3,155,975	\$ 2,947,801
State's proportionate share of the net pension liability associated with the school district	<u>2,337,384</u>	<u>2,156,063</u>	<u>4,969,244</u>
Total	<u>\$ 5,750,355</u>	<u>\$ 5,312,038</u>	<u>\$ 7,917,045</u>
Employer's covered employee payroll	\$ 2,013,831	\$ 1,972,734	\$ 1,953,073
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	169.48%	159.98%	150.93%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	57.55%	61.40%

Notes:

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

See 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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 177,217	\$ 258,842	\$ 250,456
Contributions in relation to the actuarially determined contribution	<u>177,217</u>	<u>258,842</u>	<u>250,456</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,013,831	\$ 1,972,734	\$ 1,953,073
Contributions as a percentage of covered- employee payroll	8.80%	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:*
- 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, 2017

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

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 155,907	\$ 177,648	\$ 170,916
Contributions in relation to the actuarially determined contribution	<u>155,907</u>	<u>177,648</u>	<u>170,916</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,312,694	\$ 2,213,104	\$ 2,117,910
Contributions as a percentage of covered-employee payroll	6.74%	8.03%	8.07%

Notes:

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

See 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, 2017

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

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 92,005	\$ 73,342	\$ 73,342
Contributions in relation to the actuarially determined contribution	<u>92,005</u>	<u>73,342</u>	<u>73,342</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 315,684	\$ 302,090	\$ 290,580
Contributions as a percentage of covered-employee payroll	29.14%	24.28%	25.24%

Notes:

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

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

See 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, 2017

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

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

For the Year Ended June 30, 2017

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

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

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2017.
 Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
 Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2017.

Actuarial Assumptions:

Investment Rate of Return: 5.50%, net of OPEB plan investment expense
 Medical inflation: 8.00% for 2015, decreasing 0.5% per year, to an ultimate rate of 4.60% for 2022 and later
 Inflation: 2.60% as of June 30, 2017 and for future periods
 Salary Increases: 2.60% annually as of June 30, 2017 and for future periods
 Pre-Retirement Mortality: RP-2014 adjusted to 2006 total database set mortality table projected to valuation date with Scale MP-2015
 Assumed rate of retirement: 25% for 10 or more years of service, 60% for age 60 with 25 years of service, and 60% for age 65 with 10 or more years of service
 Marriage assumptions: 85% of males and 85% of females assumed to be married with wives to be three years younger than their husbands
 Changes in Assumptions: Effective June 30, 2017
 • Discount rate is 5.50% previously 3.50%

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Other Post-Employment Benefits - Schedule of Funding Progress

For the Year Ended June 30, 2017

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability (TOL)	Net OPEB Liability (NOL)	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2017	168,482	767,938	599,456	21.94%	2,066,162	29.01%
6/30/2016	90,603	935,307	844,704	9.69%	2,013,803	41.95%
6/30/2015	86,237	952,261	866,024	9.06%	1,962,771	44.12%

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

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

For the Year Ended June 30, 2017

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

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2017

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

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Sewer Enterprise Fund

For the Year Ended June 30, 2017

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenue:					
Charges for services	\$ 1,327,493	\$ -	\$ 1,327,493	\$ 1,358,092	\$ 30,599
Interest income	8,000	-	8,000	9,443	1,443
Water contract	245,585	-	245,585	232,628	(12,957)
Miscellaneous	48,800	-	48,800	48,362	(438)
Total revenue	<u>1,629,878</u>	<u>-</u>	<u>1,629,878</u>	<u>1,648,525</u>	<u>18,647</u>
Expenses:					
Personnel services	618,047	-	618,047	578,310	39,737
Purchase of services	223,400	-	223,400	232,365	(8,965)
Supplies	129,500	-	129,500	95,471	34,029
Other charges and expenditures	90,600	-	90,600	55,854	34,746
Capital outlay	75,000	-	75,000	17,521	57,479
Debt service	126,812	-	126,812	108,127	18,685
Depreciation	340,000	-	340,000	338,123	1,877
Total expenses	<u>1,603,359</u>	<u>-</u>	<u>1,603,359</u>	<u>1,425,771</u>	<u>177,588</u>
Excess(deficiency) of revenues over expenses	<u>26,519</u>	<u>-</u>	<u>26,519</u>	<u>222,754</u>	<u>196,235</u>
Other financing sources (uses):					
Transfers from retained earnings	-	-	-	-	-
Transfers between funds	-	-	-	-	-
Contribution to reserve	<u>(26,519)</u>	<u>-</u>	<u>(26,519)</u>	<u>-</u>	<u>26,519</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	222,754	<u>\$ 222,754</u>
Adjustments of budgetary basis for US GAAP basis				<u>610,590</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>833,344</u>	
Fund balance, beginning of year				<u>4,911,357</u>	
Fund balance, end of year				<u>\$ 5,134,111</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, 2017

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers	Available	Actual	(Unfavorable)
Revenues:					
Charges for services	\$ 644,224	\$ -	\$ 644,224	\$ 654,663	\$ 10,439
Interest income	5,000	-	5,000	4,288	(712)
Miscellaneous	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>29,610</u>	<u>21,610</u>
Total revenues	<u>657,224</u>	<u>-</u>	<u>657,224</u>	<u>688,561</u>	<u>31,337</u>
Expenses:					
Purchase of services	145,854	-	145,854	156,703	(10,849)
Supplies	38,500	-	38,500	26,142	12,358
Other charges and expenditures	46,500	-	46,500	36,292	10,208
Depreciation	185,000	-	185,000	184,318	682
Debt service	<u>104,977</u>	<u>-</u>	<u>104,977</u>	<u>104,789</u>	<u>188</u>
Total expenses	<u>520,831</u>	<u>-</u>	<u>520,831</u>	<u>508,244</u>	<u>12,587</u>
Excess(deficiency) of revenues over expenses	136,393	-	136,393	180,317	43,924
Other financing sources (uses):					
Contributions from Reserves	109,192	-	109,192	111,652	2,460
Transfers between funds	<u>(245,585)</u>	<u>-</u>	<u>(245,585)</u>	<u>(232,628)</u>	<u>12,957</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	59,341	<u>\$ 59,341</u>
Adjustments of budgetary basis for US GAAP basis				<u>(23,253)</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>36,088</u>	
Fund balance, beginning of year				<u>3,604,252</u>	
Fund balance, end of year				<u>\$ 3,663,593</u>	

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Notes to Supplementary Information

For the Year Ended June 30, 2017

	<u>Sewer</u>	<u>Water</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 222,754	\$ 59,341
Unbudgeted grant revenues	576,306	38,279
Budgeted contribution from reserve	-	(111,652)
Budgeted debt principal not considered an expense on full accrual statements	<u>34,284</u>	<u>50,120</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 833,344</u>	<u>\$ 36,088</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2017

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

	<u>Valuation</u>	<u>Levy</u>
Real property	1,658,051,106	9,381,699
Motor vehicles	19,799,045	151,924
Tangible personal property	<u>4,126,332</u>	<u>23,710</u>
Total	1,681,976,483	9,557,333
Less: Exemptions and motor vehicle phase out		
Real property	(17,894,317)	-
Motor vehicles	(4,215,236)	-
Tangible personal property	<u>-</u>	<u>-</u>
Total	<u>1,659,866,929</u>	<u>9,557,333</u>

Reconciliation of Current Year Property Tax Revenue

Current Year Collections	\$ 9,664,399
60-day FY17 Accrual	172,451
<i>July-August 2017 Collections</i>	
60-day FY16 Accrual	<u>(260,641)</u>
<i>July-August 2016 Collections</i>	
Current Year Property Tax Revenue	<u>\$ 9,576,209</u>

See independent auditors' report

OWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2017

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and investments	\$ 860,360	\$ 206,226	\$ 1,066,586
Federal and state grants receivable	8,770	-	8,770
Due from other funds	<u>-</u>	<u>4,400</u>	<u>4,400</u>
Total assets	<u>869,130</u>	<u>210,626</u>	<u>1,079,756</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 869,130</u>	<u>\$ 210,626</u>	<u>\$ 1,079,756</u>
Liabilities			
Accounts payable and accrued expenses	\$ 332	\$ -	\$ 332
Due to other funds	<u>12,058</u>	<u>-</u>	<u>12,058</u>
Total liabilities	<u>12,390</u>	<u>-</u>	<u>12,390</u>
Deferred inflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	210,626	210,626
Restricted	23,611	-	23,611
Assigned	833,129	-	833,129
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>856,740</u>	<u>210,626</u>	<u>1,067,366</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 869,130</u>	<u>\$ 210,626</u>	<u>\$ 1,079,756</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, 2017

	Special Revenue	Permanent Trust Funds	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Federal and state grant income	\$ 14,066	\$ -	\$ 14,066
Other revenue	208,213	4,400	212,613
Investment income	<u>397</u>	<u>300</u>	<u>697</u>
 Total revenue	 <u>222,676</u>	 <u>4,700</u>	 <u>227,376</u>
 Expenditures			
Education	5,849	-	5,849
Recreation, library, and other	<u>516,703</u>	<u>-</u>	<u>516,703</u>
 Total Expenditures	 <u>522,552</u>	 <u>-</u>	 <u>522,552</u>
 Excess (deficiency) of revenues over expenditures	 (299,876)	 4,700	 (295,176)
 Other financing sources (uses)			
Transfers in (out)	<u>(12,250)</u>	<u>-</u>	<u>(12,250)</u>
 Total other financing sources (uses)	 <u>(12,250)</u>	 <u>-</u>	 <u>(12,250)</u>
 Excess of revenue and other sources over expenditures and other uses	 (312,126)	 4,700	 (307,426)
 Fund balance, July 1, 2016	 <u>1,168,866</u>	 <u>205,926</u>	 <u>1,374,792</u>
 Fund balance, June 30, 2017	 <u>\$ 856,740</u>	 <u>\$ 210,626</u>	 <u>\$ 1,067,366</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Combining Balance Sheet - School Department

June 30, 2017

	<u>School Restricted</u>				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Assets					
Cash and investments	\$ 741,514	\$ -	\$ -	\$ 12,658	\$ 754,172
Due from state and federal government	1,642	27,043	-	2,951	31,636
Due from Town of New Shoreham	337,333	-	-	-	337,333
Due from other funds	<u>-</u>	<u>71,161</u>	<u>10,737</u>	<u>-</u>	<u>81,898</u>
 Total assets	 <u>1,080,489</u>	 <u>98,204</u>	 <u>10,737</u>	 <u>15,609</u>	 <u>1,205,039</u>
Deferred outflows of resources					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,080,489</u>	 <u>\$ 98,204</u>	 <u>\$ 10,737</u>	 <u>\$ 15,609</u>	 <u>\$ 1,205,039</u>
Liabilities					
Accounts payable and accrued expenses	\$ 552,019	\$ 11,478	\$ 10,737	\$ 8,193	\$ 582,427
Due to other funds	<u>36,501</u>	<u>15,565</u>	<u>-</u>	<u>7,416</u>	<u>59,482</u>
 Total liabilities	 <u>588,520</u>	 <u>27,043</u>	 <u>10,737</u>	 <u>15,609</u>	 <u>641,909</u>
Deferred inflows of resources					
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total deferred inflows of resources	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund balances					
Restricted	-	71,161	-	-	71,161
Assigned	491,969	-	-	-	491,969
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>491,969</u>	 <u>71,161</u>	 <u>-</u>	 <u>-</u>	 <u>563,130</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 1,080,489</u>	 <u>\$ 98,204</u>	 <u>\$ 10,737</u>	 <u>\$ 15,609</u>	 <u>\$ 1,205,039</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, 2017

	School Restricted				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Revenues					
Federal and state grant income	\$ 130,713	\$ 78,758	\$ -	\$ 16,029	\$ 225,500
Medicaid reimbursement	30,288	-	-	-	30,288
Other revenue	533	-	-	30,941	31,474
State contribution to teachers' pension plan	<u>177,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,217</u>
Total revenue	<u>338,751</u>	<u>78,758</u>	<u>-</u>	<u>46,970</u>	<u>464,479</u>
Expenditures					
Education	<u>4,887,735</u>	<u>48,243</u>	<u>24,254</u>	<u>80,239</u>	<u>5,040,471</u>
Total Expenditures	<u>4,887,735</u>	<u>48,243</u>	<u>24,254</u>	<u>80,239</u>	<u>5,040,471</u>
Excess (deficiency) of revenues over expenditures	(4,548,984)	30,515	(24,254)	(33,269)	(4,575,992)
Other financing sources (uses):					
Transfers in	4,712,401	-	24,254	34,464	4,771,119
Transfers out	<u>(108,592)</u>	<u>-</u>	<u>-</u>	<u>(1,195)</u>	<u>(109,787)</u>
Total other financing sources (uses)	<u>4,603,809</u>	<u>-</u>	<u>24,254</u>	<u>33,269</u>	<u>4,661,332</u>
Excess of revenue and other sources over expenditures and other uses	54,825	30,515	-	-	85,340
Fund balance, July 1, 2016	<u>437,144</u>	<u>40,646</u>	<u>-</u>	<u>-</u>	<u>477,790</u>
Fund balance, June 30, 2017	<u>\$ 491,969</u>	<u>\$ 71,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,130</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

OTHER SUPPLEMENTARY INFORMATION

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

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 9,192,034	\$ -
Last Year's Levy Tax Collection	330,624	-
Prior Years Property Tax Collection	2,008	-
Interest & Penalty	69,869	-
PILOT & Tax Treaty (excluded from levy) Collection	27,049	-
Other Local Property Taxes	100	-
Licenses and Permits	371,967	-
Fines and Forfeitures	19,598	-
Investment Income	12,893	-
Departmental	2,072,970	-
Rescue Run Revenue	-	-
Police & Fire Detail	101,115	-
Other Local Non-Property Tax Revenues	64,363	-
Tuition	-	-
Impact Aid	-	-
Medicaid	-	30,288
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	15,582
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	242,065	47,984
MV Excise Tax Reimbursement	6,910	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	88,318	-
Library Construction Aid	63,446	-
Public Service Corporation Tax	11,319	-
Meals & Beverage Tax / Hotel Tax	832,704	-
LEA Aid	-	130,713
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	200,426	-
State Food Service Revenue	-	447
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	37,953	30,773
Other Revenue	-	31,474
Local Appropriation for Education	-	4,712,401
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 13,747,731	\$ 4,999,663
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	126,437	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 126,437	\$ -

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

EXPENDITURES	General		Social	Centralized	Planning	Libraries	Public	Parks and	Police
	Government	Finance	Services	IT			Works	Rec	Department
Compensation- Group A	\$ 466,867	\$ 215,570	\$ 41,221	\$ 1,354	\$ 208,983	\$ 200,420	\$ 450,351	\$ 166,601	\$ 476,798
Compensation - Group B	-	-	-	-	-	-	-	-	16,178
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	-	-	-	-	-	-	-	-	36,249
Overtime - Group B	-	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	87,455
Active Medical Insurance - Group A	81,896	43,807	-	44	59,022	59,905	72,331	23,098	94,582
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	-
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	4,573	2,615	-	3	3,524	3,576	4,318	1,379	5,457
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	-
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	33,989	16,819	3,153	104	16,832	15,666	34,863	12,086	47,391
Life Insurance	1,705	1,097	-	-	1,221	1,059	1,493	462	-
State Defined Contribution- Group A	2,972	1,700	-	2	2,290	2,325	2,807	896	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	36,635	211	-	1	1,387	730	8,869	4,003	13,065
Other Benefits- Group B	-	-	-	-	-	-	-	-	104
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	23,322	13,338	-	13	17,971	18,240	22,023	7,033	76,393
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	4,573	2,615	-	3	3,524	3,576	4,318	1,379	1,794
Purchased Services	507,025	1,590	-	75,830	80,479	41,161	322,406	78,196	14,000
Materials/Supplies	9,202	4,797	1,213	3,941	1,818	14,279	35,199	2,176	10,448
Software Licenses	-	-	-	40,192	-	-	-	-	-
Capital Outlays	405,531	-	9,350	65,396	-	8,688	93,032	125,015	34,886
Insurance	189,774	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	44,734	80,368	57,406	5,241
Vehicle Operations	-	-	-	-	-	-	26,511	-	23,860
Utilities	42,405	-	-	-	-	27,225	122,537	10,616	8,432
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,079	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	11,677	-	-
Trash Removal & Recycling	-	-	-	-	-	-	37,534	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	509,950	-	-	-	-	-	-	-	-
Other Operation Expenditures	67,733	36,751	52,222	4,646	6,853	36,632	133,517	73,556	53,921
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 2,388,152	\$ 340,910	\$ 107,159	\$ 191,529	\$ 403,904	\$ 478,216	\$ 1,469,233	\$ 563,902	\$ 1,006,254

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ -	\$ 164,714	\$ 700	\$ -	\$ -	\$ -	\$ 2,393,579	\$ 2,069,722
Compensation - Group B	-	-	-	-	-	-	16,178	286,071
Compensation - Group C	-	-	-	-	-	-	-	497,720
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	-	-	-	-	-	36,249	-
Overtime - Group B	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	2,283
Police & Fire Detail	-	-	-	-	-	-	87,455	-
Active Medical Insurance- Group A	-	40,059	-	-	-	-	474,754	348,709
Active Medical Insurance- Group B	-	-	-	-	-	-	-	34,286
Active Medical Insurance- Group C	-	-	-	-	-	-	-	90,832
Active Dental Insurance- Group A	-	2,392	-	-	-	-	27,837	22,100
Active Dental Insurance- Group B	-	-	-	-	-	-	-	2,398
Active Dental Insurance- Group C	-	-	-	-	-	-	-	5,090
Payroll Taxes	-	12,898	-	-	-	-	193,801	218,529
Life Insurance	-	962	-	-	-	-	7,999	14,055
State Defined Contribution- Group A	-	1,555	-	-	-	-	14,547	11,515
State Defined Contribution - Group B	-	-	-	-	-	-	-	566
State Defined Contribution - Group C	-	-	-	-	-	-	-	3,150
Other Benefits- Group A	-	1,196	-	-	-	-	66,097	17,646
Other Benefits- Group B	-	-	-	-	-	-	104	6,831
Other Benefits- Group C	-	-	-	-	-	-	-	3,262
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	-	12,200	-	-	-	-	190,533	236,156
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	17,387
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	28,576
Other Defined Benefit / Contribution	-	2,392	-	-	-	-	24,174	-
Purchased Services	-	-	-	-	-	-	1,120,687	396,256
Materials/Supplies	-	68	-	-	-	-	83,141	79,641
Software Licenses	-	-	-	-	-	-	40,192	19,872
Capital Outlays	18,740	52,765	-	-	-	-	813,403	132,434
Insurance	-	-	-	-	-	-	189,774	10,162
Maintenance	-	3,274	-	-	-	-	191,023	72,470
Vehicle Operations	-	-	-	-	-	-	50,371	5,448
Utilities	-	18,834	-	-	-	-	230,049	135,951
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,079	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	11,677	-
Trash Removal & Recycling	-	-	-	-	-	-	37,534	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	509,950	-
Other Operation Expenditures	-	35,203	-	-	-	-	482,034	15,817
Local Appropriation for Education	-	-	-	4,712,401	-	-	4,712,401	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	940,565	-	940,565	-
Municipal Debt- Interest	-	-	-	-	365,924	-	365,924	-
School Debt- Principal	-	-	-	-	616,803	-	616,803	-
School Debt- Interest	-	-	-	-	125,372	-	125,372	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	72,320
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 18,740	\$ 329,522	\$ 700	\$ 4,712,401	\$ 2,048,664	\$ -	\$ 14,059,286	\$ 4,863,255

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	-	51,000
Financing Uses: Payment to Bond Escrow Agent	1,500	-
Financing Uses: Other	78,908	-
Total Other Financing Uses	\$ 80,408	\$ 51,000
Net Change in Fund Balance¹	(265,520)	85,408
Fund Balance¹- beginning of year	\$6,842,122	\$477,790
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	-
Fund Balance¹ - beginning of year adjusted	6,842,122	477,790
Rounding	-	-
Fund Balance¹ - end of year	\$ 6,576,596	\$ 563,198

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
General Fund	\$ 13,392,336	\$ 126,437	\$ 8,681,281	\$ 4,791,309	\$ 46,183	\$ 6,125,307	\$ -	\$ 6,125,307	\$ 6,171,490
Prevention Task Force	89,386	-	80,612	-	8,774	(5,222)	-	(5,222)	3,552
Old Harbor Task Force	48,961	-	61,719	-	(12,758)	73,842	-	73,842	61,084
Housing Board	115,933	-	423,658	-	(307,725)	648,195	-	648,195	340,470
Totals per audited financial statements	\$ 13,646,616	\$ 126,437	\$ 9,247,270	\$ 4,791,309	\$ (265,526)	\$ 6,842,122	\$ -	\$ 6,842,122	\$ 6,576,596
<u>Reconciliation from financial statements to MTP2</u>									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	4,712,401	(4,712,401)	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursement for police details reported as expenditure credits on financial statements but revenue on MTP2	101,115	-	101,115	-	-	-	\$ -	-	-
Reclassify bond fees	-	-	(1,500)	1,500	-	-	\$ -	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	\$ 13,747,731	\$ 126,437	\$ 14,059,286	\$ 80,408	\$ (265,526)	\$ 6,842,122	\$ -	\$ 6,842,122	\$ 6,576,596

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
School Unrestricted Fund	\$ 338,750	\$ 4,712,401	\$ 4,887,735	\$ 108,592	\$ 54,824	\$ 437,144	\$ -	\$ 437,144	\$ 491,968
SBA School Capital Project Fund	-	24,254	24,254	-	-	-	-	-	-
School Special Revenue Funds	125,729	34,464	128,483	1,195	30,515	40,646	-	40,646	71,161
Totals per audited financial statements	\$ 464,479	\$ 4,771,119	\$ 5,040,472	\$ 109,787	\$ 85,339	\$ 477,790	\$ -	\$ 477,790	\$ 563,129
<u>Reconciliation from financial statements to MTP2</u>									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 4,712,401.00	\$ (4,712,401)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(177,217)	-	(177,217)	-	-	-	-	-	-
Transfers from Unrestricted fund not included on MTP or UCOA file	-	-	-	-	-	-	-	-	-
Transfers from Special Revenue funds not included on MTP or UCOA file	-	-	-	-	-	-	-	-	-
Transfers to and from Capital fund not included on MTP or UCOA file	-	(24,254)	-	(24,254)	0	-	-	-	0
Transfers to and from Special Revenue funds not included on MTP or UCOA file	-	(34,464)	-	(34,464)	(0)	-	-	-	(0)
Rounding	-	0	-	(69)	69	-	-	-	69
Totals Per MTP2	\$ 4,999,663	\$ -	\$ 4,863,255	\$ 51,000	\$ 85,408	\$ 477,790	\$ -	\$ 477,790	\$ 563,198
<u>Reconciliation from MTP2 to UCOA</u>									
OPEB Fund not reported on government funds financial statement or MTP2 but reported in UCOA	\$ 7,128.00	-	\$ 305.00	-	-	-	-	-	-
Totals per UCOA Validated Totals Report	\$ 5,006,791	\$ -	\$ 4,863,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

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

NOTE 1. Basis of Presentation

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

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

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups - Compensation and Benefit Costs

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

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

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

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

See independent auditors’ report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2017

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

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

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

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

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

NOTE 5. Education Revenue and Expenditures

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

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

See independent auditors' report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 20, 2017.

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
December 20, 2017