

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020



TOWN OF NEW SHOREHAM, RHODE ISLAND

June 30, 2020

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (“the Town”) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2020, 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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, Pension Related Disclosure, and Other Post-Employment Benefit Related Disclosure 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 Budgetary Comparison for the School Unrestricted, Water and Sewer Enterprise Funds, Combining Non-Major Governmental Funds, Combining Pension and Other Employee Benefit Trust Funds, Supplementary Tax Collector's Annual Report and Annual Supplemental Transparency Report (MTP2) as listed in the table of contents are presented for purposes additional analysis and are not a required part of the basic financial statements.

The Combining Non-Major Governmental Funds, Combining Pension and Other Employee Benefit Trust Funds, Supplementary Tax Collector's Annual Report, 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 Combining Non-Major Governmental Funds, Combining Pension and Other Employee Benefit Trust Funds, Supplementary Tax Collector's Annual Report and the Annual Supplemental Transparency Report (MTP2) are fairly presented in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
November 10, 2020

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

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, 2020. 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, 2020 by \$35,755,744 (net position). Net position includes \$33,065,702 net investment in capital assets; \$2,505,075 of restricted net position; and \$184,967 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 \$67,724,366 and total liabilities plus deferred inflows were \$31,968,622 at June 30, 2020. The Town's total net position increased by \$195,275 in FY 2020.

As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$3,734,327 a decrease of \$4,275,867 from the prior year.

As of June 30, 2020, the unassigned fund balance for the General Fund was \$1,971,418, or 13% of total budgeted 2020 General Fund expenditures and other financial uses of \$14,966,875. This amount is available for spending at the Town's discretion.

The Town total debt increased by \$1,000,000 during the current fiscal year. The key factor in this change was the issuance of a \$1 million bond anticipation note (BAN) for the Block Island Housing Board.

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.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

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 indicated on the table of contents 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.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The basic governmental fund financial statements can be found on pages indicated on the table of contents 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 indicated on the table of contents of this report.

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

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

The basic fiduciary fund financial statement can be found on pages indicated on the table of contents 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 indicated on the table of contents of this report.

Other Required Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages indicated on the table of contents 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 \$35,755,744 at June 30, 2020.

Net investment in capital assets, comprises \$33,065,702, or 92% 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 \$2,505,075 or 7%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$241,545 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$184,967 may be used to meet the government's ongoing obligations to citizens and creditors.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

Government-Wide Financial Analysis (Continued)

**Town of New Shoreham's Net Position - Primary Government
June 30, 2020 and 2019**

	Governmental		Business-Type		Total		Change
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Assets							
Current assets	\$ 11,894,216	\$ 13,319,645	\$ 3,663,603	\$ 3,396,831	\$ 15,557,819	\$ 16,716,476	\$ (1,158,657)
Capital assets	40,657,321	38,151,198	9,998,037	10,329,853	50,655,358	48,481,051	2,174,307
Total assets	<u>52,551,537</u>	<u>51,470,843</u>	<u>13,661,640</u>	<u>13,726,684</u>	<u>66,213,177</u>	<u>65,197,527</u>	<u>1,015,650</u>
Deferred outflows of resources							
Bond refunding	83,827	120,423	-	-	83,827	120,423	(36,596)
Pension related outflows	1,427,362	1,631,696	-	-	1,427,362	1,631,696	(204,334)
Total deferred outflows of resources	<u>1,511,189</u>	<u>1,752,119</u>	<u>-</u>	<u>-</u>	<u>1,511,189</u>	<u>1,752,119</u>	<u>(240,930)</u>
Liabilities							
Current liabilities	10,082,445	7,255,088	226,818	279,259	10,309,263	7,534,347	2,774,916
Long-term liabilities	17,344,519	19,343,626	3,963,792	4,067,935	21,308,311	23,411,561	(2,103,250)
Total liabilities	<u>27,426,964</u>	<u>26,598,714</u>	<u>4,190,610</u>	<u>4,347,194</u>	<u>31,617,574</u>	<u>30,945,908</u>	<u>671,666</u>
Deferred inflows of resources							
Pension related inflows	351,048	443,270	-	-	351,048	443,270	(92,222)
Total deferred inflows of resources	<u>351,048</u>	<u>443,270</u>	<u>-</u>	<u>-</u>	<u>351,048</u>	<u>443,270</u>	<u>(92,222)</u>
Net position							
Net investment in capital assets	27,120,505	22,680,472	5,945,197	6,171,661	33,065,702	28,852,133	4,213,569
Restricted	2,460,751	2,795,511	44,324	39,324	2,505,075	2,834,835	(329,760)
Unrestricted	(3,296,542)	704,995	3,481,509	3,168,505	184,967	3,873,500	(3,688,533)
Total net position	<u>\$ 26,284,714</u>	<u>\$ 26,180,978</u>	<u>\$ 9,471,030</u>	<u>\$ 9,379,490</u>	<u>\$ 35,755,744</u>	<u>\$ 35,560,468</u>	<u>\$ 195,275</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 \$31,365,117. Net investment in capital assets, comprises \$28,561,657, or 91% of total net position. The remaining balance of net position of the Land Trust, totaling \$2,803,460 is restricted for land to be held in perpetuity.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

Government-Wide Financial Analysis (Continued)

Changes in Net Position

The Town's net position increased by \$195,275 in FY 2020. Approximately 62.1% of the Town's total revenue came from taxes and payments in lieu of taxes, while 10.82% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 25.7% 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 2020, governmental activities revenues exceeded expenses by \$103,736. Net revenues from business-type activities exceed program expenses in 2020 by \$91,540.

Town of New Shoreham's Changes in Net Position - Primary Government For the Year Ended June 30, 2020 and 2019

	Governmental		Business-Type		Total		Change
	Activities		Activities				
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program Revenues:							
Charges for service	\$ 2,369,118	\$ 2,386,050	\$ 2,017,726	\$ 2,096,939	\$ 4,386,844	\$ 4,482,989	\$ (96,145)
Operating grants and contributions	462,144	1,338,273	-	-	462,144	1,338,273	(876,129)
Capital grants and contributions	35,000	296,000	-	150,452	35,000	446,452	(411,452)
General Revenues:							
Property taxes	10,573,798	10,221,491	-	-	10,573,798	10,221,491	352,307
Grants and contributions	1,346,340	1,405,873	-	-	1,346,340	1,405,873	(59,533)
Other	166,702	52,083	70,284	80,413	236,986	132,496	104,490
Total revenue	14,953,102	15,699,770	2,088,010	2,327,804	17,041,112	18,027,574	(986,462)
Expenses:							
General government	2,100,047	2,374,034	-	-	2,100,047	2,374,034	(273,987)
Public safety	1,137,635	1,370,951	-	-	1,137,635	1,370,951	(233,316)
Education	5,458,958	5,796,027	-	-	5,458,958	5,796,027	(337,069)
Public works	347,808	2,745,267	-	-	347,808	2,745,267	(2,397,459)
Recreation, library, and other	1,942,894	(42,976)	-	-	1,942,894	(42,976)	1,985,870
Public infrastructure	1,486,751	-	-	-	1,486,751	-	1,486,751
Economic development	2,112,591	-	-	-	2,112,591	-	2,112,591
Capital outlay	-	1,909,261	-	-	-	1,909,261	(1,909,261)
Interest on debt	499,213	529,519	-	-	499,213	529,519	(30,306)
Sewer	-	-	1,280,130	1,336,238	1,280,130	1,336,238	(56,108)
Water	-	-	716,340	738,243	716,340	738,243	(21,903)
Total expenses	15,085,897	14,682,083	1,996,470	2,074,481	17,082,367	16,756,564	325,803
Transfer from component unit	84,374	93,854	-	-	84,374	93,854	(9,480)
Department of Transportation	173,749	-	-	-	173,749	-	173,749
Intra-Entity	(21,592)	19,450	-	-	(21,592)	19,450	(41,042)
Special Items-other	-	32,527	-	-	-	32,527	(32,527)
Increase(decrease) in net position	103,736	1,163,518	91,540	253,323	195,275	1,416,841	(1,354,272)
Net position, July 1, 2019	26,180,978	25,017,460	9,379,490	9,126,167	35,560,468	34,143,627	1,416,841
Net position, June 30, 2020	\$ 26,284,714	\$ 26,180,978	\$ 9,471,030	\$ 9,379,490	\$ 35,755,743	\$ 35,560,468	\$ 195,275

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

Governmental Activities

Governmental activities increased the Town’s net position by \$103,736 or .4%, over the prior year. Key elements of this increase are as follows:

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>		<u>Change</u>
	2020	2019	2020	2019	
Expenses net of program revenues:					
General government	\$ 2,100,047	\$ 2,374,033	\$ 1,591,658	\$ 1,431,551	\$ 160,107
Public safety	1,137,635	1,370,951	1,108,248	1,323,022	(214,774)
Public works	347,808	2,745,267	(1,118,759)	1,071,936	(2,190,695)
Education	5,458,958	5,796,027	5,120,161	5,387,605	(267,444)
Recreation, library, and other	1,942,894	(42,976)	1,578,241	(353,094)	1,931,335
Public infrastructure	1,486,751	-	1,451,751	-	1,451,751
Economic development	2,112,591	-	1,989,122	-	1,989,122
Capital Outlay	-	1,909,261	-	1,271,220	(1,271,220)
Interest on long-term debt	499,213	529,519	499,213	529,519	(30,306)
Total expenses net of program revenue	\$ 15,085,897	\$ 14,682,083	\$ 12,219,635	\$ 10,661,759	\$ 1,557,876

Component Unit

The net position of the Town's Component Unit increased by \$1,300,188. A key element in the increase is revenue derived from the 3% transfer fee.

General Fund Budgetary Highlights

The original budget for FY 2020 adopted at the Financial Town Meeting was \$14,966,033; no changes were made to the final budget.

Actual revenues reported in FY 2020 were less than budgeted amounts by \$594,810, primarily due from a program change which created a separate fund for landing fee revenue, the fact that the June 2020 Tax Sale was postponed due to COVID-19 and thus stalled the prior year collections that had been budgeted, and revenue shortfalls during March-June 2020 due to COVID-19.

Budgeted expenditures did not exceed actual amounts by \$181,638 primarily due to under expenditures in highways and maintenance and recreation programs which is also offset by additional expenditures in capital outlay.

Further details of favorable and unfavorable variances for revenues and expenditures can be found on the Required Supplementary Information on the pages indicated on the Table of Contents of this report.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

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, 2020 amounts to \$50,655,358 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net increase in the Town's investment in capital assets for the current fiscal year was \$2,174,307, comprised of a decrease related to business-type activities of \$331,816 offset by an increase of \$2,506,123 related to governmental activities, net of accumulated depreciation.

Additions to capital assets in 2020 for governmental activities included construction-in-progress, road and bridge improvements, emergency vehicle investments and continued improvements at the School, offset by depreciation expense.

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

Additional information on the Town's capital assets can be found in Note 8 to the financial statements.

	Capital Asset Administration						
	Governmental Activities		Business-Type Activities		Total		Change
	2020	2019	2020	2019	2020	2019	
Land and land easements	\$ 19,313,847	\$ 19,313,847	\$ 954,203	\$ 954,203	\$ 20,268,050	\$ 20,268,050	\$ -
Construction in progress	2,976,965	-	40,788	14,415	3,017,753	14,415	3,003,338
Infrastructure, net	2,319,800	2,416,585	7,190,066	7,441,883	9,509,866	9,858,468	(348,602)
Land improvements, net	4,519,241	4,595,288	-	-	4,519,241	4,595,288	(76,047)
Building & improvements, net	9,818,870	10,592,789	1,537,542	1,592,422	11,356,412	12,185,211	(828,799)
Automobiles and vessels, net	577,898	712,401	-	-	577,898	712,401	(134,503)
Machinery and equipment, net	861,257	262,271	275,438	326,930	1,136,695	589,201	547,494
Office equipment and furniture, net	224,320	215,938	-	-	224,320	215,938	8,382
Library books and textbooks net	45,123	42,079	-	-	45,123	42,079	3,044
Total	\$ 40,657,321	\$ 38,151,198	\$ 9,998,037	\$ 10,329,853	\$ 50,655,358	\$ 48,481,051	\$ 2,174,307

Additional information on the Town's capital assets can be found in Note 8 to the financial statements.

Long-term debt. As of June 30, 2020, the Town has total bonded debt outstanding of \$17,379,187, which is backed by the full faith and credit of the Town.

The Town has capital leases outstanding at June 30, 2020 with a balance totaling \$51,945.

The Town's Component Unit has total notes payable outstanding of \$2,079,459 consisting primarily of general obligation bonds issued through the Town.

Additional information on the Town's long-term debt can be found in Note 9 to the financial statements.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

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
	2020	2019	2020	2019	2020	2019	
General obligation bonds	\$ 13,350,980	\$ 15,241,672	\$ 4,028,207	\$ 4,132,736	\$ 17,379,187	\$ 19,374,408	\$ (1,995,221)
Capital leases	51,945	89,566	-	-	51,945	89,566	(37,621)
Accrued compensated absences	529,150	353,240	71,469	62,981	600,619	416,221	184,398
Net other post-employment benefit liability	190,109	497,282	-	-	190,109	497,282	(307,173)
Net pension liability	5,182,608	5,024,996	-	-	5,182,608	5,024,996	157,612
Total expenditures	<u>\$ 19,304,792</u>	<u>\$ 21,206,756</u>	<u>\$ 4,099,676</u>	<u>\$ 4,195,717</u>	<u>\$ 23,404,468</u>	<u>\$ 25,402,473</u>	<u>\$ (1,998,005)</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 \$50,468,436 as of the December 31, 2018 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, 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, 2020 was 3%.

The Land Trust may request the Town to issue bonds for the purpose of financing its activities. The Land Trust has used proceeds from portions of authorized bond amounts for land and land right acquisitions and is responsible for the repayment of all principal and interest. The Land Trust was authorized to bond up to \$6,000,000 in May 2001. It used \$3,500,000 to purchase the Hodge property in FY 2003, and \$450,000 to purchase the Turnip Farm land; there is \$2,050,000 in authority remaining. At the May 2, 2005 Financial Town Meeting, voters authorized an additional \$4,000,000 for total authority of \$6,050,000. During 2012, the Town issued a bond in the amount of \$2,364,000 to finance the Trust's acquisitions. The remaining authority is \$2,079,459.

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

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2020

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 despite revenue shortfalls in the last quarter of FY2020. 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 \$1,682,281,199 at December 31, 2018.

Due to COVID-19 restrictions on gatherings, the annual Financial Meeting was held July 27, 2020. With the approval of the tax payers on that date, the tax rate on real and tangible property increased by (\$0.20)/\$1,000 (3.25%) to \$6.36/\$1,000.

Travel and business restrictions related to COVID-19 had a lesser impact during Summer 2020 on the Town's finances than was anticipated. The FY2021 budget reflected revenue reductions from historical levels to absorb a significant shortfall; these shortfalls for Summer 2020 were smaller than expected.

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.

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Town of New Shoreham, Rhode Island

Government-Wide Financial Statements - Statement of Net Position

June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
ASSETS				
Cash and cash equivalents	\$ 3,257,548	\$ 3,329,624	\$ 6,587,172	\$ 2,808,850
Receivables, net				
Personal property taxes	298,442	-	298,442	-
User charges	-	309,844	309,844	-
Intergovernmental	920,530	-	920,530	-
Departmental and other	245,194	-	245,194	-
Other		7,338	7,338	
Due from other funds	3,293,043	16,797	3,309,840	-
Notes receivable, net	2,079,459	-	2,079,459	-
Short term investment in BIPCO	1,800,000	-	1,800,000	-
Capital assets:				
Capital assets not being depreciated	22,290,812	994,991	23,285,803	30,816,619
Capital assets being depreciated, net	18,366,509	9,003,046	27,369,555	-
Total capital assets	40,657,321	9,998,037	50,655,358	30,816,619
 Total assets	52,551,537	13,661,640	66,213,177	33,625,469
 DEFERRED OUTFLOWS OF RESOURCES				
Pension related outflows	1,427,362	-	1,427,362	-
Loss on bond refunding	83,827	-	83,827	-
 Total assets and deferred outflows of resources	\$ 54,062,726	\$ 13,661,640	\$ 67,724,366	\$ 33,625,469

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,763,504	\$ 54,789	\$ 1,818,293	\$ 5,390
Accrued interest	70,467	24,632	95,099	-
Other current liabilities	-	1,500	1,500	-
Due to federal and state governments	41,123	-	41,123	-
Due to other funds	3,299,828	10,012	3,309,840	-
Short term debt	2,800,000	-	2,800,000	-
Current portion of capital leases	25,881	-	25,881	-
Current portion of bonds premium	35,644	-	35,644	-
Current portion of bonds and notes payable	1,890,692	104,529	1,995,221	362,785
Current portion of compensated absences	155,306	31,356	186,662	-
Portion due or payable in more than one year:				
Capital leases	26,064	-	26,064	-
Bond Premium	111,606	-	111,606	-
Bonds and notes payable	11,460,288	3,923,679	15,383,967	1,716,674
Compensated absences	373,844	40,113	413,957	-
Net OPEB liability	190,109	-	190,109	-
Net pension liability	5,182,608	-	5,182,608	-
Total liabilities	27,426,964	4,190,610	31,617,574	2,084,849
DEFERRED INFLOWS OF RESOURCES				
Pension related inflows	351,048	-	351,048	-
Gains on refunding of debt	-	-	-	175,503
Total deferred inflows or resources	351,048	-	351,048	175,503
NET POSITION				
Net investment in capital assets	27,120,505	5,945,197	33,065,702	28,561,657
Restricted corpus of endowment funds	241,545	-	241,545	-
Restricted land trust note receivable	2,079,459	-	2,079,459	-
Restricted for capital outlay by bond covenant	16,391	-	16,391	-
Restricted for North Light purposes	15,617	-	15,617	-
Restricted for Deer management	7,529	-	7,529	-
Restricted for Historic records	21,125	-	21,125	-
Restricted for technology fund	79,085	-	79,085	-
Restricted for apartments	-	44,324	44,324	-
Restricted for land to be held in perpetuity	-	-	-	2,803,460
Unrestricted	(3,296,542)	3,481,509	184,967	-
Total net position	26,284,714	9,471,030	35,755,744	31,365,117
Total liabilities, deferred inflows or resources and net position	\$ 54,062,726	\$ 13,661,640	\$ 67,724,366	\$ 33,625,469

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, 2020

	<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	\$ 2,100,047	\$ 501,454	\$ 6,935	\$ -	\$ (1,591,658)	\$ -	\$ (1,591,658)	\$ -
Public safety	1,137,635	22,432	6,955	-	(1,108,248)	-	(1,108,248)	-
Education	5,458,958	40,175	298,622	-	(5,120,161)	-	(5,120,161)	-
Public works	347,808	1,464,338	2,229	-	1,118,759	-	1,118,759	-
Recreation, library, and other	1,942,894	217,250	147,403	-	(1,578,241)	-	(1,578,241)	-
Public infrastructure	1,486,751	-	-	35,000	(1,451,751)	-	(1,451,751)	-
Economic development	2,112,591	123,469	-	-	(1,989,122)	-	(1,989,122)	-
Capital outlay	-	-	-	-	-	-	-	-
Interest on debt	499,213	-	-	-	(499,213)	-	(499,213)	-
Total governmental activities	<u>15,085,897</u>	<u>2,369,118</u>	<u>462,144</u>	<u>35,000</u>	<u>(12,219,635)</u>	<u>-</u>	<u>(12,219,635)</u>	<u>-</u>
Business-Type Activities								
Water	1,280,130	1,318,242	-	-	-	38,112	38,112	-
Sewer	716,340	699,484	-	-	-	(16,856)	(16,856)	-
Total business-type activities	<u>1,996,470</u>	<u>2,017,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,256</u>	<u>21,256</u>	<u>-</u>
Total primary government	<u>17,082,367</u>	<u>4,386,844</u>	<u>462,144</u>	<u>35,000</u>	<u>(12,219,635)</u>	<u>21,256</u>	<u>(12,198,379)</u>	<u>-</u>
Component Unit								
Block Island Land Trust	130,108	1,484,715	-	-	-	-	-	1,354,607
Total component units	<u>130,108</u>	<u>1,484,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,354,607</u>
Total Town of New Shoreham	<u>\$ 17,212,475</u>	<u>\$ 5,871,559</u>	<u>\$ 462,144</u>	<u>\$ 35,000</u>	<u>\$ (12,219,635)</u>	<u>\$ 21,256</u>	<u>\$ (12,198,379)</u>	<u>\$ 1,354,607</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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
Total Town of New Shoreham	\$ (12,219,635)	\$ 21,256	\$ (12,198,379)	\$ 1,354,607
General revenues				
Real estate and personal property, net of reserve for abatements	10,573,798	-	10,573,798	-
Hotel and meals tax	949,696	-	949,696	-
State housing aid	262,068	-	262,068	-
Earnings on investments	6,349	-	6,349	-
State aid to town	128,227	-	128,227	-
Miscellaneous	166,702	70,283	236,985	29,955
Total general revenues	12,086,840	70,283	12,157,123	29,955
Special Item - Transfer from component unit	84,374	-	84,374	(84,374)
Special Item- Department of transportation (DOT)	173,749	-	173,749	-
Special Item - Other	(21,592)	-	(21,592)	-
Total general revenues, special items, and transfers	12,323,371	70,283	12,393,654	(54,419)
Changes in net position	103,736	91,539	195,275	1,300,188
Net position - July 1, 2019	26,180,978	9,379,491	35,560,469	30,064,929
Net position - June 30, 2020	\$ 26,284,714	\$ 9,471,030	\$ 35,755,744	\$ 31,365,117

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 1,642,371	98,575	1,490,494	3,231,440
Investments	-	-	26,109	26,109
Receivables:				
Property taxes, net	298,442	-	-	298,442
Intergovernmental	239,976	6,277	674,277	920,530
Other	235,830	9,364	-	245,194
Due from other funds	2,352,832	930,411	9,800	3,293,043
Notes Receivable, component unit	2,079,459	-	-	2,079,459
Short term investment in BIPCO	1,800,000	-	-	1,800,000
Total assets	<u>8,648,910</u>	<u>1,044,627</u>	<u>2,200,680</u>	<u>11,894,217</u>
Deferred outflows of resources				
None	-	-	-	-
Total assets and deferred outflows of resources	<u>8,648,910</u>	<u>1,044,627</u>	<u>2,200,680</u>	<u>11,894,217</u>
Liabilities				
Accounts payable and accrued expenses	926,022	475,266	362,216	1,763,504
Due to federal and state governments	41,123	-	-	41,123
Short term debt	1,800,000	-	1,000,000	2,800,000
Due to other funds	869,285	133,975	2,296,568	3,299,828
Total liabilities	<u>3,636,430</u>	<u>609,241</u>	<u>3,658,784</u>	<u>7,904,455</u>
Deferred inflows of resources				
Deferred revenue	256,217	(782)	-	255,435
Total deferred inflows of resources	<u>256,217</u>	<u>(782)</u>	<u>-</u>	<u>255,435</u>
Fund balances				
Nonspendable	2,079,459	-	241,545	2,321,004
Restricted	139,747	-	-	139,747
Assigned	565,639	436,168	508,920	1,510,727
Unassigned	1,971,418	-	(2,208,569)	(237,151)
Total fund balance	<u>4,756,263</u>	<u>436,168</u>	<u>(1,458,104)</u>	<u>3,734,327</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 8,648,910</u>	<u>\$ 1,044,627</u>	<u>\$ 2,200,680</u>	<u>\$ 11,894,217</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

June 30, 2020

Total governmental fund balances	\$ 3,734,327
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	40,657,321
Deferred loss on refunding	83,827
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.	1,427,362
Other deferred tax revenue not available to pay for current-period expenditures and, therefore, are not reported in the funds	255,435
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.	(351,048)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(70,469)
Long-term liabilities are not due and payable in the current period period and, therefore are not reported in the governmental funds.	
Premium on Bonds	(147,250)
Bonds and notes payable	(13,350,980)
Capital leases	(51,944)
Compensated absences	(529,150)
Net Other postemployment benefits liability	(190,109)
ERS - net pension liability	(3,867,025)
MERS - net pension liability	<u>(1,315,583)</u>
Net position of governmental activities	<u>\$ 26,284,714</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, 2020

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Real estate and personal property taxes	\$ 10,495,769	\$ -	\$ -	\$ 10,495,769
Intergovernmental	1,379,108	189,173	-	1,568,281
Licenses, permits, and fees	416,441	-	-	416,441
Charges for services	-	40,175	-	40,175
Investment Income	3,841	-	2,508	6,349
State contribution to teachers' pension plan	-	229,561	-	229,561
Medicaid reimbursement	-	25,000	-	25,000
Other revenue	1,692,149	530	492,620	2,185,299
Total revenue	<u>13,987,308</u>	<u>484,439</u>	<u>495,128</u>	<u>14,966,875</u>
Expenditures				
General government	2,342,654	-	-	2,342,654
Public safety	1,421,658	-	-	1,421,658
Health and human services	-	-	-	-
Education	-	5,598,557	-	5,598,557
Public works	1,620,369	-	-	1,620,369
Recreation, library, and other	1,598,736	-	83,552	1,682,288
Public infrastructure	-	-	1,486,751	1,486,751
Economic development	-	-	2,112,591	2,112,591
Capital outlay	817,025	-	-	817,025
Debt service				
Principal	1,890,692	-	-	1,890,692
Interest	505,937	-	-	505,937
Bond issuance cost and fees	750	-	-	750
Total expenditures	<u>10,197,821</u>	<u>5,598,557</u>	<u>3,682,894</u>	<u>19,479,272</u>
Excess (deficiency) of revenues over expenditures	3,789,487	(5,114,118)	(3,187,766)	(4,512,397)
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Other	(24,773)	-	-	(24,773)
Department of transportation	-	-	173,749	173,749
Transfer from component unit	84,374	-	-	84,374
Transfers in	168,990	5,247,550	5,000	5,421,540
Transfers out	(5,070,954)	(173,404)	(174,001)	(5,418,359)
Other financing sources (uses)	<u>(4,842,363)</u>	<u>5,074,146</u>	<u>4,748</u>	<u>236,531</u>
Excess of revenue and other sources over expenditures and other uses	(1,052,876)	(39,972)	(3,183,018)	(4,275,866)
Fund balance, July 1, 2019	5,809,139	476,140	1,724,914	8,010,193
Fund balance, June 30, 2020	<u>\$ 4,756,263</u>	<u>\$ 436,168</u>	<u>\$ (1,458,104)</u>	<u>\$ 3,734,327</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, 2020

Net change in fund balances - total governmental funds	\$ (4,275,866)
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.	2,506,123
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.	78,031
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt proceed	-
Principal payments	1,890,692
Premium payments	-
Capital lease activity	37,621
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	6,724
In the Statement of Activities, loss on refunding is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(36,596)
In the Statement of Activities, long term receivables are accrued as long term assets, and recognized as revenue when received.	35,470
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.	307,171
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.	(175,910)
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.	(269,724)
Change in net position of governmental activities	\$ 103,736

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Assets			
Current assets			
Cash and cash equivalents	\$ 2,490,643	\$ 838,985	\$ 3,329,628
Receivables, net			
User fees	190,172	119,668	309,840
Other	7,338	-	7,338
Due from other funds	15,085	1,712	16,797
Total current assets	<u>2,703,238</u>	<u>960,365</u>	<u>3,663,603</u>
Non-current assets			
Capital assets not being depreciated	899,496	95,495	994,991
Capital assets being depreciated, net	5,099,351	3,903,695	9,003,046
Total non-current assets	<u>5,998,847</u>	<u>3,999,190</u>	<u>9,998,037</u>
Total assets	<u>8,702,085</u>	<u>4,959,555</u>	<u>13,661,640</u>
Deferred outflows of resources			
Deferred outflows	-	-	-
Total assets and deferred outflows of resources	<u>\$ 8,702,085</u>	<u>\$ 4,959,555</u>	<u>\$ 13,661,640</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, 2020

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 29,998	\$ 24,791	\$ 54,789
Other current liabilities	1,500	-	1,500
Current portion of bonds payable	48,260	56,269	104,529
Current portion of compensated absences	17,459	13,897	31,356
Accrued interest payable	19,869	4,763	24,632
Due to other funds	9,853	159	10,012
Total current liabilities	126,939	99,879	226,818
Non-current liabilities			
Bonds payable	2,677,813	1,245,866	3,923,679
Compensated absences	22,563	17,550	40,113
Total non-current liabilities	2,700,376	1,263,416	3,963,792
Total liabilities	2,827,315	1,363,295	4,190,610
Deferred inflows of resources			
Deferred inflows	-	-	-
Total deferred inflows of resources	-	-	-
Net Position			
Net investment in capital assets	3,252,905	2,692,292	5,945,197
Restricted for apartments	44,324	-	44,324
Unrestricted	2,577,541	903,968	3,481,509
Total net position	5,874,770	3,596,260	9,471,030
Total liabilities, deferred inflows of resources and net position	\$ 8,702,085	\$ 4,959,555	\$ 13,661,640

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, 2020

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Operating revenues			
Charges for services	\$ 1,318,242	\$ 699,484	\$ 2,017,726
Other revenues	53,859	16,424	70,283
Total operating revenues	<u>1,372,101</u>	<u>715,908</u>	<u>2,088,009</u>
Operating expenses			
Salaries and benefits	360,235	284,916	645,151
Services and supplies	468,599	200,092	668,691
Depreciation	372,074	182,872	554,946
Total operating expenses	<u>1,200,908</u>	<u>667,880</u>	<u>1,868,788</u>
Operating income (loss)	<u>171,193</u>	<u>48,028</u>	<u>219,221</u>
Nonoperating revenues (expenses)			
Interest expense	<u>(79,222)</u>	<u>(48,460)</u>	<u>(127,682)</u>
Total nonoperating revenue (expenses)	<u>(79,222)</u>	<u>(48,460)</u>	<u>(127,682)</u>
Income (loss) before transfers	<u>91,971</u>	<u>(432)</u>	<u>91,539</u>
Transfers			
Transfer in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	91,971	(432)	91,539
Total net position, July 1, 2019	<u>5,782,799</u>	<u>3,596,692</u>	<u>9,379,491</u>
Total net position, June 30, 2020	<u>\$ 5,874,770</u>	<u>\$ 3,596,260</u>	<u>\$ 9,471,030</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, 2020

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Cash flows from operating activities			
Cash received from customers	\$ 1,362,312	\$ 700,839	\$ 2,063,151
Payments to suppliers and employees	(871,411)	(498,193)	(1,369,604)
Net cash provided (used) by operating activities	<u>490,901</u>	<u>202,646</u>	<u>693,547</u>
Cash flows from noncapital financing activities			
Transfers in (out)	<u>(504)</u>	<u>2,236</u>	<u>1,732</u>
Net cash provided by noncapital financing activities	<u>(504)</u>	<u>2,236</u>	<u>1,732</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(188,958)	(34,172)	(223,130)
Acquisition of capital debt	-	-	-
Principal paid on debt	(48,260)	(56,269)	(104,529)
Interest paid on capital debt	<u>(79,562)</u>	<u>(48,948)</u>	<u>(128,510)</u>
Net cash used by capital and related financing activities	<u>(316,780)</u>	<u>(139,389)</u>	<u>(456,169)</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	173,617	65,493	239,110
Balances, July 1, 2019	<u>2,317,026</u>	<u>773,492</u>	<u>3,090,518</u>
Balances, June 30, 2020	<u>\$ 2,490,643</u>	<u>\$ 838,985</u>	<u>\$ 3,329,628</u>
Displayed as:			
Cash and cash equivalents	<u>\$ 2,490,643</u>	<u>\$ 838,985</u>	<u>\$ 3,329,628</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, 2020

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
	<hr/>	<hr/>	<hr/>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 171,193	\$ 48,028	\$ 219,221
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	372,074	182,872	554,946
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	(5,465)	(15,069)	(20,534)
(Increase) decrease in utility lien and other receivables	(4,324)	-	(4,324)
Increase (decrease) in compensated absences	3,490	4,998	8,488
Increase (decrease) accounts payable and accrued expenses	(46,067)	(18,183)	(64,250)
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by operating activities	<u>\$ 490,901</u>	<u>\$ 202,646</u>	<u>\$ 693,547</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, 2020

	Fiduciary Funds		
	Student Activities	OPEB Trust	North Light Fund
Assets			
Cash and cash equivalents	\$ 60,620	\$ -	\$ 15,280
Investments	-	286,685	-
Accounts receivable	-	-	-
Total assets	\$ 60,620	\$ 286,685	\$ 15,280
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Deposits held	60,620	-	15,280
Total liabilities	60,620	-	15,280
Net Position	-	286,685	-
Total net position	-	286,685	-
Total liabilities and net position	\$ 60,620	\$ 286,685	\$ 15,280

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Changes in Net Position - Fiduciary Funds

For the Year Ended June 30, 2020

	<u>OPEB Trust</u>
Additions	
Employer contributions	\$ 34,000
Earnings on investment	16,077
	<hr/>
Total additions	50,077
	<hr/>
Deductions	
Administrative expenses	601
Transfer out	3,181
	<hr/>
Total deductions	3,782
	<hr/>
Changes in fund equity held in trust for individuals, organizations, and other governments	46,295
	<hr/>
Net position, July 1, 2019	240,390
	<hr/>
Net position June 30, 2020	\$ 286,685
	<hr/> <hr/>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

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

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

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

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

1. Governmental Funds

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

1. Governmental Funds (Continued)

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

D. Measurement Focus and Basis of Accounting

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

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 have a deposit policy for custodial credit risk or other risks, even though, 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, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

5. Capital Assets

Government-wide financial statements:

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

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

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

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

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

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

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

Fund financial statements:

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

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. Bond issuance costs are reported as expenses when incurred.

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

8. *Deferred Inflows of Resources*

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position

Government-wide financial statements

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

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

Fund financial statements

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position (Continued)

- e) Unassigned - amounts available for any purpose.

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

10. Property tax revenue

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

11. Intergovernmental revenues

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

12. Program Revenues and Expenses

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

13. Bond Premiums

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

14. *Interfund Activity*

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

15. *Bond issuance costs*

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

16. *Encumbrances*

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

17. *Use of estimates*

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

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

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

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

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

F. Accounting Principles Not Yet Required to be Implemented

- GASB issued Statement No. 83, Certain Asset Retirement Obligations in June 2020
- GASB issued Statement No. 84, Fiduciary Activities in December 2020
- GASB issued Statement No. 87, Leases in June 2021
- GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of Construction Period, in December 2020
- GASB issued Statement No. 90, Major Equity Interests, an amendment of GASB Statement No. 14 and No. 61 in December 2019.
- GASB issued Statement No. 91, Conduit Debt Obligation, December 2021.

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 3: Cash and cash equivalents

At June 30, 2020, the carrying amount of the Town's deposits was \$9,471,940 and the total bank balance was \$9,553,281.

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, 2020, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Maturities	Total Bank Balance	Carrying Amount
Deposits:				
Demand deposits	\$ 3,682,440		\$ 4,912,569	\$ 4,753,670
Petty cash	0		0	3,997
Certificate of deposit	581,820	7/19/20-9/19/20	581,820	581,820
Money market	1,247,703		1,247,703	1,247,703
Land Trust	2,811,189		2,811,189	2,808,850
OPEB	-		-	-
Student Activity	60,620		-	60,620
North Light	15,280		-	15,280
	<u>\$ 8,399,052</u>		<u>\$ 9,553,281</u>	<u>\$ 9,471,940</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 4: Investments

At June 30, 2020, investments of the Town are categorized as follows:

<u>Investments at Fair Value</u>	<u>June 30, 2020</u>	<u>Fair Value Measurements</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>
Mutual funds	\$ 286,685	\$ 286,685	\$ -	\$ -
Total investments measured at fair value	<u>\$ 286,685</u>	<u>\$ 286,685</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5: Assets Held in Trust

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2020 totaled approximately \$26,074.

NOTE 6: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2020 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds		
General fund	\$ 2,352,832	\$ 869,285
School department	930,411	133,975
Nonmajor governmental funds	9,800	2,296,568
Component unit		
Proprietary Funds		
Sewer	15,085	9,853
Water	1,712	159
	<u>\$ 3,309,840</u>	<u>\$ 3,309,840</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 6: Interfund Receivables/Payables (Continued)

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 168,990	\$ (5,070,954)
School Department	5,247,550	(173,404)
Special Revenue	5,000	(174,001)
Capital projects	-	-
Fiduciary Funds		
OPEB Trust Fund	-	(3,181)
Total transfers	<u>\$ 5,421,540</u>	<u>\$ (5,421,540)</u>

There were \$5,070,954 of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation; therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

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

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. In March 25, 2019 the assets of Block Island Power Company were sold to the Block Island Utility District, completing the transition to a non-profit, ratepayer-controlled utility district to own and operate the electric utility. Block Island Power Company (now Island Light and Power) is holding the proceeds of that assets sale and the Town remains 2/3 shareholder of Island Light and Power. Pending resolution of litigation with 1/3 shareholder, the Town's liquidated investment in Island Light and Power will be used toward repayment of the \$1,800,000 general obligation debt.

On August 28, 2019, the Town acquired a Bond Anticipation Note for the Block Island Housing Board in the amount of \$1,000,000.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 8: Capital Assets

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Governmental Activities:</u>				
Not being depreciated:				
Land	\$ 19,313,847	\$ -	\$ -	\$ 19,313,847
Construction in progress	-	2,976,965	-	2,976,965
Subtotal	19,313,847	2,976,965	-	22,290,812
Capital assets being depreciated:				
Infrastructure	3,367,295	52,916	-	3,420,211
Land improvements	6,709,257	231,659	-	6,940,916
Buildings and improvements	23,325,137	-	-	23,325,137
Machinery and equipment	1,762,461	717,919	-	2,480,380
Furniture and fixtures	870,939	40,838	-	911,777
Library books and textbooks	254,059	19,513	-	273,572
Motor vehicles and vessels	2,924,323	-	-	2,924,323
Total capital assets being depreciated:	39,213,471	1,062,845	-	40,276,316
Less accumulated depreciation for:				
Infrastructure	950,710	149,701	-	1,100,411
Land improvements	2,113,969	307,706	-	2,421,675
Buildings and improvements	12,732,348	773,919	-	13,506,267
Machinery and equipment	1,500,190	118,933	-	1,619,123
Furniture and fixtures	655,001	32,456	-	687,457
Library books and textbooks	211,980	16,469	-	228,449
Motor vehicles and vessels	2,211,922	134,503	-	2,346,425
Total accumulated depreciation	20,376,120	1,533,687	-	21,909,807
Total capital assets being depreciated, net	18,837,351	(470,842)	-	18,366,509
Governmental activities capital assets, net	\$ 38,151,198	\$ 2,506,123	\$ -	\$ 40,657,321

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 8: Capital Assets (Continued)

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Business-type activities:				
Not being depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	14,415	129,880	103,507	40,788
Subtotal	<u>968,618</u>	<u>129,880</u>	<u>103,507</u>	<u>994,991</u>
Capital assets being depreciated:				
Buildings and improvements	5,012,355	104,188	-	5,116,543
Equipment	1,802,075	-	-	1,802,075
Underground piping	14,510,509	92,083	-	14,602,592
Wells / reserves osmosis / water supply	1,879,973	-	-	1,879,973
Total capital assets being depreciated	<u>23,204,912</u>	<u>196,271</u>	<u>-</u>	<u>23,401,183</u>
Less accumulated depreciation for:				
Buildings and improvements	3,419,933	159,068	-	3,579,001
Equipment	1,475,145	51,492	-	1,526,637
Underground piping	8,380,795	301,846	-	8,682,641
Wells / reserves osmosis / water supply	567,804	42,054	-	609,858
Total accumulated depreciation	<u>13,843,677</u>	<u>554,460</u>	<u>-</u>	<u>14,398,137</u>
Total capital assets being depreciated, net	<u>9,361,235</u>	<u>(358,189)</u>	<u>-</u>	<u>9,003,046</u>
Business-type activities capital asset, net	<u>\$ 10,329,853</u>	<u>\$ (228,309)</u>	<u>\$ 103,507</u>	<u>\$ 9,998,037</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 8: Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$	107,455
Public safety		241,484
Public works		484,036
Recreation, library, and other		316,892
Education		383,820
		\$ 1,533,687

Depreciation was charged to proprietary functions as follows:

Business-type activities:

Sewer Fund	\$	372,074
Water Fund		182,386
		\$ 554,460

NOTE 9: Long-Term Obligations

At summary of long-term obligations as of June 30, 2020 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 13,350,980	\$ 4,028,207	\$ 17,379,187
Premium	147,249	-	147,249
Subtotal	13,498,229	4,028,207	17,526,436
Capital leases	51,945	-	51,945
Compensated absences	529,150	71,469	600,619
Total debt outstanding	14,079,324	4,099,676	18,179,000
Less portion due within one year	2,155,869	138,522	1,609,262
Total long term debt outstanding	\$ 11,923,455	\$ 3,961,154	\$ 16,569,738

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2020 were as follows:

	Balance July 1, 2019	Additions	Retirements	Balance June 30, 2020	Due within one year
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 15,241,672	\$ -	\$ 1,890,692	\$ 13,350,980	\$ 1,939,212
Premium on bonds	182,720	-	35,471	147,249	35,470
Total bonds payable	<u>15,424,392</u>	<u>-</u>	<u>1,926,163</u>	<u>13,498,229</u>	<u>1,974,682</u>
Capital leases	89,566	-	37,621	51,945	25,881
Net pension liability	5,027,996	154,612	-	5,182,608	-
Net other post-employment benefit liability	497,282	-	307,173	190,109	-
Compensated absences	<u>368,890</u>	<u>288,901</u>	<u>128,641</u>	<u>529,150</u>	<u>155,306</u>
Total long-term obligations	<u>\$ 21,408,126</u>	<u>\$ 443,513</u>	<u>\$ 2,399,598</u>	<u>\$ 19,452,041</u>	<u>\$ 2,155,869</u>
Business-type activities:					
Bonds and notes	\$ 4,132,736	\$ -	\$ 104,529	\$ 4,028,207	\$ 107,918
Compensated absences	<u>62,981</u>	<u>48,215</u>	<u>39,727</u>	<u>71,469</u>	<u>30,604</u>
Total long-term obligations	<u>\$ 4,195,717</u>	<u>\$ 48,215</u>	<u>\$ 144,256</u>	<u>\$ 4,099,676</u>	<u>\$ 138,522</u>
Total government-wide obligations	<u>\$ 25,603,843</u>	<u>\$ 491,728</u>	<u>\$ 2,543,854</u>	<u>\$ 23,551,717</u>	<u>\$ 2,294,391</u>

Changes in bond anticipation note during the year ended June 30, 2020 were as follows:

Purpose	Maturity Date	Balance 7/1/2019	Increase	Decrease	Balance 6/30/2020
BAN 2018 (BIPCO)	11/4/2020	\$ 1,800,000	-	-	\$ 1,800,000
BAN 2019 (Housing Board)	8/26/2020	-	1,000,000	-	1,000,000
		\$ 1,800,000	\$ 1,000,000	-	\$ 2,800,000

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

Purpose	Amount of original issue	Fiscal year of issue	Interest rate	Fiscal year of maturity	Balance, July 1, 2019	New issues	Refundings	Retirements	Balance, June 30, 2020
Governmental activities									
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 2,245,000	-	-	\$ 165,000	\$ 2,080,000
Thomas Property	240,000	2012	5.25%	2022	74,673	-	-	27,692	46,981
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	1,675,000	-	-	105,000	1,570,000
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	215,534	-	-	69,993	145,541
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	754,466	-	-	245,007	509,459
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	379,459	-	-	119,959	259,500
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	247,614	-	-	78,278	169,336
Town hall (Refunding)	444,540	2012	2.0-4.0%	2022	147,926	-	-	46,763	101,163
School Construction 2005 (Refunding)	4,930,000	2015	2.25%	2025	2,890,000	-	-	445,000	2,445,000
School Construction 2006 (Refunding)	645,000	2015	2.40%	2026	430,000	-	-	65,000	365,000
Town Hall Construction 2006 (Refunding)	640,000	2015	2.40%	2026	430,000	-	-	65,000	365,000
2014 MRBRF - Weldon's Way	255,000	2015	0.6-3.0%	2029	193,000	-	-	16,000	177,000
2016 MRBRF - Old Town Road	296,000	2016	0.8-2.7%	2035	269,000	-	-	14,000	255,000
2017 MRBRF (Road & Bridge Old Town Road)	449,000	2017	.72 - 2.22%	2037	430,000	-	-	19,000	411,000
2017 Series B Refunding (2009)	1,635,000	2017	2.69%	2029	1,585,000	-	-	165,000	1,420,000
2017 Series A (Dr. House & Beach House)	1,400,000	2017	2.30%	2027	1,280,000	-	-	130,000	1,150,000
2018 RIIB- West Beach	1,995,000	2018	1.21-2.53%	2033	1,995,000	-	-	114,000	1,881,000
Total	<u>\$ 23,318,000</u>				<u>\$ 15,241,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,890,692</u>	<u>\$ 13,350,980</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

<u>Purpose</u>	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2019</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2020</u>
Enterprise Funds								
<i>Sewer Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 295,005	\$ -	\$ 5,795	\$ 289,210
Sewer Improvements	192,500	2006	4.375%	2046	160,933	-	3,235	157,698
Land	472,175	2005	4.25%	2045	385,002	-	8,389	376,613
Sewer Improvements	458,000	2012	2.75%	2052	416,662	-	7,568	409,094
2014 Sewer Improvements	219,000	2014	2.75%	2053	202,753	-	3,522	199,231
2015 Sewer Improvements	689,000	2015	2.75%	2055	648,675	-	10,783	637,892
2017 Sewer Improvements	674,000	2018	3.13%	2058	665,304	-	8,968	656,336
Total sewer	<u>3,053,675</u>				<u>2,774,334</u>	<u>-</u>	<u>48,260</u>	<u>2,726,073</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	373,632	-	7,338	366,293
Water Supply	450,000	2011	3.25%	2051	399,409	-	7,283	392,126
Water Supply	179,445	2005	4.25%	2045	146,310	-	3,189	143,121
Clean Water GOB	614,287	2004	3.26%	2024	231,000	-	35,000	196,000
2015 Water Supply	123,000	2015	2.75%	2055	115,799	-	1,926	113,873
2015 Water Supply	98,000	2015	2.75%	2055	92,264	-	1,533	90,731
Total water	<u>1,906,732</u>				<u>1,358,414</u>	<u>-</u>	<u>56,269</u>	<u>1,302,134</u>
Total enterprise	<u>\$ 4,960,407</u>				<u>\$ 4,132,748</u>	<u>\$ -</u>	<u>\$ 104,529</u>	<u>\$ 4,028,207</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

At June 30, 2020, scheduled annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Governmental Activities:

Year ending June 30,	Principal	Interest	Total
2021	1,939,212	324,835	2,264,047
2022	1,970,768	276,314	2,247,082
2023	1,386,000	226,493	1,612,493
2024	1,404,000	192,830	1,596,830
2025	1,443,000	158,401	1,601,401
2026-2030	3,978,000	406,824	4,384,824
2031-2035	1,131,000	45,951	1,176,951
2036-2038	99,000	3,526	102,526
	<u>\$ 13,350,980</u>	<u>\$ 1,635,174</u>	<u>\$ 14,986,154</u>

Business-Type Activities:

Year ending June 30,	Principal	Interest	Total
2021	107,918	136,402	244,320
2022	112,392	132,461	244,853
2023	115,954	128,349	244,303
2024	120,608	124,067	244,675
2025	124,356	119,611	243,967
2026-2030	456,580	548,910	1,005,490
2031-2035	541,692	463,798	1,005,490
2036-2040	643,323	352,168	995,491
2041-2045	764,588	240,693	1,005,281
2046-2050	552,512	118,501	671,013
2051-2055	404,831	45,419	450,250
2056-2059	83,453	5,254	88,707
	<u>\$ 4,028,207</u>	<u>\$ 2,415,633</u>	<u>\$ 6,443,840</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

Component unit:

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

Year ending June 30,	Principal	Interest	Total
2021	362,785	74,662	437,447
2022	366,674	64,603	431,277
2023	115,000	54,000	169,000
2024	120,000	49,400	169,400
2025	120,000	44,600	164,600
2026-2030	680,000	147,000	827,000
2031-2032	315,000	19,000	334,000
	\$ 2,079,459	\$ 453,265	\$ 2,532,724

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, 2018 was \$1,682,281,199 limiting the amount of non-exempted general obligation bonds outstanding to \$50,497,818. At June 30, 2020, general obligation bonds outstanding totaled \$18,526,436, including amounts which are exempt from the cap.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 9: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

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

In 2003, the component unit issued a note to the Town in the amount of \$3,500,000 as its portion of the Town's general obligation bond related to the acquisition of the Hodge Property. The terms and payments required on this note generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. The balance of the note receivable from the component unit at June 30, 2020 was \$2,079,459.

Compensated absences:

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

NOTE 10: Other Post-Employment Benefits

Other post-employment benefits:

Plan Description

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

Contributions

The contribution requirements of plan members 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, 2020, the plans membership consisted of the following:

<u>Description</u>	<u>Active</u> <u>Employees</u>	<u>Inactive or</u> <u>Beneficiaries</u> <u>Receiving</u> <u>Benefits</u>	<u>Total</u>
Participants	27	1	28

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 10: Other Post-Employment Benefits (Continued)

Concentrations

There were no concentrations noted as of June 30, 2020.

Rate of return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.39%. 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 School Department

The components of the net OPEB liability of the School Department at June 30, 2020 were as follows:

Description	Amounts
Total OPEB Liability (TOL)	\$ 476,794
Fiduciary Net Position	286,685
Net OPEB Liability (NOL)	190,109
Funded Ratio (Fiduciary Net Position / NOL)	60.13%
Covered Payroll (active plan members)	\$2,150,555
NOL as a Percentage of Covered Payroll	8.84%

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Description	Assumption
Single Equivalent Discount Rate	5.50%, net of OPEB plan investment expense, including inflation.
Inflation	2.60% as of June 30, 2020 and for future periods
Investment rate of return	5.39%, net of OPEB plan investment expense, including inflation.
Salary increases	2.60% annually as of June 30, 2020 and for future periods

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

Investment Policy

The Town's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Town to pursue an investment strategy that reduced risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Town's adopted asset allocation policy as of June 30, 2020:

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%

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, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. Equity	5.20%
Non-U.S. Equity	7.00%
U.S. Aggregate Bonds	2.00%
Intermediate-Term Credit	2.60%
Short-Term Credit	2.20%
Intermediate-Term TIPS	1.10%
REITs	4.70%
I. Real Rate of Return	3.49%
II. Inflation Assumption	1.90%
III. Total Nominal Return [I. + II.]	5.39%

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

Discount rate

The discount rate used to measure the total OPEB liability was 5.39 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.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 737,672	\$ 240,390	\$ 497,282
Service cost	33,966	-	33,966
Interest on net OPEB liability and service cost	42,318	-	42,318
Differences between actual and expected experience	(321,174)	-	(321,174)
Changes in assumptions	(11,477)	-	(11,477)
Benefit payments, including refunds	(4,511)	(4,511)	-
Contributions - employer	-	38,511	(38,511)
Net investment income	-	12,295	(12,295)
Net changes	<u>(260,878)</u>	<u>46,295</u>	<u>(307,173)</u>
Balances at June 30, 2020	<u>\$ 476,794</u>	<u>\$ 286,685</u>	<u>\$ 190,109</u>

Net OPEB Liability

Total OPEB liability	\$ 476,794
Plans fiduciary net position	<u>286,685</u>
Town's net OPEB liability	<u>\$ 190,109</u>

Plan net position as a percentage of the total OPEB liability	60.13%
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TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

Deferred outflows of resources	
Net difference between projected and actual earnings on OPEB plan investments	\$ 13,322
Changes of assumptions	(2,649)
Deferred inflows of resources	
Differences between actual and expected experience	<u>394,659</u>
Total	<u><u>\$ (383,986)</u></u>

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

Year Ended June 30:	
2021	\$ (27,403)
2022	(27,401)
2023	(28,060)
2024	(31,570)
2025	(31,939)
Thereafter	<u>(237,613)</u>

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

The following presents the net OPEB liability of the School Department, as well as what the School Department'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	\$ 227,182	\$ 190,109	\$ 154,832

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 10. 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 School Department, as well as what the School Department’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 3.6 percent) or 1-percentage-point higher (7.5 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
	(5.50%	rate (6.50%	(7.50%
	decreasing to	decreasing to	decreasing to
	3.60%)	4.60%)	5.60%)
Total OPEB liability	\$ 136,941	\$ 190,109	\$ 251,533

NOTE 11: ERS Pension Plan

General Information about the Pension Plan

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

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 11: ERS Pension Plan (Continued)

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 2019, the Town's teachers were required to contribute 3.75% of their annual covered salary except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% 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 10.06% and 14.12% of annual covered payroll for the fiscal year ended June 30, 2020 for the state and the Town, respectively. The Town contributed \$322,180, \$283,141 and \$251,125 for the fiscal years ended June 30, 2020, 2019 and 2018, 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, 2020, the Town reported a liability of \$6,763,827 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 proportionate share of net pension liability	\$ 3,867,025
State's proportionate share of the net pension liability associated with the Town	<u>2,896,802</u>
Total net pension liability	<u><u>\$ 6,763,827</u></u>

The net pension liability was measured as of June 30, 2019, 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, 2018 rolled forward to June 30, 2019. The School Department proportion of the net pension liability was based on a projection of the School Department's 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, 2019 the School Department's proportion was .12119414%.

For the year ended June 30, 2020 the School Department recognized gross pension expense of \$414,439 and revenue of \$321,363 for support provided by the State. At June 30, 2019 the School Department 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, 2020

NOTE 11: ERS Pension Plan (Continued)

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,090	\$ 64,579
Changes of assumptions	226,282	30,520
Net difference between projected and actual earnings on pension plan investments	-	6,085
Changes in proportion and differences between System contributions and proportionate share contributions	295,082	175,474
Contributions subsequent to the measurement date	322,180	-
	<u>\$ 890,634</u>	<u>\$ 276,658</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ 291,796</u>

Deferred outflows of resources totaling \$322,180 related to pensions resulting from the School Department's contributions in fiscal year 2020 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. 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:	
2021	63,710
2022	(3,335)
2023	58,677
2024	89,070
2025	68,938
Thereafter	14,736
	<u>\$ 291,796</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 11: 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	2.50%
Salary increases	3.00% to 13.00%
Investment rate of return	7.00%

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

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2019 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, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
GROWTH		
Global Equity:		
U.S. Equity	22.10%	6.16%
International Developed Equity	13.20%	6.83%
Emerging Markets Equity	4.70%	8.90%
Sub-Total	40.00%	
Private Growth		
Private Equity	11.25%	9.81%
Non-Core Real Estate	2.25%	5.51%
Opportunities Private Credit	1.50%	9.81%
Sub-Total	15.00%	
INCOME		
High Yield Infrastructure	1.00%	3.98%
REITS	1.00%	5.51%
Liquid Credit	2.80%	3.98%
Private Credit	3.20%	3.98%
Sub-Total	8.00%	
STABILITY		
Crisis Protection Class		
Treasury Duration	4.00%	77.00%
Systematic Trend	4.00%	4.20%
Sub-Total	8.00%	
Inflation Protection		
Core Real Estate	3.60%	5.51%
Private Infrastructure	2.40%	5.85%
TIPs	1.00%	1.37%
Natural Resources	1.00%	3.76%
Sub-Total	8.00%	
Volatility Protection		
IG Fixed Income	11.50%	2.15%
Absolute Return	6.50%	4.20%
Cash	3.00%	0.77%
Sub-Total	21.00%	
Total	100.00%	

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 11: ERS Pension Plan (Continued)

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

Discount rate - the discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00% Increase (8.0%)
\$ 4,778,985	\$ 3,867,025	\$ 3,120,493

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

NOTE 12: Defined Contribution Pension Plan

Defined Contribution Plan Description:

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

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

The School recognized pension expense of \$4,435, for the fiscal year ended June 30, 2020.

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, 2020

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

General Information about the Pension Plan

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

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

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

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

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

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

General Employees

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 described 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, 2020

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

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

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

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

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

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

Police and Fire employees

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

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

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

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

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

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

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

Other benefit provisions

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

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

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

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

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

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

Employees covered by benefit terms.

At the June 30, 2019 valuation date, the following employees were covered by the benefit terms:

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% (2% if the employer opted to provide a COLA) 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% (10% if employer opted to provide a COLA) 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 School Department contributed \$156,178 to their general employee plan in the year ended June 30, 2019 which was 6.40% of annual covered payroll and \$86,873 to their police department plan in the year ended June 30, 2019 which was 21.68% of their annual covered payroll.

Net Pension Liability (Asset) – The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2018 valuation rolled forward to June 30, 2019 and the calculation of the total pension liability at June 30, 2019 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 sources. The June 30, 2019 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, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
GROWTH		
Global Equity:		
U.S. equity	20.80%	6.43%
International Developed	14.40%	6.72%
Emerging Markets Equity	4.80%	8.90%
Sub-Total	40.00%	
Private Growth		
Private Equity	11.30%	9.08%
Non-Core RE	2.20%	5.03%
Opportunities Private Credits	1.50%	9.08%
Sub-Total	15.00%	
INCOME		
High Yield Infrastructure	1.00%	3.81%
REITS	1.00%	5.03%
Liquid Credit	2.80%	3.81%
Private Credit	3.20%	3.81%
Sub-Total	8.00%	
STABILITY		
Crisis Protection Class		
Treasury Duration	4.00%	0.61%
Systematic Trend	4.00%	4.00%
Sub-Total	8.00%	
Inflation Protection		
Core Real Estate	3.60%	5.03%
Private Infrastructure	2.40%	5.61%
TIPs	1.00%	1.75%
Natural Resources	1.00%	3.81%
Sub-Total	8.00%	
Volatility Protection		
IG Fixed Income	11.50%	2.14%
Absolute Return	6.50%	4.00%
Cash	3.00%	0.61%
Sub-Total	21.00%	
Total	100.00%	

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

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

Discount rate – The discount rate used to measure the total pension liability of the plans was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	<u>General</u>	<u>Police</u>
Pension liability:		
Balance as of June 30, 2018	\$ 8,177,104	\$ 2,153,466
Changes for the year:		
Service cost	204,123	84,050
Interest on total pension liability	564,961	150,926
Changes in assumptions, difference between expected and actual experience of total pension liability	(12,231)	(3,460)
Benefit payments, including employee refunds	<u>(416,589)</u>	<u>(78,805)</u>
Balance as of June 30, 2019	<u>8,517,368</u>	<u>2,306,177</u>
Fiduciary net position:		
Balance as of June 30, 2018	7,531,214	1,546,630
Employer contributions	158,708	81,086
Employee contributions	62,942	44,237
Net investment income	483,638	105,079
Benefit payments, including employee refunds	(416,589)	(78,805)
Administrative expense	(7,558)	(1,642)
Other changes	<u>(1,457)</u>	<u>479</u>
Balance as of June 30, 2019	<u>7,810,898</u>	<u>1,697,064</u>
Net pension liability (asset)	<u>\$ 706,470</u>	<u>\$ 609,113</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

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

Employee

1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
\$ 1,601,119	\$ 706,470	\$ (25,746)

Police

1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
\$ 847,825	\$ 609,113	\$ 413,772

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, 2020 the employer recognized pension expense of \$345,226. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 128,686	\$ -
Difference between expected and actual experience	60,100	14,681
Net difference between projected and actual earnings on pension plan investments	-	23,592
Contributions subsequent to the measurement date	156,178	-
	\$ 344,964	\$ 38,273
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		\$ 150,513

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

General Employee Plan (Continued)

\$156,178 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 129,788
2022	14,468
2023	(33)
2024	6,290
2025	-
Thereafter	-
	<u>\$ 150,513</u>

Police Department Plan

For the year ended June 30, 2020 the employer recognized pension expense of \$114,627. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 60,569	\$ 2,939
Difference between expected and actual experience	56,142	33,178
Net difference between projected and actual earnings on pension plan investments	(11,820)	-
Contributions subsequent to the measurement date	86,873	-
	<u>\$ 191,764</u>	<u>\$ 36,117</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 68,774</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

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

Police Department Plan (Continued)

Deferred outflows of resources of \$86,873 related to pensions resulting from the Town's contributions in fiscal year 2019 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ 21,287
2022	3,826
2023	13,583
2024	19,225
2025	8,536
Thereafter	2,317
	<u>\$ 68,774</u>

Aggregate Pension Amounts Reported in the Financial Statements

As required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 34 the table below presents the aggregate amount of pension expense, pension liabilities (assets), and deferred inflows and outflows for the defined benefit plans of the Town of New Shoreham, Rhode Island.

<i>Town</i>	MERS General	MERS Police	ERS	Total
Deferred Outflows of Resources - Pension	\$ 344,964	\$ 191,764	\$ 890,634	\$ 1,427,362
Deferred Inflows of Resources - Pension	38,273	36,117	276,658	351,048
Net Pension Liability (Asset)	706,470	609,113	3,867,025	5,182,608
Pension Expense	345,226	114,627	328,822	788,675
Total	\$1,434,933	\$951,621	\$5,363,139	\$ 7,749,693

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

Note 14: Defined Contribution Plan Description:

Certain employees participating in the defined benefit plan, as described above, may also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute 1% to 1.5% 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 System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

NOTE 15: Commitments and Contingencies

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

NOTE 16: Fund Balance Classification

	Major Funds		Non-Major Funds			Total
	General Fund	School Department	Special Revenue	Capital Projects	Permanent Trust	
Fund Balances:						
Nonspendable:						
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ -	\$ 241,545	\$ 241,545
Land Trust note receivable	2,079,459	-	-	-	-	2,079,459
Restricted for:						
Capital outlay by bond covenant	16,391	-	-	-	-	16,391
North Light purposes	15,617	-	-	-	-	15,617
Old Harbor Dock	-	-	-	-	-	-
Deer Management	7,529	-	-	-	-	7,529
Historic records trust	21,125	-	-	-	-	21,125
Technology fund	79,085	-	-	-	-	79,085
Committed to:						
Public works construction	-	-	-	-	-	-
Reserve for encumbrances	-	-	-	-	-	-
Assigned to:						
Other	-	-	-	508,920	-	508,920
Reserve for encumbrances	565,639	-	-	-	-	565,639
Educational purposes	-	436,168	-	-	-	436,168
Recreational, library, and other purposes	-	-	(526,474)	-	-	(526,474)
Unassigned	1,971,418	-	-	(1,682,095)	-	289,323
	<u>\$ 4,756,263</u>	<u>\$ 436,168</u>	<u>\$ (526,474)</u>	<u>\$ (1,173,175)</u>	<u>\$ 241,545</u>	<u>\$ 3,734,327</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2020

NOTE 17: Risk Management

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

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, 2020.

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

NOTE 18: Litigation

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

NOTE 19: Subsequent Events

Management has evaluated subsequent events through November 30, 2020, the date the financial statements were available to be issued. There were not material disclosures deemed necessary.

On March 9, 2020 the Governor of the State of Rhode Island declared a State of Emergency in response to limit the spread of COVID-19 Coronavirus, which the World Health Organization characterized as being a pandemic. As a result of the spread of COVID-19, there is considerable uncertainty around the duration of the pandemic accordingly, the financial impact related to State funding and other revenues and other potential financial impacts cannot be reasonably estimated at this time. Management is carefully monitoring the situation.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2020

	Original Budget		Total Available	Actual	Encumbrances Carried To FY 20	Variance Favorable (Unfavorable)
	Encumbrances Carried from FY 19	Budget As Adopted				
Revenues						
Taxes	\$ -	\$ 10,713,284	\$ 10,713,284	\$ 10,473,790	\$ -	\$ (239,494)
Intergovernmental	-	1,449,675	1,449,675	1,350,291	-	(99,384)
Licenses, permits, and fees	-	469,018	469,018	416,441	-	(52,577)
Interest and investment	-	6,000	6,000	3,841	-	(2,159)
Other revenues	-	1,893,345	1,893,345	1,692,149	-	(201,196)
Total revenues	-	14,531,322	14,531,322	13,936,512	-	(594,810)
Expenditures						
General government	-	1,426,916	1,426,916	1,420,093	-	6,823
Finance administration	-	395,226	395,226	398,780	-	(3,554)
Fire, rescue, and emergency services	-	321,944	321,944	339,065	-	(17,121)
Police	-	1,020,546	1,020,546	1,082,593	-	(62,047)
Town highways and maintenance	-	964,117	964,117	729,100	-	235,017
State roads	-	-	-	-	-	-
Harbors	-	644,373	644,373	652,183	-	(7,810)
Building official	-	250,032	250,032	239,086	-	10,946
Recreation	-	417,814	417,814	367,638	-	50,176
Library	-	519,778	519,778	498,310	-	21,468
GIS / Technology	-	301,337	301,337	341,846	-	(40,509)
Boards and commissions	-	197,367	197,367	182,685	-	14,682
Community support	-	683,446	683,446	676,786	-	6,660
Grant support	-	-	-	56,002	-	(56,002)
Capital outlay	687,834	377,000	1,064,834	817,025	565,639	(317,830)
Debt service	-	2,374,092	2,374,092	2,396,629	-	(22,537)
Total expenditures	687,834	9,893,988	10,581,822	10,197,821	565,639	(181,638)
Excess (deficiency) of revenues over expenditures	(687,834)	4,637,334	3,949,500	3,738,691	(565,639)	(776,448)
Other financing sources and (uses):						
Transfer from other funds	-	434,381	434,381	253,364	-	(181,017)
Transfer to other funds	-	(5,071,715)	(5,071,715)	(5,095,727)	-	(24,012)
	-	(4,637,334)	(4,637,334)	(4,842,363)	-	(205,029)
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (687,834)	\$ -	\$ (687,834)	\$ (1,103,672)	\$ (565,639)	\$ (981,477)
Adjustment of budgetary basis to U.S. GAAP				50,796		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				(1,052,876)		
Fund balance, July 1, 2019				5,809,139		
Fund balance, June 30, 2020				\$ 4,756,263		

*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, 2020

	Original Budget		Total Available	Actual	Encumbrances Carried to FY 20	Variance Favorable (Unfavorable)
	Encumbrances Carried from FY 19	Budget As Adopted				
Revenues						
Federal and State governments	\$ -	\$ 146,885	\$ 146,885	\$ 144,799	\$ -	\$ (2,086)
Other revenues	-	-	-	530	-	530
Total revenues	-	146,885	146,885	145,329	-	(1,556)
Expenditures						
Salaries	-	3,205,381	3,205,381	3,135,417	-	69,964
Employee benefits	-	1,251,035	1,251,035	1,199,797	-	51,238
Purchased services	-	496,160	496,160	554,965	-	(58,805)
Supplies and materials	-	220,017	220,017	167,700	-	52,317
Capital outlay	-	42,200	42,200	28,164	-	14,036
Total expenditures	-	5,214,793	5,214,793	5,086,043	-	128,750
Excess (deficiencies) of revenues over expenditures	-	(5,067,908)	(5,067,908)	(4,940,714)	-	127,194
Other financing sources (uses)						
Transfer from Town of New Shoreham	-	5,070,965	5,070,965	5,070,965	-	-
Transfers in	-	2,982	2,982	3,181	-	199
Transfers out	-	(28,000)	(28,000)	(173,404)	-	(145,404)
Re-appropriated fund balance	-	21,961	21,961	-	-	(21,961)
Total other financing sources (uses)	-	5,067,908	5,067,908	4,900,742	-	(167,166)
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	(39,972)	\$ -	\$ (39,972)
Adjustment of budgetary basis to U.S. GAAP basis				-		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				(39,972)		
Fund balance, July 1, 2019				476,140		
Fund balance, June 30, 2020				<u>\$ 436,168</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, 2020

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Notes to Required Supplementary Information

For the Year Ended June 30, 2020

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ (1,103,672)
Unbudgeted grant revenues	(28,817)
Unbudgeted grant expenditures	(56,002)
Unbudgeted Old Town Rd Transfers in	(28,143)
Unbudgeted BILT Other Transfers in	(253,376)
Unbudgeted miscellaneous expenses	(14,453)
Unbudgeted capital costs	(24,773)
Budgeted principal & interest for Block Island Land Trust bond which offsets note payable	434,381
Increase (decrease) in 60 day accrual	<u>21,979</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u><u>\$ (1,052,876)</u></u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Notes to Required Supplementary Information

For the Year Ended June 30, 2020

	School Unrestricted
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ (39,972)
State contribution to teachers' pension plan revenue on behalf	229,561
State contribution to teacher's pension plan expense on behalf	<u>(229,561)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (39,972)</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to Net Pension Liability- Employees' Retirement System

*Last Ten Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer's proportion of the net pension liability	0.12119414%	0.11872757%	0.10739696%	0.11439191%	0.11463754%
Employer's proportionate share of the net pension liability	\$ 3,867,025	\$ 3,772,270	\$ 3,387,393	\$ 3,412,971	\$ 3,155,975
State's proportionate share of the net pension liability associated with the school district	<u>2,896,802</u>	<u>2,813,842</u>	<u>2,560,055</u>	<u>2,337,384</u>	<u>2,156,063</u>
Total	<u>\$ 6,763,827</u>	<u>\$ 6,586,112</u>	<u>\$ 5,947,448</u>	<u>\$ 5,750,355</u>	<u>\$ 5,312,038</u>
Employer's covered employee payroll	\$ 2,281,923	\$ 2,249,388	\$ 2,138,527	\$ 2,013,831	\$ 1,972,734
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	169.46%	167.70%	158.40%	169.48%	159.98%
Plan fiduciary net position as a percentage of the total pension liability	54.60%	54.30%	54.00%	54.06%	57.55%

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.

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to Net Pension Liability- Employees' Retirement System

*Last Ten Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 322,180	\$ 302,543	\$ 283,141	\$ 251,125	\$ 258,842
Contributions in relation to the actuarially determined contribution	<u>322,180</u>	<u>302,543</u>	<u>283,141</u>	<u>251,125</u>	<u>258,842</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,281,923	\$ 2,249,388	\$ 2,138,527	\$ 2,013,831	\$ 1,972,734
Contributions as a percentage of covered- employee payroll	14.12%	13.45%	13.24%	12.47%	13.12%

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.*

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to Net Pension Liability- Employees' Retirement System
 Municipal Employees' Retirement System (MERS) – General Employee Plan

*Last Ten Years**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
A. Total pension liability					
1. Service Cost	\$ 204,123	\$ 207,410	\$ 187,499	\$ 198,515	\$ 194,848
2. Interest on the Total Pension Liability	564,961	534,919	519,815	505,381	480,925
3. Changes of benefit terms	-	-	-	-	108,714
4. Difference between expected and actual experience of the Total Pension Liability	(12,231)	93,112	24,167	(164,932)	(171,167)
5. Changes of assumptions	-	-	352,282	-	-
6. Benefit payments, including refunds of employee contributions	(416,589)	(392,676)	(373,082)	(308,932)	(269,199)
7. Net change in total pension liability	340,264	442,765	710,681	230,032	344,121
8. Total pension liability – beginning	8,177,104	7,734,339	7,023,658	6,793,626	6,449,505
9. Total pension liability – ending (a)	<u>\$ 8,517,368</u>	<u>\$ 8,177,104</u>	<u>\$ 7,734,339</u>	<u>\$ 7,023,658</u>	<u>\$ 6,793,626</u>
B. Plan fiduciary net position					
1. Contributions – employer	\$ 158,708	\$ 163,153	\$ 176,642	\$ 177,648	\$ 170,916
2. Contributions – employee	62,942	62,060	58,797	59,083	42,359
3. Net investment income	483,638	563,546	758,523	(1,278)	154,895
4. Benefit payments, including refunds of employee contributions	(416,589)	(392,676)	(373,082)	(308,932)	(269,199)
5. Pension Plan Administrative Expense	(7,558)	(7,502)	(7,166)	(7,085)	(6,213)
6. Other	(1,457)	-	(18)	1	-
7. Net change in plan fiduciary net position	279,684	388,581	613,696	(80,563)	92,758
8. Plan fiduciary net position – beginning	7,531,214	7,142,633	6,528,937	6,609,500	6,516,742
9. Plan fiduciary net position – ending (b)	<u>\$ 7,810,898</u>	<u>\$ 7,531,214</u>	<u>\$ 7,142,633</u>	<u>\$ 6,528,937</u>	<u>\$ 6,609,500</u>
C. Net pension liability - ending (a) - (b)	\$ 706,470	\$ 645,890	\$ 591,706	\$ 494,721	\$ 184,126
D. Plan fiduciary net position as a percentage of the total pension liability	91.71%	92.10%	92.96%	92.96%	97.29%
E. Covered employee payroll	\$ 2,441,660	\$ 2,392,271	\$ 2,261,744	\$ 2,213,104	\$ 2,117,910
F. Net pension liability as a percentage of covered payroll	28.93%	27.00%	26.16%	22.35%	8.69%

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to Net Pension Liability- Employees' Retirement System
 Municipal Employees' Retirement System (MERS) – General Employee Plan

*Last Ten Years**

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Actuarially determined contribution	\$ 156,178	\$ 122,379	\$ 163,153	\$ 176,642	\$ 177,648
Contributions in relation to the actuarially determined contribution	<u>156,178</u>	<u>122,379</u>	<u>163,153</u>	<u>176,642</u>	<u>177,648</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,441,660	\$ 2,392,271	\$ 2,363,522	\$ 2,261,744	\$ 2,213,104
Contributions as a percentage of covered-employee payroll	6.40%	5.12%	6.90%	7.81%	8.03%

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.*

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to Net Pension Liability- Employees' Retirement System
 Municipal Employees' Retirement System (MERS) – Police Department Plan

*Last Ten Years**

	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
A. Total pension liability					
1. Service Cost	\$ 84,050	\$ 80,284	\$ 68,447	\$ 55,494	\$ 53,176
2. Interest on the Total Pension Liability	150,926	136,509	130,826	125,264	113,763
3. Changes of benefit terms	-	-	-	-	37,126
4. Difference between expected and actual experience of the Total Pension Liability	(3,460)	66,028	(28,339)	(33,733)	26,464
5. Changes of assumptions	-	-	107,933	-	-
6. Benefit payments, including refunds of employee contributions	<u>(78,805)</u>	<u>(78,671)</u>	<u>(79,345)</u>	<u>(79,345)</u>	<u>(77,346)</u>
7. Net change in total pension liability	152,711	204,150	199,522	67,680	153,183
8. Total pension liability – beginning	<u>2,153,466</u>	<u>1,949,316</u>	<u>1,749,794</u>	<u>1,682,114</u>	<u>1,528,931</u>
9. Total pension liability – ending (a)	<u>\$ 2,306,177</u>	<u>\$ 2,153,466</u>	<u>\$ 1,949,316</u>	<u>\$ 1,749,794</u>	<u>\$ 1,682,114</u>
B. Plan fiduciary net position					
1. Contributions – employer	\$ 81,086	\$ 76,772	\$ 87,723	\$ 70,840	\$ 73,342
2. Contributions – employee	44,237	42,350	39,445	29,982	24,078
3. Net investment income	105,079	115,731	147,774	(405)	26,912
4. Benefit payments, including refunds of employee contributions	(78,805)	(78,671)	(79,345)	(79,345)	(77,346)
5. Pension Plan Administrative Expense	(1,642)	(1,541)	(1,396)	(1,091)	(1,080)
6. Other	<u>479</u>	<u>478</u>	<u>28,974</u>	<u>-</u>	<u>670</u>
7. Net change in plan fiduciary net position	150,434	155,119	223,175	19,981	46,576
8. Plan fiduciary net position – beginning	<u>1,546,630</u>	<u>1,391,511</u>	<u>1,168,336</u>	<u>1,148,355</u>	<u>1,101,779</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 1,697,064</u>	<u>\$ 1,546,630</u>	<u>\$ 1,391,511</u>	<u>\$ 1,168,336</u>	<u>\$ 1,148,355</u>
C. Net pension liability - ending (a) - (b)	\$ 609,113	\$ 606,836	\$ 557,805	\$ 581,458	\$ 533,759
D. Plan fiduciary net position as a percentage of the total pension liability	73.59%	71.82%	71.38%	66.77%	68.27%
E. Covered employee payroll	\$ 400,621	\$ 381,759	\$ 362,343	\$ 302,090	\$ 290,580
F. Net pension liability as a percentage of covered payroll	152.04%	158.96%	153.94%	192.48%	183.69%

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

*Last Ten Years**

	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Actuarially determined contribution	\$ 86,873	\$ 78,078	\$ 76,772	\$ 87,723	\$ 70,840
Contributions in relation to the actuarially determined contribution	<u>86,873</u>	<u>78,078</u>	<u>76,772</u>	<u>87,723</u>	<u>70,840</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 400,621	\$ 381,759	\$ 375,025	\$ 362,343	\$ 302,090
Contributions as a percentage of covered-employee payroll	21.68%	20.45%	20.47%	24.21%	23.45%

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.*

**Schedule is intended to show information or ten years- additional years will be displayed as they become available*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2020

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

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

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

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

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

June 30, 2019 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

June 30, 2018 measurement date –

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 measurement date –

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

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

June 30, 2016 measurement date –

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2020

June 30, 2015 measurement date –

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

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

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

*Last Ten Years**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Actuarial determined contribution	\$ 23,466	\$ 25,882	\$ 58,123	\$ 59,397	\$ 69,632
Contributions in relation to the actuarially determined contribution	38,511	62,483	72,587	168,761	110,777
Contribution deficiency (excess)	<u>\$ (15,045)</u>	<u>\$ (36,601)</u>	<u>\$ (14,464)</u>	<u>\$ (109,364)</u>	<u>\$ (41,145)</u>
 Covered-employee payroll	 \$ 2,150,555	 \$ 2,116,782	 \$ 2,063,140	 \$ 2,066,162	 \$ 2,013,803
 Contributions as a percentage of covered-employee payroll	 1.79%	 2.95%	 3.52%	 8.17%	 5.50%

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

Valuation Date: Actuarially Determined Contribution was calculated as of July 1, 2019.
 Actuarial Cost Method: Entry Age Normal Actuarial Cost Method
 Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2019.

Actuarial Assumptions:

Investment Rate of Return: 5.50%, net of OPEB plan investment expense
 Medical inflation: 6.50% in 2019 reducing by 0.2% each year to an ultimate rate of 4.60% per year rate for 2029 and later.
 Inflation: 2.60% as of June 30, 2019 and for future periods
 Salary Increases: 2.60% annually as of June 30, 2019 and for future periods
 Pre-Retirement Mortality: Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables projected to the valuation date with Scale MP-2019.
 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: 65% of active members are assumed to be married and elect spousal benefits at retirement with wives 3 years younger than husbands.
 Changes in Assumptions: Effective July 1, 2019
 • Mortality

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

Last Ten Years*

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total OPEB liability					
Service cost	\$ 33,966	\$ 32,472	\$ 31,044	\$ 45,176	\$ 44,031
Interest on net OPEB liability and service cost	42,318	40,199	42,924	32,726	33,236
Differences between actual and expected experience	(321,174)	(19,492)	(102,667)	6,032	16,556
Changes of assumptions	(11,477)	-	10,324	(153,599)	-
Benefit payments, including refunds	<u>(4,511)</u>	<u>(27,483)</u>	<u>(37,587)</u>	<u>(97,704)</u>	<u>(110,777)</u>
Net change in total OPEB liability	(260,878)	25,696	(55,962)	(167,369)	(16,954)
Total OPEB liability - beginning	<u>737,672</u>	<u>711,976</u>	<u>767,938</u>	<u>935,307</u>	<u>952,261</u>
Total OPEB liability - ending	<u>\$ 476,794</u>	<u>\$ 737,672</u>	<u>\$ 711,976</u>	<u>\$ 767,938</u>	<u>\$ 935,307</u>
OPEB fiduciary net position					
Benefit payments, including refunds	\$ (4,511)	\$ (27,483)	\$ (37,587)	\$ (97,704)	\$ (110,777)
Contributions - employer	38,511	62,483	72,587	168,761	110,777
Net investment income	<u>12,295</u>	<u>(5,031)</u>	<u>6,939</u>	<u>6,822</u>	<u>4,366</u>
Net change in plan fiduciary net position	46,295	29,969	41,939	77,879	4,366
Plan fiduciary net position - beginning	<u>240,390</u>	<u>210,421</u>	<u>168,482</u>	<u>90,603</u>	<u>86,237</u>
Plan fiduciary net position - ending	<u>\$ 286,685</u>	<u>\$ 240,390</u>	<u>\$ 210,421</u>	<u>\$ 168,482</u>	<u>\$ 90,603</u>
Plan's net pension liability - ending	<u>\$ 190,109</u>	<u>\$ 497,282</u>	<u>\$ 501,555</u>	<u>\$ 599,456</u>	<u>\$ 844,704</u>

*Fifth year of implementation of GASB 74, therefore only five 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

Last Ten Years*

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability (TOL)	Net OPEB Liability (NOL)	Funded Ratio	Covered Payroll	NOL as a % of Covered Payroll
6/30/2020	286,685	476,794	190,109	60.13%	2,150,555	8.84%
6/30/2019	240,390	737,672	497,282	32.59%	2,116,782	23.49%
6/30/2018	210,421	711,976	501,555	29.55%	2,063,140	24.31%
6/30/2017	168,482	767,938	599,456	21.94%	2,066,162	29.01%
6/30/2016	90,603	935,307	844,704	9.69%	2,013,803	41.95%

*Fifth year of implementation of GASB 74, therefore only five 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

Last Ten Years*

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	6.49%	-2.39%	4.12%	5.80%

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Sewer Enterprise Fund

For the Year Ended June 30, 2020

	Original Budget As Adopted	Additional Appropriations and Transfers	Total Available	Actual	Variance Favorable (Unfavorable)
Revenue					
Charges for services	\$ 1,396,111	\$ -	\$ 1,396,111	\$ 1,301,216	\$ (94,895)
Interest income	8,000	-	8,000	17,026	9,026
Water contract	-	-	-	-	-
Miscellaneous	119,402	-	119,402	53,859	(65,543)
Total revenue	<u>1,523,513</u>	<u>-</u>	<u>1,523,513</u>	<u>1,372,101</u>	<u>(151,412)</u>
Expenses					
Personnel services	357,521	-	357,521	360,235	(2,714)
Purchase of services	393,150	-	393,150	318,341	74,809
Supplies	95,000	-	95,000	91,905	3,095
Other charges and expenditures	94,850	-	94,850	58,353	36,497
Capital outlay	95,000	-	95,000	-	95,000
Debt service	127,820	-	127,820	79,222	48,598
Depreciation	360,172	-	360,172	372,074	(11,902)
Total expenses	<u>1,523,513</u>	<u>-</u>	<u>1,523,513</u>	<u>1,280,130</u>	<u>243,383</u>
Excess(deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,971</u>	<u>91,971</u>
Other financing sources (uses):					
Transfers from retained earnings	-	-	-	-	-
Transfers between funds	-	-	-	-	-
Contribution to reserve	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>91,971</u>	<u>\$ 91,971</u>
Adjustments of budgetary basis for US GAAP basis				<u>-</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>91,971</u>	
Fund balance, July 1, 2019				<u>5,782,799</u>	
Fund balance, June 30, 2020				<u><u>\$ 5,874,770</u></u>	

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Water Enterprise Fund

For the Year Ended June 30, 2020

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenues:					
Charges for services	\$ 729,932	\$ -	\$ 729,932	\$ 691,302	\$ (38,630)
Interest income	5,000	-	5,000	8,182	3,182
Miscellaneous	8,000	-	8,000	16,424	8,424
Total revenues	<u>742,932</u>	<u>-</u>	<u>742,932</u>	<u>715,908</u>	<u>(27,024)</u>
Expenses:					
Purchase of services	164,548	-	164,548	124,723	39,825
Supplies	35,500	-	35,500	26,955	8,545
Other charges and expenditures	51,500	-	51,500	48,414	3,086
Depreciation	184,122	-	184,122	182,872	1,250
Debt service	105,213	-	105,213	48,460	56,753
Total expenses	<u>821,721</u>	<u>-</u>	<u>821,721</u>	<u>716,340</u>	<u>105,381</u>
Excess(deficiency) of revenues over expenses	(78,789)	-	(78,789)	(432)	78,357
Other financing sources (uses):					
Contributions from Reserves	78,789	-	78,789	-	(78,789)
Transfers between funds	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(432)	<u>\$ (432)</u>
Adjustments of budgetary basis for US GAAP basis				<u>-</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>(432)</u>	
Fund balance, July 1, 2019				<u>3,596,692</u>	
Fund balance, June 30, 2020				<u>\$ 3,596,260</u>	

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Notes to Supplementary Information

For the Year Ended June 30, 2020

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

	Sewer Enterprise Fund	Water Enterprise Fund
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses (Non-GAAP Budgetary Basis)	\$ 91,971	\$(68,544)
Budgeted debt principal not considered an expense on full accrual statements	-	51,810
Excess (deficiency) of revenues and other sources over expenditures/expenses and other uses (GAAP Basis)	<u>\$ 91,971</u>	<u>\$(16,734)</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2020

Real estate and personal property tax receivable:

Tax Roll Year	Balance July 1, 2019	Assessment	Abatements Refunds	Tranfers/ Adjustments	Amount to be collected	Collections	Balance June 30, 2020	FY 2020 Cash Collections Summary			July - August 2020 (FY 21) Cash Collections Subject to 60-day FY 20 Accrual
								July - August 2019 Collections Subject to 60-day FY19 Accrual	September - June-20 Collections	Total FY 2020 Cash Collections	
2019		\$ 10,447,955	\$ 17,324	(34,258)	\$10,431,021	\$10,172,590	\$ 258,431	\$ -	\$10,172,590	\$ 10,172,590	\$ 121,495
2018	216,567	-	121	97	216,785	178,462	38,323	96,277	82,185	178,462	666
2017	55,172	-	4	-	55,176	28,135	27,041	5,368	22,767	28,135	1,449
2016	2,713	-	-	-	2,713	1,360	1,353	33	1,327	1,360	40
2015	3,558	-	-	-	3,558	-	3,558	-	-	-	8
2014	1,083	-	4	-	1,087	-	1,087	-	-	-	-
2013	735	-	5	-	740	-	740	-	-	-	-
2012	2,172	-	-	(1,520)	652	-	652	-	-	-	-
2011	829	-	-	-	829	32	797	-	32	32	-
2010	445	-	-	(339)	106	-	106	-	-	-	-
2009	250	-	-	(98)	152	-	152	-	-	-	-
2008	273	-	-	(104)	169	-	169	-	-	-	-
2007	50	-	-	-	50	-	50	-	-	-	-
2006	152	-	-	-	152	-	152	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-	-
2004	39	-	-	-	39	-	39	-	-	-	-
2003 and prior	5,792	-	-	-	5,792	-	5,792	-	-	-	-
	<u>\$ 289,830</u>	<u>\$ 10,447,955</u>	<u>\$ 17,458</u>	<u>\$ (36,222)</u>	<u>\$10,719,021</u>	<u>\$10,380,579</u>	<u>\$ 338,442</u>	<u>\$ 101,678</u>	<u>\$10,278,901</u>	<u>\$ 10,380,579</u>	<u>\$ 123,658</u>
Less: Allowance for Uncollectible accounts	<u>40,000</u>						<u>40,000</u>				
	<u>\$ 249,830</u>						<u>\$ 298,442</u>				

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2020

Schedule of property valuation assessed as of December 31, 2019:

	<u>Valuation</u>	<u>Levy</u>
Real property	1,676,116,666	10,234,841
Motor vehicles	15,474,965	101,450
Tangible personal property	<u>18,127,294</u>	<u>111,664</u>
Total	1,709,718,925	10,447,955
Less: Exemptions and motor vehicle phase out		
Real property	(14,619,387)	-
Motor vehicles	(5,064,247)	-
Tangible personal property	<u>-</u>	<u>-</u>
Total	<u><u>1,690,035,290</u></u>	<u><u>10,447,955</u></u>

Reconciliation of Current Year Property Tax Revenue

Current Year Collections	\$ 10,380,579
60-day FY20 Accrual	123,658
<i>July-August 2020 Collections</i>	
60-day FY19 Accrual	<u>(101,678)</u>
<i>July-August 2019 Collections</i>	
Current Year Property Tax Revenue	<u><u>\$ 10,402,559</u></u>

See independent auditors' report

OWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2020

	Special Revenue	Capital Projects	Permanent Trust Funds	Total Non-Major Governmental Funds
Assets				
Cash and cash equivalents	\$ 749,829	\$ 508,920	\$ 231,745	\$ 1,490,494
Investments	26,109	-	-	26,109
Federal and state grants receivable	32,729	641,548	-	674,277
Receivables, other	-	-	-	-
Due from other funds	-	-	9,800	9,800
Total assets	808,667	1,150,468	241,545	2,200,680
Deferred outflows of resources				
Deferred outflows	-	-	-	-
Total assets and deferred outflows of resources	\$ 808,667	\$ 1,150,468	\$ 241,545	\$ 2,200,680
Liabilities				
Accounts payable and accrued expenses	\$ 332,552	\$ 29,664	\$ -	\$ 362,216
Short-Term Debt	1,000,000	-	-	\$ 1,000,000
Due to other funds	2,589	2,293,979	-	2,296,568
Total liabilities	1,335,141	2,323,643	-	3,658,784
Deferred inflows of resources				
Deferred revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances				
Nonspendable	-	-	241,545	241,545
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	508,920	-	508,920
Unassigned	(526,474)	(1,682,095)	-	(2,208,569)
Total fund balance	(526,474)	(1,173,175)	241,545	(1,458,104)
Total liabilities, deferred inflows of resources, and fund balance	\$ 808,667	\$ 1,150,468	\$ 241,545	\$ 2,200,680

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, 2020

	Special Revenue	Capital Projects	Permanent Trust Funds	Total Non-Major Governmental Funds
Revenues				
Other revenue	\$ 447,820	\$ 35,000	\$ 9,800	\$ 492,620
Investment income	1,346	-	1,162	2,508
Total revenue	449,166	35,000	10,962	495,128
Expenditures				
General Government	-	-	-	-
Public Safety	-	-	-	-
Health and human services	-	-	-	-
Education	-	-	-	-
Public Works	-	-	-	-
Recreation, library, and other	83,552	-	-	83,552
Public infrastructure	-	1,486,751	-	1,486,751
Economic development	2,112,591	-	-	2,112,591
Capital outlay	-	-	-	-
Total Expenditures	2,196,143	1,486,751	-	3,682,894
Excess (deficiency) of revenues over expenditures	(1,746,977)	(1,451,751)	10,962	(3,187,766)
Other financing sources (uses)				
Bond proceeds	-	-	-	-
Department of transportation	-	173,749	-	173,749
Transfers in	5,000	-	-	5,000
Transfers out	(174,001)	-	-	(174,001)
Total other financing sources (uses)	(169,001)	173,749	-	4,748
Excess of revenue and other sources over expenditures and other uses	(1,915,978)	(1,278,002)	10,962	(3,183,018)
Fund balance, July 1, 2019	1,389,504	104,827	230,583	1,724,914
Fund balance, June 30, 2020	<u>\$ (526,474)</u>	<u>\$ (1,173,175)</u>	<u>\$ 241,545</u>	<u>\$ (1,458,104)</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Combining Balance Sheet - School Department

June 30, 2020

	School Restricted				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Assets					
Cash and cash equivalents	\$ 93,970	\$ -	\$ -	\$ 4,605	\$ 98,575
Receivables, other	9,364	-	-	-	9,364
Due from state and federal government	6,277	-	-	-	6,277
Due from Town of New Shoreham	131,729	13,503	-	-	145,232
Due from other funds	672,270	101,969	-	10,940	785,179
Total assets	913,610	115,472	-	15,545	1,044,627
Deferred outflows of resources					
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 913,610	\$ 115,472	\$ -	\$ 15,545	\$ 1,044,627
Liabilities					
Accounts payable and accrued expenses	\$ 475,266	\$ -	\$ -	\$ -	\$ 475,266
Due to other funds	2,176	115,472	-	16,327	133,975
Total liabilities	477,442	115,472	-	16,327	609,241
Deferred inflows of resources					
Deferred Revenue	-	-	-	(782)	(782)
Total deferred inflows of resources	-	-	-	(782)	(782)
Fund balances					
Restricted	-	-	-	-	-
Assigned	436,168	-	-	-	436,168
Total fund balance	436,168	-	-	-	436,168
Total liabilities, deferred inflows of resources, and fund balance	\$ 913,610	\$ 115,472	\$ -	\$ 15,545	\$ 1,044,627

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, 2020

	School Restricted				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Revenues					
Federal and state grant income	\$ 119,799	\$ 69,374	\$ -	\$ -	\$ 189,173
Medicaid reimbursement	25,000	-	-	-	25,000
Charges for services	-	-	-	40,175	40,175
Other revenue	530	-	-	-	530
State contribution to teachers' pension plan	229,561	-	-	-	229,561
Total revenue	374,890	69,374	-	40,175	484,439
Expenditures					
Education	5,315,604	69,374	144,784	68,795	5,598,557
Total Expenditures	5,315,604	69,374	144,784	68,795	5,598,557
Excess (deficiency) of revenues over expenditures	(4,940,714)	-	(144,784)	(28,620)	(5,114,118)
Other financing sources (uses):					
Transfers in	5,074,146	-	144,784	28,620	5,247,550
Transfers out	(173,404)	-	-	-	(173,404)
Total other financing sources (uses)	4,900,742	-	144,784	28,620	5,074,146
Excess of revenue and other sources over expenditures and other uses	(39,972)	-	-	-	(39,972)
Fund balance, July 1, 2019	476,140	-	-	-	476,140
Fund balance, June 30, 2020	\$ 436,168	\$ -	\$ -	\$ -	\$ 436,168

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

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)

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 10,142,820	\$ -
Last Year's Levy Tax Collection	178,462	-
Prior Years Property Tax Collection	29,294	-
Interest & Penalty	56,072	-
PILOT & Tax Treaty (excluded from levy) Collection	21,867	-
Other Local Property Taxes	-	-
Licenses and Permits	372,326	-
Fines and Forfeitures	20,977	-
Investment Income	4,384	-
Departmental	1,899,230	-
Rescue Run Revenue	-	-
Police & Fire Detail	2,340	-
Other Local Non-Property Tax Revenues	167,583	-
Tuition	-	-
Impact Aid	-	-
Medicaid	-	25,000
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	8,662
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	69,061
COVID - ESSER	-	-
COVID - CRF	-	-
COVID - CDBG	-	-
COVID - FEMA	-	-
COVID - Other	1,000	-
MV Excise Tax Reimbursement	6,910	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	91,829	-
Library Construction Aid	62,532	-
Public Service Corporation Tax	10,461	-
Meals & Beverage Tax / Hotel Tax	949,696	-
LEA Aid	-	119,799
Group Home	-	-
Housing Aid Capital Projects	-	-
Housing Aid Bonded Debt	199,536	-
State Food Service Revenue	-	423
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	36,398	313
Motor Vehicle Phase Out	37,134	-
Other Revenue	27,817	31,620
Local Appropriation for Education	-	3,070,963
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 14,338,668	\$ 3,323,844
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	253,364	3,181
Financing Sources: Debt Proceeds	1,000,000	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 1,253,364	\$ 3,181

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

<u>EXPENDITURES</u>	<u>General Government</u>	<u>Finance</u>	<u>Social Services</u>	<u>Centralized IT</u>	<u>Planning</u>	<u>Libraries</u>	<u>Public Works</u>	<u>Parks and Rec</u>	<u>Police Department</u>
Compensation- Group A	\$ 486,809	\$ 259,751	\$ 14,360	\$ -	\$ 256,521	\$ 224,724	\$ 459,987	\$ 161,677	\$ 610,761
Compensation - Group B	-	-	-	-	-	-	-	-	20,080
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	-	-	-	-	-	-	-	-	60,416
Overtime - Group B	-	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	17,920
Active Medical Insurance - Group A	90,975	46,787	-	-	38,707	64,997	79,433	26,043	94,918
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	8,615
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental Insurance- Group A	3,626	3,629	-	-	3,916	4,069	4,849	1,471	4,756
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	572
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	37,615	20,207	1,099	-	19,985	17,631	35,820	12,519	49,016
Life Insurance	2,033	1,460	-	-	1,413	1,273	1,681	524	70
State Defined Contribution- Group A	4,518	2,908	-	-	2,028	2,706	4,081	1,045	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	249
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	11,500	-	-	-	-	-	-	-	-
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	28,283	18,210	-	-	12,697	16,948	25,596	6,545	87,919
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	1,358
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	8,476	4,888	-	-	3,120	5,408	8,684	1,976	7,098
Purchased Services	297,194	3,292	-	145,025	74,920	36,746	197,023	76,273	17,640
Materials/Supplies	10,069	9,053	-	5,433	1,693	11,092	24,048	1,339	8,954
Software Licenses	-	-	-	118,145	-	-	-	-	-
Capital Outlays	2,103,706	-	-	28,357	-	12,528	295,594	48,772	59,900
Insurance	258,056	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	52,495	148,629	45,712	8,854
Vehicle Operations	-	-	-	-	-	-	-	1,000	17,968
Utilities	65,610	-	-	-	-	25,875	99,171	3,308	8,949
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,548	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	1,103	-	-
Trash Removal & Recycling	-	-	-	-	-	-	108,170	-	-
Claims & Settlements	-	-	-	-	-	-	-	-	-
Community Support	638,185	-	-	-	-	-	-	-	-
Other Operation Expenditures	130,900	28,072	21,635	8,244	23,409	34,345	178,123	49,166	59,323
Tipping Fees	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
OPFB Contribution- Total	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 4,179,575	\$ 398,257	\$ 37,094	\$ 305,206	\$ 458,409	\$ 510,837	\$ 1,677,520	\$ 437,370	\$ 1,145,536

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ -	\$ 201,728	\$ 700	\$ -	\$ -	\$ -	\$ 2,677,018	\$ 2,337,821
Compensation - Group B	-	-	-	-	-	-	20,080	319,315
Compensation - Group C	-	-	-	-	-	-	-	499,206
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	-	-	-	-	-	60,416	-
Overtime - Group B	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	2,248
Police & Fire Detail	-	-	-	-	-	-	17,920	-
Active Medical Insurance - Group A	-	62,075	-	-	-	-	523,955	321,286
Active Medical Insurance- Group B	-	-	-	-	-	-	8,615	32,250
Active Medical Insurance- Group C	-	-	-	-	-	-	-	104,549
Active Dental Insurance- Group A	-	3,748	-	-	-	-	32,064	21,528
Active Dental Insurance- Group B	-	-	-	-	-	-	572	2,251
Active Dental Insurance- Group C	-	-	-	-	-	-	-	5,752
Payroll Taxes	-	15,791	-	-	-	-	209,683	240,896
Life Insurance	-	1,143	-	-	-	-	9,617	15,598
State Defined Contribution- Group A	-	2,028	-	-	-	-	19,314	13,411
State Defined Contribution - Group B	-	-	-	-	-	-	249	789
State Defined Contribution - Group C	-	-	-	-	-	-	-	4,261
Other Benefits- Group A	-	-	-	-	-	-	11,500	28,098
Other Benefits- Group B	-	-	-	-	-	-	-	3,429
Other Benefits- Group C	-	-	-	-	-	-	-	12,991
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	-	12,700	-	-	-	-	208,858	306,532
State Defined Benefit Pension - Group B	-	-	-	-	-	-	1,558	21,364
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	29,402
Other Defined Benefit / Contribution	-	3,198	-	-	-	-	42,848	-
Purchased Services	-	-	-	-	-	-	848,113	548,095
Materials/Supplies	-	90	-	-	-	-	71,773	64,069
Software Licenses	-	-	-	-	-	-	118,145	14,363
Capital Outlays	484,142	-	-	-	-	-	3,032,999	180,008
Insurance	-	-	-	-	-	-	258,056	13,211
Maintenance	-	6,290	-	-	-	-	261,980	45,272
Vehicle Operations	-	-	-	-	-	-	18,968	3,529
Utilities	-	26,755	-	-	-	-	229,668	123,488
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	5,548	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	1,103	-
Trash Removal & Recycling	-	-	-	-	-	-	108,170	-
Claims & Settlements	-	-	-	-	-	-	-	-
Community Support	-	-	-	-	-	-	638,185	-
Other Operation Expenditures	-	3,394	2,036	-	-	-	538,647	15,800
Tipping Fees	-	-	-	-	-	-	-	-
Local Appropriation for Education	-	-	-	5,070,965	-	-	5,070,965	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	1,260,733	-	1,260,733	-
Municipal Debt- Interest	-	-	-	-	395,014	-	395,014	-
School Debt- Principal	-	-	-	-	629,959	-	629,959	-
School Debt- Interest	-	-	-	-	110,923	-	110,923	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	37,181
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 484,142	\$ 338,940	\$ 2,736	\$ 5,070,965	\$ 2,396,629	\$ -	\$ 17,443,216	\$ 5,368,995

Financing Uses: Transfer to Capital Funds	\$ (11)	\$ -
Financing Uses: Transfer to Other Funds	169,001	-
Financing Uses: Payment to Bond Escrow Agent	750	-
Financing Uses: Other	24,033	-
Total Other Financing Uses	\$ 193,769	\$ -
Net Change in Fund Balance¹	(2,044,947)	(39,971)
Fund Balance¹- beginning of year	\$7,135,237	\$476,140
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	-
Fund Balance² - beginning of year adjusted	7,135,237	476,140
Rounding	-	-
Fund Balance³ - end of year	\$ 5,090,290	\$ 436,169

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

See notes to the supplementary information
See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance ¹ - per MTP-2 at June 30, 2019						\$ 7,135,237	-	\$ 7,135,237	
No funds removed from RGS for fiscal 2020						-	-	-	
No funds added to RGS for Fiscal 2020						-	-	-	
No misc. adjustments made for fiscal 2020						-	-	-	
Fund Balance ¹ - per MTP-2 at June 30, 2019 adjusted						<u>\$ 7,135,237</u>	-	<u>\$ 7,135,237</u>	
General Fund	\$ 13,987,308	\$ 253,364	\$ 10,197,821	\$ 5,095,727	\$ (1,052,876)	\$ 5,809,139	\$ -	\$ 5,809,139	\$ 4,756,263
Landing Fee Fund	182,646	-	-	169,001	13,645	167,469	-	167,469	181,114
Prevention Task Force	-	-	-	-	-	(86)	-	(86)	(86)
Old Harbor Task Force	44,724	-	50,145	-	(5,421)	85,383	-	85,383	79,962
Housing Board	123,990	1,000,000	2,124,285	-	(1,000,295)	1,073,332	-	1,073,332	73,037
Totals per audited financial statements	<u>\$ 14,338,668</u>	<u>\$ 1,253,364</u>	<u>\$ 12,372,251</u>	<u>\$ 5,264,728</u>	<u>\$ (2,044,947)</u>	<u>\$ 7,135,237</u>	<u>\$ -</u>	<u>\$ 7,135,237</u>	<u>\$ 5,090,290</u>
Reconciliation from financial statements to MTP2									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 3,070,965.00	\$ (3,070,965.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 14,338,668</u>	<u>\$ 1,253,364</u>	<u>\$ 17,443,216</u>	<u>\$ 193,763</u>	<u>\$ (2,044,947)</u>	<u>\$ 7,135,237</u>	<u>\$ -</u>	<u>\$ 7,135,237</u>	<u>\$ 5,090,290</u>

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Fund Balance ¹ (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ¹ (Deficit)	Ending Fund Balance ¹ (Deficit)
Fund Balance ¹ - per MTP-2 at June 30, 2019						\$ 476,140	-	\$ 476,140	
<i>No misc. adjustments made for fiscal 2020</i>						-	-	-	
Fund Balance ¹ - per MTP-2 at June 30, 2019 adjusted						<u>\$ 476,140</u>	-	<u>\$ 476,140</u>	
School Unrestricted Fund	\$ 374,890	\$ 5,074,146	\$ 5,315,603	\$ 173,404	\$ (39,971)	\$ 476,140	\$ -	\$ 476,140	\$ 436,169
Enterprise Fund1	-	-	-	-	-	-	-	-	-
SBA School Capital Project Fund	-	144,784	144,784	-	-	-	-	-	-
School Special Revenue Funds	109,549	28,620	138,169	-	-	-	-	-	-
Totals per audited financial statements	<u>\$ 484,439</u>	<u>\$ 5,247,550</u>	<u>\$ 5,598,556</u>	<u>\$ 173,404</u>	<u>\$ (39,971)</u>	<u>\$ 476,140</u>	<u>\$ -</u>	<u>\$ 476,140</u>	<u>\$ 436,169</u>
Reconciliation from financial statements to MTP2									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 5,070,965	\$ (5,070,965)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(229,561)	-	(229,561)	-	-	-	-	-	-
Transfers from Unrestricted fund not included on MTP or UCOA file	-	-	-	(173,404)	173,404	-	-	-	-
Transfers from Special Revenue funds not included on MTP or UCOA file	-	-	-	-	-	-	-	-	-
Transfers to Capital fund not included on MTP or UCOA file	-	(144,784)	-	-	(144,784)	-	-	-	-
Transfers to Special Revenue funds not included on MTP or UCOA file	-	(28,620)	-	-	(28,620)	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 5,325,844</u>	<u>\$ 3,181</u>	<u>\$ 5,368,995</u>	<u>\$ -</u>	<u>\$ (39,971)</u>	<u>\$ 476,140</u>	<u>\$ -</u>	<u>\$ 476,140</u>	<u>\$ 436,169</u>
Reconciliation from MTP2 to UCOA									
OPEB trust fund activity included in UCOA but not in the MTP2	<u>16,077</u>	<u>-</u>	<u>601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals per UCOA Validated Totals Report	<u>\$ 5,341,921</u>	<u>\$ -</u>	<u>\$ 5,369,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

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

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.

See independent auditors’ report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Annual Supplemental Transparency Portal (MTP2)

For the Year Ended June 30, 2020

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

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

NOTE 5. Education Revenue and Expenditures

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

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

See independent auditors’ report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 10, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Fall River, Massachusetts
November 10, 2020