

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

TOWN OF NEW SHOREHAM, RHODE ISLAND

June 30, 2015

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CERTIFIED PUBLIC ACCOUNTANTS
126 President Avenue
Fall River, MA 02720
TEL. (508) 675-7889
FAX (508) 675-7859
www.hague-sahady.com

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

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015, the Town adopted new accounting guidance, *GASB No. 67, Financial Reporting for Pension Plans and GASB No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

Hague, Sahady & Co. PC

Fall River, Massachusetts
December 1, 2015

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

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, 2015. 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, 2015 by \$30,856,572 (net position). Net position includes \$25,939,646 net investment in capital assets; \$4,250,462 of restricted net position; and \$666,464 of unrestricted net position that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets plus deferred outflows were \$59,131,224 and total liabilities plus deferred inflows were \$28,274,652 at June 30, 2015. The Town's total net position increased by \$2,109,700 in FY 2015.

As of June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$7,435,523, an increase of \$580,185 from the prior year.

As of June 30, 2015, the unassigned fund balance for the General Fund was \$1,439,147, or 11.5% of total budgeted 2015 General Fund expenditures and other financial uses of \$12,632,186. This amount is available for spending at the Town's discretion.

The Town total debt decreased by \$1,573,715 (6.2%) during the current fiscal year. The key factors in this decrease was the retirement of principal and other long-term obligations.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The government-wide financial statements include two statements:

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

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

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; state roads; harbors; building official; recreation; library; GIS/Technology; boards and commissions; community support and education. The business-type activities of the Town include a Sewer Fund and a Water Fund.

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

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

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

Fund Financial Statements

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

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

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

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

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

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Fund Financial Statements (Continued)

Governmental Funds (Continued)

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

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

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

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

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

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

The basic fiduciary fund financial statement can be found on page 26 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 27-63 of this report.

Other Required Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund and the School Unrestricted Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages 64-73 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 \$30,856,572 at June 30, 2015.

Net investment in capital assets, comprises \$25,939,646, or 84.1% of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position totaling \$4,250,462 or 13.8%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$199,885 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$666,464, may be used to meet the government's ongoing obligations to citizens and creditors.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Government-Wide Financial Analysis (Continued)

Town of New Shoreham's Net Position - Primary Government

June 30, 2015 and 2014

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>\$ Change</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2015</u>	<u>2014</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	
Assets							
Current assets	\$ 9,499,399	\$ 8,570,669	\$ 1,697,072	\$ 1,764,138	\$ 11,196,471	\$ 10,334,807	\$ 861,664
Capital assets	<u>36,635,262</u>	<u>36,710,310</u>	<u>10,768,191</u>	<u>10,655,191</u>	<u>47,403,453</u>	<u>47,365,501</u>	<u>37,952</u>
Total assets	<u>46,134,661</u>	<u>45,280,979</u>	<u>12,465,263</u>	<u>12,419,329</u>	<u>58,599,924</u>	<u>57,700,308</u>	<u>899,616</u>
Deferred outflows of resources							
Net pension activity	<u>531,300</u>	<u>459,493</u>	<u>-</u>	<u>-</u>	<u>531,300</u>	<u>459,493</u>	<u>71,807</u>
Total deferred outflows of resources	<u>531,300</u>	<u>459,493</u>	<u>-</u>	<u>-</u>	<u>531,300</u>	<u>459,493</u>	<u>71,807</u>
Liabilities							
Current liabilities	3,518,131	3,029,023	627,630	1,851,116	4,145,761	4,880,139	(734,378)
Long-term liabilities	<u>19,588,798</u>	<u>21,604,126</u>	<u>3,758,498</u>	<u>2,928,664</u>	<u>23,347,296</u>	<u>24,532,790</u>	<u>(1,185,494)</u>
Total liabilities	<u>23,106,929</u>	<u>24,633,149</u>	<u>4,386,128</u>	<u>4,779,780</u>	<u>27,493,057</u>	<u>29,412,929</u>	<u>(1,919,872)</u>
Deferred inflows of resources							
Net pension activity	<u>781,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,595</u>	<u>-</u>	<u>781,595</u>
Total deferred inflows of resources	<u>781,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,595</u>	<u>-</u>	<u>781,595</u>
Net Assets							
Net investment in capital assets	19,016,896	18,083,960	6,922,750	7,655,641	25,939,646	25,739,601	200,045
Restricted	4,220,462	4,561,741	30,000	25,000	4,250,462	4,586,741	(336,279)
Unrestricted	<u>(459,921)</u>	<u>(1,538,378)</u>	<u>1,126,385</u>	<u>(41,092)</u>	<u>666,464</u>	<u>(1,579,470)</u>	<u>2,245,934</u>
Total net assets	<u>\$ 22,777,437</u>	<u>\$ 21,107,323</u>	<u>\$ 8,079,135</u>	<u>\$ 7,639,549</u>	<u>\$ 30,856,572</u>	<u>\$ 28,746,872</u>	<u>\$ 2,109,700</u>

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 \$24,732,907. Net investment in capital assets, comprises \$22,867,077, or 92.5% of total net position. The remaining balance of net position of the Land Trust, totaling \$1,865,830 is restricted.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Government-Wide Financial Analysis (Continued)

Changes in Net Position

The Town's net position increased by \$2,109,700 in FY 2015. Approximately 58.2% of the Town's total revenue came from taxes and payments in lieu of taxes, while 7.2% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 26.0% 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 2015, governmental activities expenses exceeded program revenues by \$1,520,108. Net revenues from business-type activities exceed program expenses in 2015 by \$439,586.

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

For the Year Ended June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total		\$ Change
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program Revenues:							
Charges for service	\$ 2,206,227	\$ 2,135,247	\$ 1,867,592	\$ 1,692,292	\$ 4,073,819	\$ 3,827,539	\$ 246,280
Operating grants & contributions	269,350	187,561	-	-	269,350	187,561	81,789
Capital grants & contributions	544,436	144,462	318,501	351,968	862,937	496,430	366,507
General Revenues:							
Property taxes	9,106,906	8,838,434	-	-	9,106,906	8,838,434	268,472
Grants and contributions	1,267,693	1,292,191	-	-	1,267,693	1,292,191	(24,498)
Other	13,466	22,832	61,652	46,794	75,118	69,626	5,492
Total revenue	<u>13,408,078</u>	<u>12,620,727</u>	<u>2,247,745</u>	<u>2,091,054</u>	<u>15,655,823</u>	<u>14,711,781</u>	<u>944,042</u>
Expenses:							
General government	1,691,364	2,069,001	-	-	1,691,364	2,069,001	(377,637)
Public safety	1,171,173	1,076,483	-	-	1,171,173	1,076,483	94,690
Education	5,269,435	5,156,175	-	-	5,269,435	5,156,175	113,260
Public works	2,159,926	1,541,203	-	-	2,159,926	1,541,203	618,723
Recreation, library, and other	1,246,525	1,308,996	-	-	1,246,525	1,308,996	(62,471)
Interest on debt	544,143	699,124	-	-	544,143	699,124	(154,981)
Sewer	-	-	1,360,498	1,336,168	1,360,498	1,336,168	24,330
Water	-	-	447,661	392,383	447,661	392,383	55,278
Total expenses	<u>12,082,566</u>	<u>11,850,982</u>	<u>1,808,159</u>	<u>1,728,551</u>	<u>13,890,725</u>	<u>13,579,533</u>	<u>311,192</u>
Transfer from component unit	133,921	143,688	-	-	133,921	143,688	(9,767)
Net bond proceeds	<u>210,681</u>	-	-	-	<u>210,681</u>	-	<u>210,681</u>
Increase(decrease) in net assets	1,670,114	913,433	439,586	362,503	2,109,700	1,275,936	833,764
Net assets-beginning of year, restated *	<u>21,107,323</u>	<u>20,193,890</u>	<u>7,639,549</u>	<u>7,277,046</u>	<u>28,746,872</u>	<u>27,470,936</u>	<u>1,275,936</u>
Net assets-end of year, restated	<u>\$ 22,777,437</u>	<u>\$ 21,107,323</u>	<u>\$ 8,079,135</u>	<u>\$ 7,639,549</u>	<u>\$ 30,856,572</u>	<u>\$ 28,746,872</u>	<u>\$ 2,109,700</u>

* See note 14 to the financial statements. Restatement was primarily due to the implementation of GASB 68.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Governmental Activities

Governmental activities increased the Town's net position by \$1,670,114, or 7.9%, over the prior year. Key elements of this increase are as follows:

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

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

Expenses Net of Program Revenues

	Total Cost of Services		Net Cost of Services		\$ Change
	2015	2014	2015	2014	
Expenses net of program revenues:					
General government	\$ 1,691,364	\$ 2,069,001	\$ 1,358,700	\$ 1,685,717	\$ (327,017)
Public safety	1,171,173	1,076,483	1,112,750	1,037,999	74,751
Public works	2,159,926	1,541,203	569,162	73,281	495,881
Education	5,269,435	5,156,175	5,083,668	5,019,354	64,314
Recreation, library, and other	1,246,525	1,308,996	394,130	868,237	(474,107)
Interest on long-term debt	<u>544,143</u>	<u>699,124</u>	<u>544,143</u>	<u>699,124</u>	<u>(154,981)</u>
Total expenses net of program revenue	<u>\$ 12,082,566</u>	<u>\$ 11,850,982</u>	<u>\$ 9,062,553</u>	<u>\$ 9,383,712</u>	<u>\$ (321,159)</u>

Component Unit

The net position of the Town's Component Unit increased by \$1,069,187. A key element in the increase is revenue derived from the 3% transfer fee.

General Fund Budgetary Highlights

The original budget for FY 2015 adopted at the Financial Town Meeting was \$12,547,668; no changes were made to the final budget.

Actual revenues reported in FY 2015 were greater than budgeted amounts by \$129,585, due principally to an unexpected increase in hotel and meals tax revenue as well as higher than expected building fee permit revenue.

Budget expenditures exceeded actual amounts by \$198,863. The principal reasons for this include:

- Favorable variances noted in Town highways and maintenance as well as Harbor, Library, and GIS/technology.
- A \$54,000 favorable variance in debt service due to refunding in the current year.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$331,772.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

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, 2015 amounts to \$47,403,453 (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 \$37,952, comprised of an increase related to business-type activities of \$113,000 offset by a decrease of \$75,048 related to governmental activities, net of accumulated depreciation.

Additions to capital assets in 2015 for governmental activities included acquisition of property, various renovations and improvements, library books and continued improvements at the School, offset by depreciation expense.

Additions to capital assets for business-type activities were primarily electrical upgrades and extension of a water line, partially offset by depreciation expense.

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

	Capital Asset Administration						
	Governmental Activities		Business-Type Activities		Total		\$ Change
	2015	2014	2015	2014	2015	2014	
Land and land easements	\$ 18,909,776	\$ 18,909,776	\$ 954,203	\$ 954,203	\$ 19,863,979	\$ 19,863,979	\$ -
Construction in progress	228,842	79,759	-	-	228,842	79,759	149,083
Infrastructure, net	1,525,657	1,411,323	7,436,780	7,105,782	8,962,437	8,517,105	445,332
Land improvements, net	3,318,630	3,485,412	-	-	3,318,630	3,485,412	(166,782)
Building & improvements, net	11,306,599	11,864,060	2,191,017	2,353,005	13,497,616	14,217,065	(719,449)
Automobiles and vessels, net	605,528	387,750	-	-	605,528	387,750	217,778
Machinery and equipment, net	400,204	365,557	186,191	242,201	586,395	607,758	(21,363)
Office equipment and furniture, net	307,342	177,394	-	-	307,342	177,394	129,948
Library books and textbooks net	32,684	29,279	-	-	32,684	29,279	3,405
Total	<u>\$ 36,635,262</u>	<u>\$ 36,710,310</u>	<u>\$ 10,768,191</u>	<u>\$ 10,655,191</u>	<u>\$ 47,403,453</u>	<u>\$ 47,365,501</u>	<u>\$ 37,952</u>

Long-term debt. As of June 30, 2015, the Town has total bonded debt outstanding of \$20,064,214, which is backed by the full faith and credit of the Town.

The Town has capital leases outstanding at June 30, 2015 with a balance totaling \$227,003.

Long-term debt includes \$2,755,663 of outstanding loans to the Block Island Water Company and New Shoreham Sewer Commission (business-type activities).

The Town's Component Unit has total notes payable outstanding of \$3,876,714, consisting primarily of general obligation bonds issued through the Town.

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

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
	2015	2014	2015	2014	2015	2014	
General obligation bonds	\$ 17,308,551	\$ 18,521,409	\$ 2,755,663	\$ 2,974,663	\$ 20,064,214	\$ 21,496,072	\$ (1,431,858)
Capital leases	227,003	5,910	-	-	227,003	5,910	221,093
Accrued compensated absences	419,807	371,654	43,498	42,789	463,305	414,443	48,862
Other post-employment benefits	58,000	78,000	-	-	58,000	78,000	(20,000)
ERS - net pension liability	2,947,801	3,339,613	-	-	2,947,801	3,339,613	(391,812)
MERS - net pension liability	<u>359,915</u>	<u>817,000</u>	<u>-</u>	<u>-</u>	<u>359,915</u>	<u>817,000</u>	<u>(457,085)</u>
Total expenditures	<u>\$20,961,162</u>	<u>\$ 18,976,973</u>	<u>\$ 2,799,161</u>	<u>\$ 2,798,452</u>	<u>\$ 23,760,323</u>	<u>\$ 25,334,038</u>	<u>\$ (1,573,715)</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to three percent (3%) of its total equalized valuation. The debt limitation for the Town is \$49,921,795 as of the December 31, 2012 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 and June 2012. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 42-49 of this report.

Component Unit

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

The Land Trust is funded principally by fees levied on qualifying real property transfers within the Town. The transfer fee adopted by the Land Trust for the year ended June 30, 2015 was 3%.

The Land Trust may request the Town to issue bonds for the purpose of financing its activities. The Land Trust has used proceeds from portions of authorized bond amounts for land and land right acquisitions and is responsible for the repayment of all principal and interest. The Land Trust was authorized to bond up to \$6,000,000 in May 2001. It used \$3,500,000 to purchase the Hodge property in FY 2003, and \$450,000 to purchase the Turnip Farm land; there is \$2,050,000 in authority remaining. At the May 2, 2005 Financial Town Meeting, voters authorized an additional \$4,000,000 for total authority of \$6,050,000. During 2012, the Town issued a bond in the amount of \$2,364,000 to finance the Trust's acquisitions. The remaining authority is \$3,876,714.

Continued

Town of New Shoreham, Rhode Island

Management Discussion and Analysis (MD&A)

For the Year Ended June 30, 2015

Economic Factors and Next Year's Budget and Rates

The Town of New Shoreham, popularly known as Block Island, enjoys a favorable economic environment and local indicators point to continued stability. Block Island is a 10 square mile island off the coast of Rhode Island at the mouth of Long Island Sound. The year-round population of approximately 1,051 ranks New Shoreham smallest among the 39 cities and towns in Rhode Island, but the summer population swells to between 15,000 and 20,000. Employment is primarily in service industries, focused on the tourism sector. The predominantly residential tax base (92% residential) shows small but steady growth that brought the net assessed value to \$1,664,059,848 at December 31, 2013.

With the approval of the tax payers at the May 4, 2015 Financial Town meeting, the tax rate on real property increased by \$0.17/\$1,000 (3.2%) to \$5.51/\$1,000.

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

Requests for Information

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

Town of New Shoreham, Rhode Island

Government-Wide Financial Statements - Statement of Net Position

June 30, 2015

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
ASSETS				
Cash and investments	\$ 3,599,286	\$ 1,071,804	\$ 4,671,090	\$ 1,942,825
Receivables, net				
Personal property taxes	329,806	-	329,806	-
User charges	-	243,689	243,689	-
Intergovernmental	445,292	159,639	604,931	-
Departmental and other	297,801	6,873	304,674	655
Due from other funds	876,825	215,067	1,091,892	-
Due from component unit	73,675	-	73,675	-
Notes receivable, net	3,876,714	-	3,876,714	-
Capital assets:				
Capital assets not being depreciated	19,138,618	954,203	20,092,821	26,999,069
Capital assets being depreciated, net	<u>17,496,644</u>	<u>9,813,988</u>	<u>27,310,632</u>	<u>-</u>
Total capital assets	<u>36,635,262</u>	<u>10,768,191</u>	<u>47,403,453</u>	<u>26,999,069</u>
Total assets	<u>46,134,661</u>	<u>12,465,263</u>	<u>58,599,924</u>	<u>28,942,549</u>
DEFERRED OUTFLOWS OF RESOURCES				
ERS - contributions made subsequent to measurement date	250,456	-	250,456	-
MERS - change of assumptions	37,365	-	37,365	-
MERS - contributions made subsequent to measurement date	<u>243,479</u>	<u>-</u>	<u>243,479</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 46,665,961</u>	<u>\$ 12,465,263</u>	<u>\$ 59,131,224</u>	<u>\$ 28,942,549</u>

The accompanying notes are an integral part of this statement

Town of New Shoreham, Rhode Island

Government-Wide Financial Statements - Statement of Net Position

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
LIABILITIES				
Accounts payable and accrued expenses	\$ 861,774	\$ 223,280	\$ 1,085,054	\$ 3,975
Accrued interest	82,812	28,401	111,213	-
Due to federal and state governments	23,283	-	23,283	-
Due to other funds	817,983	273,909	1,091,892	73,675
Current portion of capital leases	60,560	-	60,560	-
Current portion of bonds and notes payable	1,524,410	82,837	1,607,247	368,895
Current portion of OPEB	58,000	-	58,000	-
Current portion of compensated absences	89,309	19,203	108,512	-
Portion due or payable in more than one year:				
Capital leases	166,443	-	166,443	-
Bonds and notes payable	15,784,141	3,734,203	19,518,344	3,507,819
Compensated absences	330,498	24,295	354,793	-
ERS - net pension liability	2,947,801	-	2,947,801	-
MERS - net pension liability	359,915	-	359,915	-
Total liabilities	<u>23,106,929</u>	<u>4,386,128</u>	<u>27,493,057</u>	<u>3,954,364</u>
DEFERRED INFLOWS OF RESOURCES				
ERS - change of assumptions	104,417	-	104,417	-
ERS - net difference between projected and actual investments	253,837	-	253,837	-
MERS - change of assumptions	9,214	-	9,214	-
MERS - net difference between projected and actual investments	414,127	-	414,127	-
Gains on refunding of debt	-	-	-	255,278
Total deferred inflows or resources	<u>781,595</u>	<u>-</u>	<u>781,595</u>	<u>255,278</u>
NET POSITION				
Net investment in capital assets	19,016,896	6,922,750	25,939,646	22,867,077
Restricted	4,220,462	30,000	4,250,462	1,865,830
Unrestricted	(459,921)	1,126,385	666,464	-
Total net position	<u>22,777,437</u>	<u>8,079,135</u>	<u>30,856,572</u>	<u>24,732,907</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 46,665,961</u>	<u>\$ 12,465,263</u>	<u>\$ 59,131,224</u>	<u>\$ 28,942,549</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, 2015

	<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	\$ 1,691,364	\$ 332,664	\$ -	\$ -	\$ (1,358,700)	\$ -	\$ (1,358,700)	\$ -
Public safety	1,171,173	43,148	15,275	-	(1,112,750)	-	(1,112,750)	-
Education	5,269,435	31,739	82,915	71,113	(5,083,668)	-	(5,083,668)	-
Public works	2,159,926	1,569,392	8,091	13,281	(569,162)	-	(569,162)	-
Recreation, library, and other	1,246,525	229,284	163,069	460,042	(394,130)	-	(394,130)	-
Interest on debt	544,143	-	-	-	(544,143)	-	(544,143)	-
Total governmental activities	<u>12,082,566</u>	<u>2,206,227</u>	<u>269,350</u>	<u>544,436</u>	<u>(9,062,553)</u>	<u>-</u>	<u>(9,062,553)</u>	<u>-</u>
Business-Type Activities								
Water	1,360,498	1,215,380	-	439,114	-	293,996	293,996	-
Sewer	447,661	652,212	-	(120,613)	-	83,938	83,938	-
Total business-type activities	<u>1,808,159</u>	<u>1,867,592</u>	<u>-</u>	<u>318,501</u>	<u>-</u>	<u>377,934</u>	<u>377,934</u>	<u>-</u>
Total primary government	<u>13,890,725</u>	<u>4,073,819</u>	<u>269,350</u>	<u>862,937</u>	<u>(9,062,553)</u>	<u>377,934</u>	<u>(8,684,619)</u>	<u>-</u>
Component Units								
Block Island Land Trust	<u>123,002</u>	<u>1,309,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,186,465</u>
Total component units	<u>123,002</u>	<u>1,309,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,186,465</u>
Total Town of New Shoreham	<u>\$ 14,013,727</u>	<u>\$ 5,383,286</u>	<u>\$ 269,350</u>	<u>\$ 862,937</u>	<u>\$ (9,062,553)</u>	<u>\$ 377,934</u>	<u>\$ (8,684,619)</u>	<u>\$ 1,186,465</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, 2015

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Block Island Land Trust</u>
General revenues				
Real estate and personal property, net of reserve for abatements	\$ 9,106,906	\$ -	\$ 9,106,906	\$ -
Hotel and meals tax	585,173	-	585,173	-
State construction aid	273,536	-	273,536	-
Earnings on investments	3,906	-	3,906	32
State aid to town	120,202	-	120,202	-
State aid to education	144,353	-	144,353	-
State contribution to teachers' pension plan	140,523	-	140,523	-
Miscellaneous	13,466	61,652	75,118	16,611
Total general revenues	<u>10,388,065</u>	<u>61,652</u>	<u>10,449,717</u>	<u>16,643</u>
Special Item - transfer from component unit	133,921	-	133,921	-
Bond fees and closing costs	(36,112)	-	(36,112)	-
Bond proceeds	246,793	-	246,793	-
Transfers between funds - operating	-	256,603	256,603	-
Transfers between funds - operating	-	(256,603)	(256,603)	(133,921)
Total general revenues, special items, and transfers	<u>10,732,667</u>	<u>61,652</u>	<u>10,794,319</u>	<u>(117,278)</u>
Changes in net position	1,670,114	439,586	2,109,700	1,069,187
Net position - July 1, 2014, restated	<u>21,107,323</u>	<u>7,639,549</u>	<u>28,746,872</u>	<u>23,663,720</u>
Net position - June 30, 2015	<u>\$ 22,777,437</u>	<u>\$ 8,079,135</u>	<u>\$ 30,856,572</u>	<u>\$ 24,732,907</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2015

	Major Fund General Fund	Major Fund School Department	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 1,764,465	\$ 603,389	\$ 1,231,432	\$ 3,599,286
Receivables:				
Property taxes, net	329,806	-	-	329,806
Intergovernmental	403,483	15,415	26,394	445,292
Other	296,567	1,234	-	297,801
Due from other funds	321,274	546,151	9,400	876,825
Due from component unit	73,675	-	-	73,675
Notes receivable, component unit	<u>3,876,714</u>	<u>-</u>	<u>-</u>	<u>3,876,714</u>
Total assets	<u>7,065,984</u>	<u>1,166,189</u>	<u>1,267,226</u>	<u>9,499,399</u>
Deferred outflows of resources				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,065,984</u>	<u>\$ 1,166,189</u>	<u>\$ 1,267,226</u>	<u>\$ 9,499,399</u>
Liabilities				
Accounts payable and accrued expenses	\$ 390,093	\$ 470,958	\$ 723	\$ 861,774
Due to federal and state governments	23,283	-	-	23,283
Due to other funds	<u>583,379</u>	<u>163,889</u>	<u>70,715</u>	<u>817,983</u>
Total liabilities	<u>996,755</u>	<u>634,847</u>	<u>71,438</u>	<u>1,703,040</u>
Deferred inflows of resources				
Unearned revenue	<u>360,973</u>	<u>(137)</u>	<u>-</u>	<u>360,836</u>
Total deferred inflows of resources	<u>360,973</u>	<u>(137)</u>	<u>-</u>	<u>360,836</u>
Fund balances				
Nonspendable	3,876,714	-	199,885	4,076,599
Restricted	126,690	3,000	14,173	143,863
Committed	64,128	-	350,000	414,128
Assigned	201,577	685,691	673,106	1,560,374
Unassigned	<u>1,439,147</u>	<u>(157,212)</u>	<u>(41,376)</u>	<u>1,240,559</u>
Total fund balance	<u>5,708,256</u>	<u>531,479</u>	<u>1,195,788</u>	<u>7,435,523</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 7,065,984</u>	<u>\$ 1,166,189</u>	<u>\$ 1,267,226</u>	<u>\$ 9,499,399</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, 2015

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Major Fund</u> <u>School</u> <u>Department</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Real estate and personal property taxes	\$ 9,060,869	\$ -	\$ -	\$ 9,060,869
Intergovernmental	1,088,333	174,018	38,089	1,300,440
Licenses, permits, and fees	439,361	-	-	439,361
Investment Income	3,037	-	869	3,906
State contribution to teachers' pension plan	-	166,402	-	166,402
Medicaid reimbursement	-	53,250	-	53,250
Other revenue	<u>1,713,909</u>	<u>105,973</u>	<u>543,810</u>	<u>2,363,692</u>
Total revenue	<u>12,305,509</u>	<u>499,643</u>	<u>582,768</u>	<u>13,387,920</u>
Expenditures				
General government	1,887,687	-	-	1,887,687
Public safety	1,053,206	-	-	1,053,206
Education	-	5,058,144	-	5,058,144
Public works	1,818,057	-	-	1,818,057
Recreation, library, and other	1,200,464	-	112,176	1,312,640
Debt service				
Principal	1,462,241	-	-	1,462,241
Interest	<u>560,362</u>	<u>-</u>	<u>-</u>	<u>560,362</u>
Total expenditures	<u>7,982,017</u>	<u>5,058,144</u>	<u>112,176</u>	<u>13,152,337</u>
Excess (deficiency) of revenues over expenditures	4,323,492	(4,558,501)	470,592	235,583
Other financing sources (uses)				
Bond proceeds	246,793	-	-	246,793
Bond fees and closing costs	(36,112)	-	-	(36,112)
Transfer from component unit	133,921	-	-	133,921
Transfers in	-	4,766,714	-	4,766,714
Transfers out	<u>(4,614,057)</u>	<u>(152,657)</u>	<u>-</u>	<u>(4,766,714)</u>
Other financing sources (uses)	<u>(4,269,455)</u>	<u>4,614,057</u>	<u>-</u>	<u>344,602</u>
Excess of revenue and other sources over expenditures and other uses	54,037	55,556	470,592	580,185
Fund balance, July 1, 2014	<u>5,654,219</u>	<u>475,923</u>	<u>725,196</u>	<u>6,855,338</u>
Fund balance, June 30, 2015	<u>\$ 5,708,256</u>	<u>\$ 531,479</u>	<u>\$ 1,195,788</u>	<u>\$ 7,435,523</u>

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Fund
Balances to the Statement of Net Position

June 30, 2015

Total governmental fund balances	\$ 7,435,523
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	36,635,262
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.	531,300
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	360,836
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.	(781,595)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(82,812)
Long-term liabilities are not due and payable in the current period period and, therefore are not reported in the governmental funds	
Bonds and notes payable	(17,308,551)
Capital leases	(227,003)
Compensated absences	(419,807)
Other postemployment benefits	(58,000)
ERS - net pension liability	(2,947,801)
MERS - net pension liability	<u>(359,915)</u>
Net position of governmental activities	<u>\$ 22,777,437</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, 2015

Net change in fund balances - total governmental funds	\$ 580,185
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.	(75,048)
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.	46,037
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.	991,765
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	16,220
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	20,000
Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(48,154)
Some expenses reported in the Statement of Activities, such as state net pension liability does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>139,109</u>
Change in net position of governmental activities	<u>\$ 1,670,114</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, 2015

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Assets			
Current assets			
Cash and short-term investments	\$ 460,509	\$ 611,295	\$ 1,071,804
Receivables, net:			
User fees	160,500	83,189	243,689
Intergovernmental	159,639	-	159,639
Assessments and miscellaneous fees	6,873	-	6,873
Due from other funds	<u>191,096</u>	<u>23,971</u>	<u>215,067</u>
Total current assets	<u>978,617</u>	<u>718,455</u>	<u>1,697,072</u>
Non-current assets			
Capital assets not being depreciated	892,880	61,323	954,203
Capital assets being depreciated, net	<u>5,327,137</u>	<u>4,486,851</u>	<u>9,813,988</u>
Total non-current assets	<u>6,220,017</u>	<u>4,548,174</u>	<u>10,768,191</u>
Total assets	<u>7,198,634</u>	<u>5,266,629</u>	<u>12,465,263</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 7,198,634</u>	<u>\$ 5,266,629</u>	<u>\$ 12,465,263</u>

The accompanying notes are an integral part of this statement

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Sewer	Water	Total
	Enterprise	Enterprise	Enterprise
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 183,598	\$ 39,682	\$ 223,280
Current portion of serial bonds payable	34,383	48,454	82,837
Current portion of compensated absences	19,203	-	19,203
Accrued interest payable	21,439	6,962	28,401
Due to state	-	-	-
Due to other funds	215,675	58,234	273,909
 Total current liabilities	 474,298	 153,332	 627,630
Non-current liabilities			
Serial bonds payable	2,219,330	1,514,873	3,734,203
Compensated absences	24,295	-	24,295
 Total non-current liabilities	 2,243,625	 1,514,873	 3,758,498
 Total liabilities	 2,717,923	 1,668,205	 4,386,128
 Deferred inflows of resources			
None	-	-	-
 Total deferred inflows of resources	 -	 -	 -
 Net Position			
Invested in capital assets, net of related debt	3,944,865	2,977,885	6,922,750
Restricted	30,000	-	30,000
Unrestricted	505,846	620,539	1,126,385
 Total liabilities, deferred inflows of resources and net position	 \$ 7,198,634	 \$ 5,266,629	 \$ 12,465,263

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, 2015

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Operating revenues			
Charges for services	\$ 1,215,380	\$ 652,212	\$ 1,867,592
Other revenues	<u>50,925</u>	<u>10,727</u>	<u>61,652</u>
 Total operating revenues	 <u>1,266,305</u>	 <u>662,939</u>	 <u>1,929,244</u>
 Operating expenses			
Salaries and benefits	612,159	-	612,159
Services and supplies	357,855	209,994	567,849
Depreciation	<u>330,327</u>	<u>184,848</u>	<u>515,175</u>
 Total operating expenses	 <u>1,300,341</u>	 <u>394,842</u>	 <u>1,695,183</u>
 Operating income (loss)	 <u>(34,036)</u>	 <u>268,097</u>	 <u>234,061</u>
 Nonoperating revenues (expenses)			
Grant activity	439,114	(120,613)	318,501
Interest expense	<u>(60,157)</u>	<u>(52,819)</u>	<u>(112,976)</u>
 Total nonoperating revenue (expenses)	 <u>378,957</u>	 <u>(173,432)</u>	 <u>205,525</u>
 Income (loss) before transfers	 <u>344,921</u>	 <u>94,665</u>	 <u>439,586</u>
 Transfers			
Transfer in - operating	256,603	-	256,603
Transfers out - operating	<u>-</u>	<u>(256,603)</u>	<u>(256,603)</u>
 Total Transfers	 <u>256,603</u>	 <u>(256,603)</u>	 <u>-</u>
 Change in net position	 601,524	 (161,938)	 439,586
 Total net position, July 1, 2014	 <u>3,879,187</u>	 <u>3,760,362</u>	 <u>7,639,549</u>
 Total net position, June 30, 2015	 <u>\$ 4,480,711</u>	 <u>\$ 3,598,424</u>	 <u>\$ 8,079,135</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, 2015

	Business-type Activities		
	Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Cash flows from operating activities			
Cash received from customers	\$ 886,612	\$ 782,199	\$ 1,668,811
Cash due from (to) governments	(164,429)	161,618	(2,811)
Payments to suppliers and employees	(567,056)	(421,860)	(988,916)
Cash received from (to) other funds	<u>70,971</u>	<u>28,089</u>	<u>99,060</u>
Net cash provided (used) by operating activities	<u>226,098</u>	<u>550,046</u>	<u>776,144</u>
Cash flows from noncapital financing activities			
Grant revenue	439,114	(120,613)	318,501
Transfers in (out)	<u>256,603</u>	<u>(256,603)</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>695,717</u>	<u>(377,216)</u>	<u>318,501</u>
Cash flows from capital and related financing activities			
Purchases and construction of capital assets	(605,163)	(23,012)	(628,175)
Acquisition of capital debt	689,000	221,000	910,000
Repayment of interim loan	(689,000)	-	(689,000)
Principal paid on debt	(23,844)	(43,792)	(67,636)
Interest paid on capital debt	<u>(57,272)</u>	<u>(52,177)</u>	<u>(109,449)</u>
Net cash used by capital and related financing activities	<u>(686,279)</u>	<u>102,019</u>	<u>(584,260)</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	235,536	274,849	510,385
Balances-beginning of the year	<u>224,973</u>	<u>336,446</u>	<u>561,419</u>
Balances-end of the year	<u>\$ 460,509</u>	<u>\$ 611,295</u>	<u>\$ 1,071,804</u>
Displayed as:			
Cash and short-term investments	<u>\$ 460,509</u>	<u>\$ 611,295</u>	<u>\$ 1,071,804</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, 2015

	Business-type Activities Enterprise Funds		
	Sewer Enterprise	Water Enterprise	Total Enterprise
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (34,036)	\$ 268,097	\$ 234,061
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	330,327	184,848	515,175
Change in assets and liabilities:			
(Increase) decrease in user charges receivables, net	(32,112)	(1,353)	(33,465)
(Increase) decrease in due from other funds	-	-	-
(Increase) decrease in utility lien and other receivables	10,274	282,231	292,505
(Increase) decrease in due from government	338,265	(19,854)	318,411
Increase (decrease) in due to other funds	(437,692)	47,943	(389,749)
Increase (decrease) in compensated absences	709	-	709
Increase (decrease) accounts payable and accrued expenses	50,363	(211,866)	(161,503)
Net cash provided (used) by operating activities	\$ 226,098	\$ 550,046	\$ 776,144

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Fiduciary Funds

June 30, 2015

	Agency Funds		
	Student Activities	North Light Fund	Total
Assets			
Cash and investments	\$ 18,898	\$ 4,880	\$ 23,778
Total assets	<u>\$ 18,898</u>	<u>\$ 4,880</u>	<u>\$ 23,778</u>
Liabilities			
Deposits held	\$ 18,898	\$ 4,880	\$ 23,778
Total liabilities	<u>18,898</u>	<u>4,880</u>	<u>23,778</u>
Net Position	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and net position	<u>\$ 18,898</u>	<u>\$ 4,880</u>	<u>\$ 23,778</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

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 nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

C. Basic Financial Statements - Fund Financial Statements

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

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

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

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

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

1. Governmental Funds

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

1. Governmental Funds (Continued)

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

D. Measurement Focus and Basis of Accounting

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

E. Financial Statements Amounts

1. Cash and cash equivalents

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

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

2. Investments

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

The Town does not have a deposit policy for custodial credit risk or other risks, however, this risk is mitigated by collateralization agreements held by the Town which protect their investments.

3. Interfund transactions

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

4. Farm, Forest and Open Space

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

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.

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

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

Government-wide financial statements:

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

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

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

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

Fund financial statements:

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

6. *Compensated absences*

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

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

7. *Long-term obligations*

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

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

8. *Deferred Inflows of Resources (formerly known as 'deferred revenue')*

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

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 notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted Net Position - Net position should be reported as restricted when constraints placed on net position used are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- c) Unrestricted Net Position - Unrestricted equity consists of net position that does not meet the definition of "restricted net position" or "net investment in capital assets".

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

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

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

Fund financial statements

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

9. Fund equity/net position (Continued)

Unassigned - amounts available for any purpose.

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

10. Property tax revenue

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

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4% over that of the preceding fiscal year for 2015.

11. Intergovernmental revenues

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

12. Bond issuance costs

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

13. Use of estimates

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

14. Employees' Retirement System (ERS) Pension

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

15. Municipal Employees' Retirement System (MERS) Pension

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

F. Implementation of New Accounting Principles

For the year ending June 30, 2015, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

The implementation GASB Statements No. 68 and 71 represented a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town recognized its long-term obligation for pension benefits as a liability to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expanded pension related note disclosures and required supplementary information. As a result of this change in accounting principle, the Town has restated its beginning net position within the business-type activities. See "Note 14 Restatement" for more information.

The implementation of GASB Statement No. 69 had no material reporting impact for the Town.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

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

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

NOTE 3: Cash and Investments

At June 30, 2015, the carrying amount of the Town's deposits was \$4,671,090, including \$2,167,029 of cash equivalents, and the total bank balance was \$2,996,921. Included in these balances are deposits of agency funds totaling \$23,778.

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, 2015, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Maturities	Total Bank Balance	Carrying Amount
Deposits:				
Demand deposits	\$ 2,415,021		\$ 2,537,479	\$2,500,223
Petty cash				3,838
Certificate of deposit	779,694	8/25/15-9/30/15	779,694	779,694
Money market	<u>1,387,335</u>		<u>1,387,335</u>	<u>1,387,335</u>
	<u>\$ 4,582,050</u>		<u>\$ 4,704,508</u>	<u>\$4,671,090</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 3: Cash and Investments (Continued)

At June 30, 2015, deposits and investments of the component unit are categorized as follows:

	<u>Maturities</u>	<u>Total Bank Balance</u>	<u>Carrying Value</u>
Demand deposits		\$ 1,414,808	\$ 1,442,738
Investments, US Treasury Bill	N/A		\$ 500,087

NOTE 4: Assets Held In Trust

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2015 totaled approximately \$46,827.

NOTE 5: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2015 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental funds:		
General fund	\$ 321,274	\$ 583,379
School department	546,151	163,889
Nonmajor governmental funds	<u>9,400</u>	<u>70,715</u>
Proprietary funds:		
Sewer	191,096	215,675
Water	<u>23,971</u>	<u>58,234</u>
	<u>\$ 1,091,892</u>	<u>\$ 1,091,892</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Financial Statements

June 30, 2015

NOTE 5: Interfund Receivables/Payables (Continued)

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

	Other Financing Sources	Other Financing Uses
Governmental Funds		
General Fund	\$ -	\$ -
School Department	-	(4,766,714)
Proprietary Funds		
Sewer	256,603	-
Water	-	256,603
Totals	\$ 256,603	\$ (4,510,111)

Funds were transferred from water to sewer in fiscal year 2015 in order to cover operating costs that are more appropriately related to the water fund. This transfer of funds was made in accordance with the current year budget, therefore, it was anticipated prior to the beginning of the fiscal year by the Town.

There were \$4,766,714 of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation, therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 6: Capital Assets

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 18,909,776	\$ -	\$ -	\$ 18,909,776
Construction in progress	<u>79,759</u>	<u>149,083</u>	<u>-</u>	<u>228,842</u>
Subtotal	<u>18,989,535</u>	<u>149,083</u>	<u>-</u>	<u>19,138,618</u>
Other Capital Assets:				
Infrastructure	1,810,045	195,712	-	2,005,757
Land improvements	4,687,559	-	-	4,687,559
Buildings and improvements	20,640,536	142,222	-	20,782,758
Machinery and equipment	1,314,933	125,444	-	1,440,377
Office equipment and furniture	593,667	173,172	-	766,839
Library books and textbooks	173,398	16,143	-	189,541
Automobiles & Vessels	<u>2,095,924</u>	<u>309,840</u>	<u>9,200</u>	<u>2,396,564</u>
Subtotal	<u>31,316,062</u>	<u>962,533</u>	<u>9,200</u>	<u>32,269,395</u>
Accumulated Depreciation:				
Infrastructure	398,722	81,378	-	480,100
Land improvements	1,202,147	166,782	-	1,368,929
Buildings and improvements	8,776,476	699,683	-	9,476,159
Machinery and equipment	949,376	90,797	-	1,040,173
Office equipment and furniture	416,273	43,224	-	459,497
Library books and textbooks	144,119	12,738	-	156,857
Automobiles & Vessels	<u>1,708,174</u>	<u>92,062</u>	<u>9,200</u>	<u>1,791,036</u>
Subtotal	<u>13,595,287</u>	<u>1,186,664</u>	<u>9,200</u>	<u>14,772,751</u>
Net other capital assets	<u>17,720,775</u>	<u>(224,131)</u>	<u>-</u>	<u>17,496,644</u>
Net capital assets	<u><u>\$ 36,710,310</u></u>	<u><u>\$ (75,048)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,635,262</u></u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 6: Capital Assets (Continued)

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Not Being Depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Subtotal	954,203	-	-	954,203
Other Capital Assets:				
Buildings and improvements	4,983,960	-	-	4,983,960
Equipment	1,471,005	-	-	1,471,005
Underground piping	12,857,231	605,163	-	13,462,394
Wells / reserves osmosis / water supply	1,631,749	23,012	-	1,654,761
Subtotal	20,943,945	628,175	-	21,572,120
Accumulated Depreciation				
Buildings and improvements	2,630,635	162,308	-	2,792,943
Equipment	1,226,260	58,554	-	1,284,814
Underground piping	7,014,453	257,697	-	7,272,150
Wells / reserves osmosis / water supply	371,609	36,616	-	408,225
Subtotal	11,242,957	515,175	-	11,758,132
Net other capital assets	9,700,988	113,000	-	9,813,988
Net capital assets	\$ 10,655,191	\$ 113,000	\$ -	\$ 10,768,191

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 6: Capital Assets (Continued)

Depreciation was charged to governmental functions as follows:

General government	\$ 123,006
Public safety	140,056
Public works	268,832
Recreation, library, and other	205,815
Education	448,955
	<u>\$ 1,186,664</u>

Depreciation was charged to proprietary functions as follows:

Sewer Fund	\$ 330,327
Water Fund	184,848
	<u>\$ 515,175</u>

NOTE 7: Long-Term Obligations

At summary of long-term obligations as of June 30, 2015 is as follows:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Bonds and notes	\$ 17,370,847	\$ 3,817,040	\$ 21,187,887
Deferred amounts:			
On refunding	(400,453)	-	(400,453)
On premium	<u>338,157</u>	<u>-</u>	<u>338,157</u>
Subtotal	17,308,551	3,817,040	21,125,591
Capital leases	227,003	-	227,003
Other post-employment benefit obligation	58,000	-	58,000
Accrued compensated absences	<u>419,807</u>	<u>43,498</u>	<u>463,305</u>
Total debt outstanding	18,013,361	3,860,538	21,873,899
Less portion due within one year	<u>1,732,279</u>	<u>102,040</u>	<u>1,609,262</u>
Total long term debt outstanding	<u>\$ 16,281,082</u>	<u>\$ 3,758,498</u>	<u>\$ 20,264,637</u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 18,348,088	\$ 6,470,000	\$ 7,447,241	\$ 17,370,847	\$ 1,517,377
Deferred amounts:					
For issuance costs					
On refunding, restated	(207,207)	(234,000)	40,754	(400,453)	45,697
On premium	<u>380,527</u>	<u>-</u>	<u>(42,370)</u>	<u>338,157</u>	<u>(38,664)</u>
Total bonds payable	<u>18,521,408</u>	<u>6,236,000</u>	<u>7,445,625</u>	<u>17,308,551</u>	<u>1,524,410</u>
Capital leases	5,910	287,838	66,745	227,003	60,560
Other post-employment benefit obligation	78,000	-	20,000	58,000	58,000
Accrued compensated absences	<u>371,654</u>	<u>48,153</u>	<u>0</u>	<u>419,807</u>	<u>89,309</u>
Total long-term obligations	<u>\$ 18,976,972</u>	<u>\$ 6,571,991</u>	<u>\$ 7,532,370</u>	<u>\$ 18,013,361</u>	<u>\$ 1,732,279</u>
Business-type activities:					
Bonds and notes	\$ 297,466	\$ 910,000	\$ 67,624	\$ 1,139,842	\$ 67,634
Accrued compensated absences	<u>42,789</u>	<u>709</u>	<u>-</u>	<u>43,498</u>	<u>19,203</u>
Total long-term obligations	<u>\$ 340,255</u>	<u>\$ 910,709</u>	<u>\$ 67,624</u>	<u>\$ 1,183,340</u>	<u>\$ 86,837</u>
Total government-wide obligations	<u>\$ 19,317,227</u>	<u>\$ 7,482,700</u>	<u>\$ 7,599,994</u>	<u>\$ 19,196,701</u>	<u>\$ 1,819,116</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

<u>Purpose</u>	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2014</u>	<u>New issues</u>	<u>Refundings</u>	<u>Retirements</u>	<u>Balance, June 30, 2015</u>
<i>Governmental activities:</i>									
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 2,970,000	\$ -	\$ -	\$ 135,000	\$ 2,835,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	2,290,000	-	-	150,000	2,140,000
Town Hall Construction 2006	1,350,000	2006	4.0-4.75%	2026	790,000	-	650,000	70,000	70,000
School Construction 2006	1,100,000	2006	4.0-4.75%	2026	660,000	-	550,000	55,000	55,000
School Construction 2005	7,160,000	2005	3.5-4.25%	2025	4,785,000	-	4,785,000	-	-
Thomas Property	240,000	2012	5.25%	2022	193,088	-	-	21,241	171,847
BILT 2012 New Money	2,364,000	2012	2.0-4.0%	2032	2,170,000	-	-	95,000	2,075,000
1998 BILT (Refunding)	311,000	2012	2.0-4.0%	2022	200,000	-	-	55,000	145,000
Hodge Property (Refunding)	599,940	2012	2.0-4.0%	2022	531,058	-	-	57,772	473,286
Hodge Property (Refunding)	2,100,060	2012	2.0-4.0%	2022	1,858,942	-	-	202,228	1,656,714
Refunding bond - school (Refunding)	1,140,340	2012	2.0-4.0%	2022	930,290	-	-	105,270	825,020
Town library (Refunding)	744,120	2012	2.0-4.0%	2022	607,054	-	-	68,693	538,361
Town hall (Refunding)	444,540	2012	2.0-4.0%	2022	362,656	-	-	41,037	321,619
School Construction 2005 (Refunding)	4,930,000	2015	2.25%	2025	-	4,930,000	-	390,000	4,540,000
School Construction 2006 (Refunding)	645,000	2015	2.40%	2026	-	645,000	-	10,000	635,000
Town Hall Construction 2006 (Refunding)	640,000	2015	2.40%	2026	-	640,000	-	5,000	635,000
2014 MRBRF - Weldon's Way	255,000	2015	0.6-3.0%	2029	-	255,000	-	1,000	254,000
Total	<u>\$ 30,439,000</u>				<u>\$ 18,348,088</u>	<u>\$ 6,470,000</u>	<u>\$ 5,985,000</u>	<u>\$ 1,462,241</u>	<u>\$ 17,370,847</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

<u>Purpose</u>	<u>Amount of original issue</u>	<u>Fiscal year of issue</u>	<u>Interest rate</u>	<u>Fiscal year of maturity</u>	<u>Balance, July 1, 2014</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2015</u>
<i>Enterprise Funds:</i>								
<i>Sewer Fund</i>								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 320,701	\$ -	\$ 4,723	\$ 315,978
Sewer improvements	192,500	2006	4.375%	2046	175,186	-	2,612	172,574
Land	472,175	2005	4.25%	2045	422,089	-	6,813	415,276
Sewer improvements	458,000	2012	2.75%	2052	451,569	-	6,608	444,961
2014 Sewer Improvements	219,000	2014	2.75%	2053	219,000	-	3,076	215,924
2015 Sewer Improvements	<u>689,000</u>	2015	2.75%	2055	<u>-</u>	<u>689,000</u>	<u>-</u>	<u>689,000</u>
Total sewer	<u>2,379,675</u>				<u>1,588,545</u>	<u>689,000</u>	<u>23,832</u>	<u>2,253,713</u>
<i>Water Fund</i>								
Discharge	442,000	2007	4.125%	2047	406,184	-	5,995	400,189
Water supply	450,000	2011	3.25%	2051	432,528	-	6,207	426,321
Water supply	179,445	2005	4.25%	2045	160,407	-	2,590	157,817
Clean Water GOB	614,287	2004	3.26%	2024	387,000	-	29,000	358,000
2015 Water Supply	123,000	2015	2.75%	2055	-	123,000	-	123,000
2015 Water Supply	<u>98,000</u>	2015	2.75%	2055	<u>-</u>	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Total water	<u>1,906,732</u>				<u>1,386,119</u>	<u>221,000</u>	<u>43,792</u>	<u>1,563,327</u>
Total enterprise	<u>\$ 4,286,407</u>				<u>\$ 2,974,664</u>	<u>\$ 910,000</u>	<u>\$ 67,624</u>	<u>\$ 3,817,040</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

At June 30, 2015, 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
2016	\$ 1,517,377	\$ 525,185	\$ 2,042,562
2017	1,553,620	480,699	2,034,319
2018	1,519,910	437,744	1,957,654
2019	1,557,268	395,417	1,952,685
2020	1,598,692	351,796	1,950,488
2021-2025	6,634,980	1,106,514	7,741,494
2026-2030	2,674,000	370,286	3,044,286
2031-2032	<u>315,000</u>	<u>19,000</u>	<u>334,000</u>
	<u>\$ 17,370,847</u>	<u>\$ 3,686,641</u>	<u>\$ 21,057,488</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2016	\$ 82,837	\$ 131,999	\$ 214,836
2017	85,667	129,048	214,715
2018	88,563	125,974	214,537
2019	92,527	122,756	215,283
2020	95,562	119,389	214,951
2021-2025	532,010	541,320	1,073,330
2026-2030	399,174	457,526	856,700
2031-2035	474,739	381,961	856,700
2036-2040	565,234	281,467	846,701
2041-2045	673,510	182,980	856,490
2046-2050	446,286	75,937	522,223
2051-2055	<u>280,931</u>	<u>20,523</u>	<u>301,454</u>
	<u>\$ 3,817,040</u>	<u>\$ 2,570,880</u>	<u>\$ 6,387,920</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

Component unit:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	368,895	124,304	493,199
2017	381,673	114,187	495,860
2018	354,451	103,737	458,188
2019	342,229	93,854	436,083
2020	350,007	84,374	434,381
2021-2025	1,084,459	287,265	1,371,724
2026-2030	680,000	147,000	827,000
2031-2032	<u>315,000</u>	<u>19,000</u>	<u>334,000</u>
	<u>\$ 3,876,714</u>	<u>\$ 973,721</u>	<u>\$4,850,435</u>

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

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2013 was \$1,664,059,848 limiting the amount of non-exempted general obligation bonds outstanding to \$49,421,795. At June 30, 2015, general obligation bonds outstanding totaled \$21,187,887, including amounts which are exempt from the cap.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

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

In 2003, the component unit issued a note to the Town in the amount of \$3,500,000 as its portion of the Town's general obligation bond related to the acquisition of the Hodge Property. The terms and payments required on this note generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. As a result of the refunding and the additional bond, as discussed above, the balance of the note receivable from the component unit at June 30, 2015 was \$4,228,942.

Accrued compensated absences:

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

Other post-employment benefits:

Plan Description

The School Department of New Shoreham Post-Employment benefit is a single employer defined benefit postretirement health insurance plan. The 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. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through provisions of Rhode Island General Law, Town Ordinances and through collective bargaining. The plan is financed based on pay as you go basis.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 7: Long-Term Obligations (Continued)

Other post-employment benefits (continued):

Annual OPEB and Net OPEB Obligation

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions" (GASB-45). The Town's annual OPEB cost is calculated using an alternative measurement method. As set forth in paragraph 11 of Implementation Guide GASB 45, a sole employer may use the alternative measurement method if the plan (single-employer plan) has fewer than one hundred total plan members and the Town of New Shoreham has a total of 30 plan members. The Town's annual other post-employment benefit (OPEB) cost is calculated using the estimated amounts that will be paid or payable to covered employees based upon their current actual years of service and the current premium cost (without regard to inflation). For the year ended June 30, 2015, covered payroll under the plan amounts to \$1,915,200 and OPEB expense is \$58,000; which is included in the obligation reported by the Town. The estimated undiscounted total liability for post-employment benefits is as follows:

	2015	2014
Fully vested employees	\$ 1,173,155	\$ 1,299,358
Non-vested employees	<u>-</u>	<u>-</u>
Total liability	<u>\$ 1,173,155</u>	<u>\$ 1,299,358</u>

NOTE 8: Employees' Retirement System (ERS) Defined Benefit 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.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

General Information about the Pension Plan (Continued)

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 covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, the Town's teachers were required to contribute 3.75% of their annual covered salary. The state and the Town are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by the Town; the rates were 8.52% and 12.79% of annual covered payroll for the fiscal year ended June 30, 2015 for the state and the Town, respectively. The Town contributed \$250,456, \$238,478 and \$207,768 for the fiscal years ended June 30, 2015, 2014 and 2013, 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, 2015, the Town reported a liability of \$2,947,801 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 2,947,801
State's proportionate share of the net pension liability associated with the Town	<u>2,021,443</u>
Total net pension liability	<u>\$ 4,969,244</u>

The net pension liability was measured as of June 30, 2014, 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, 2013 rolled forward to June 30, 2014. The Town proportion of the net pension liability was based on a projection of the Town long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2014 the Town proportion was .12110929%.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

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

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- 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.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for teachers (determined on a funding basis) decreased from 59.6% to 58.2%

For the year ended June 30, 2015 the Town recognized gross pension expense of \$345,443 and revenue of \$140,523 for support provided by the State. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Contributions subsequent to the measurement date	<u>\$ 238,478</u>
Deferred inflows of resources	
Change of assumptions	\$ 104,417
Net difference between projected and actual earnings on pension plan investments	<u>253,837</u>
Total	<u>\$ 358,254</u>

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

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

\$238,478 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 78,243
2017	78,243
2018	78,243
2019	78,243
2020	14,784
thereafter	30,499

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

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

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

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

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

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 3,691,756	\$ 2,947,801	\$ 2,188,580

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

Note 9: Defined Contribution Pension Plan

Defined Contribution Plan Description:

Employees participating in the defined benefit plan, 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 1% 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.

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

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

The Town recognized pension expense of \$3,748, for the fiscal year ended June 30, 2015.

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

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

General Information about the Pension Plan

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

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

Benefits provided – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

General Information about the Pension Plan (Continued)

Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

Employees covered by benefit terms.

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	18
Inactive, Nonretired Members	51
Active Members	<u>54</u>
Total	<u>123</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 7% of their salaries. The Town of New Shoreham (Town) contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town contributed \$170,945 to their general employee plan in the year ended June 30, 2015 which was 8% of annual covered payroll and \$72,534 to their police department plan in the year ended June 30, 2015 which was 25% of their annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)

Table with 2 columns: Assumption Name and Description. Rows include Actuarial Cost Method (Entry Age Normal), Amortization Method (Level Percent of Payroll - Closed), and Equivalent Single Remaining Amortization Period (21 years at June 30, 2014).

Actuarial Assumptions

Table with 2 columns: Assumption Name and Description. Rows include Investment Rate of Return (7.50%), Projected Salary Increases (General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00%), Inflation (2.75%), Mortality (Male/Female Employees with MERS General and MERS P&F assumptions), and Cost of Living Adjustments (COLA assumptions).

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target allocation	Medium-term expected real rate of return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge funds	8%	4.75%
Absolute return hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	<hr/> 100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

Changes in the Net Pension Liability (Asset) - General Employee Plan			
		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$ 6,005,567	\$ 5,701,647	\$ 303,920
Changes for the Year			
Service cost	195,536	-	195,536
Interest on the total pension liability	448,421	-	448,421
Changes in assumptions	48,761	-	48,761
Employer contributions	-	168,351	(168,351)
Employee contributions	-	41,678	(41,678)
Net investment income	-	867,957	(867,957)
Benefit payments, including employee refunds	248,780	248,780	-
Administrative expense	-	5,435	(5,435)
Other changes	-	<u>8,676</u>	<u>(8,676)</u>
Net changes	<u>443,939</u>	<u>815,095</u>	<u>(371,156)</u>
Balances as of June 30, 2014	<u>\$ 6,449,505</u>	<u>\$ 6,516,742</u>	<u>\$ (67,237)</u>

Changes in the Net Pension Liability (Asset) - Police Department Plan			
		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2013	\$ 1,462,094	\$ 949,014	\$ 513,080
Changes for the Year			
Service cost	46,199	-	46,199
Interest on the total pension liability	108,488	-	108,488
Changes in assumptions	(10,469)	-	(10,469)
Employer contributions	-	52,664	(52,664)
Employee contributions	-	22,875	(22,875)
Net investment income	-	146,745	(146,745)
Benefit payments, including employee refunds	77,381	77,381	-
Administrative expense	-	(919)	919
Other changes	-	<u>8,781</u>	<u>(8,781)</u>
Net changes	<u>66,837</u>	<u>152,765</u>	<u>(89,928)</u>
Balances as of June 30, 2014	<u>\$ 1,528,931</u>	<u>\$ 1,101,779</u>	<u>\$ 427,152</u>

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

1.00% Decrease (6.5%)	General Employee Plan Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 603,525	\$ (67,237)	\$ (737,999)
1.00% Decrease (6.5%)	Police Department Plan Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$ 588,073	\$ 427,152	\$ 266,230

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, 2015 the employer recognized pension expense of \$113,682. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences in assumptions	\$ 37,365	\$ -
Excess(deficit) Investment Returns	<u>-</u>	<u>353,853</u>
Total	<u>\$ 37,365</u>	<u>\$ 353,853</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (77,067)
2017	\$ (77,067)
2018	\$ (77,067)
2019	\$ (85,287)
2020	\$ -
Thereafter	<u>\$ -</u>
Total	<u>\$ (316,488)</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

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

Police Department Plan

For the year ended June 30, 2015 the employer recognized pension expense of \$72,534. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences in assumptions	\$ -	\$ 9,214
Excess(deficit) Investment Returns	<u>-</u>	<u>60,274</u>
Total	<u>\$ -</u>	<u>\$ 69,488</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2016	\$ (16,324)
2017	\$ (16,324)
2018	\$ (16,324)
2019	\$ (16,322)
2020	\$ (1,255)
Thereafter	<u>\$ (2,939)</u>
Total	<u>\$ (69,488)</u>

NOTE 11: Commitments and Contingencies

During 2007, the component unit acquired a partial interest in a fee title ownership of the Kalba property for approximately \$483,000. The remainder of the ownership was acquired by The Nature Conservancy (TNC) for \$490,000, payable in 10 annual installments of \$49,000 plus interest at 6% commencing January 15, 2008. The component unit and TNC entered into an agreement whereby in the event that the component unit pays any or all of the amounts due under TNC's promissory note, the parties will equitably adjust their respective interests in the ownership. In 2015, the component unit made the fifth installment plus interest totaling \$63,700.

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. Total federal financial assistance received by the Town approximated \$744,305 for the year ended June 30, 2015.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 12: Fund Balance Classification

	<u>Major Funds</u>		<u>Non-Major Funds</u>		<u>Total</u>
	<u>General Fund</u>	<u>School Department</u>	<u>Special Revenue</u>	<u>Permanent Trust</u>	
Fund Balances:					
Nonspendable:					
Corpus of endowment funds	\$ -	\$ -	\$ -	\$ 199,885	\$ 199,885
In Form	-	-	-	-	-
Land Trust fund receivable	3,876,714	-	-	-	3,876,714
Restricted for:					
Bond proceeds for Thomas Property	126,690	-	-	-	126,690
Educational purposes	-	3,000	-	-	3,000
Bond proceeds for Old Harbor Dock	-	-	14,173	-	14,173
Committed to:					
North Light purposes	17,897	-	-	-	17,897
Infrastructure purposes	-	-	350,000	-	350,000
Old Harbor Dock purposes	46,231	-	-	-	46,231
Assigned to:					
Reserve for encumbrances	201,577	-	-	-	201,577
Educational purposes	-	685,691	-	-	685,691
Recreational, library, and other purposes	-	-	673,106	-	673,106
Unassigned	<u>1,439,147</u>	<u>(157,212)</u>	<u>(41,376)</u>	<u>-</u>	<u>1,240,559</u>
	<u>\$ 5,708,256</u>	<u>\$ 531,479</u>	<u>\$ 995,903</u>	<u>\$ 199,885</u>	<u>\$ 7,435,523</u>

NOTE 13: Fund Balance Deficits

The following funds had fund balance deficits as of June 30, 2015:

Construction	\$ 41,376
School Lunch	31,362
School Improvements	<u>125,850</u>
	<u>\$ 198,588</u>

The School Lunch deficit above will be funded via the School Unrestricted Fund or General Fund while the Construction and School Improvement Fund will continue to run a deficit until the projects are complete and funding has been obtained.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 14: Restatement

The following was the restatement at the government-wide level. This includes the adjustments above plus any additional adjustments.

	Government-Wide Financial Statements
	Governmental Activities
Beginning balance, July 1, 2014	\$ 24,804,443
To restate net position for ERS net pension liability in accordance with GASB Statement No. 68	(3,101,135)
To restate net position for MERS net pension liability in accordance with GASB Statement No. 68	(595,985)
Beginning balance, July 1, 2014, restated	<u>\$ 21,107,323</u>

NOTE 15: Risk Management

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

The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$3,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2015.

The Town insures five properties located in Flood Zone A through First American Property & Casualty Insurance Company and the National Flood Insurance Program (NFIP).

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.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2015

NOTE 16: Litigation

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

NOTE 17: Subsequent Events

Management has evaluated subsequent events through December 1, 2015, the date the financial statements were available to be issued. No subsequent events were identified.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2015

	<u>Original Budget</u>			<u>Actual</u>	<u>Encumbrances Carried To FY 16</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried from FY 15</u>	<u>Budget As Adopted</u>	<u>Total Available</u>			
Revenues:						
Taxes	\$ -	\$ 9,051,027	\$ 9,051,027	\$ 9,045,541	\$ -	\$ (5,486)
Intergovernmental	-	903,035	903,035	989,256	-	86,221
Licenses, permits, and fees	-	390,875	390,875	439,361	-	48,486
Interest and investment	-	4,000	4,000	3,037	-	(963)
Other revenues	-	1,712,582	1,712,582	1,713,909	-	1,327
Total revenues	-	12,061,519	12,061,519	12,191,104	-	129,585
Expenditures:						
General government	8,194	1,171,933	1,180,127	1,162,076	3,194	14,857
Finance administration	-	304,239	304,239	312,997	-	(8,758)
Fire, rescue, and emergency services	-	287,290	287,290	321,844	-	(34,554)
Police	-	675,969	675,969	680,616	-	(4,647)
Town highways and maintenance	-	863,675	863,675	1,033,445	-	(169,770)
Harbors	-	508,035	508,035	459,188	-	48,847
Building official	-	202,588	202,588	201,492	-	1,096
Recreation	-	356,342	356,342	337,029	-	19,313
Library	-	468,133	468,133	443,365	-	24,768
GIS / Technology	-	154,635	154,635	125,297	-	29,338
Boards and commissions	-	162,246	162,246	155,492	-	6,754
Community support	1,215	368,502	369,717	351,270	1,215	17,232
Capital outlay	188,844	333,682	522,526	319,306	197,168	6,052
Debt service	-	2,076,342	2,076,342	2,022,603	-	53,739
Total expenditures	198,253	7,933,611	8,131,864	7,926,020	201,577	4,267
Excess (deficiency) of revenues over expenditures	(198,253)	4,127,908	3,929,655	4,265,084	(201,577)	133,852
Other financing sources and (uses):						
Transfer from component unit	-	486,149	486,149	486,149	-	-
Transfer to other funds	-	(4,614,057)	(4,614,057)	(4,614,057)	-	-
	-	(4,127,908)	(4,127,908)	(4,127,908)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (198,253)	\$ -	\$ (198,253)	\$ 137,176	\$ (201,577)	\$ 133,852
Adjustment of budgetary basis to U.S. GAAP				(83,139)		
Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis				54,037		
Fund balance, beginning of year				5,654,219		
Fund balance, end of year				\$ 5,708,256		

*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, 2015

	Original Budget			Actual	Encumbrances Carried to FY 16	Variance Favorable (Unfavorable)
	Encumbrances Carried to FY 15	Budget As Adopted	Total Available			
Revenues						
Federal and State governments	\$ -	\$ 143,084	\$ 143,084	\$ 158,514	\$ -	\$ 15,430
Other revenues	-	42,000	42,000	33,558	-	(8,442)
Total revenues	-	185,084	185,084	192,072	-	6,988
Expenditures						
Salaries		2,750,004	2,750,004	2,696,746		53,258
Employee benefits		1,111,180	1,111,180	1,064,349		46,831
Purchased services		600,166	600,166	588,715		11,451
Supplies and materials		295,936	295,936	253,063	-	42,873
Capital outlay	-	48,855	48,855	44,094	-	4,761
Total expenditures	-	4,806,141	4,806,141	4,646,967	-	159,174
Excess (deficiencies) of revenues over expenditures	-	(4,621,057)	(4,621,057)	(4,454,895)	-	166,162
Other financing sources (uses)						
Transfer from Town of New Shoreham	-	4,614,057	4,614,057	4,614,057		-
Appropriations of Unrestricted Fund Balance	-	7,000	7,000	-	-	7,000
Total other financing sources (uses)	-	4,621,057	4,621,057	4,614,057	-	(7,000)
Excess (deficiencies) of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	159,162	<u>\$ -</u>	<u>\$ 159,162</u>
Adjustment of budgetary basis to U.S. GAAP basis				-		
Fund balance, beginning of year				526,529		
Fund balance, end of year				<u>\$ 685,691</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, 2015

Budget preparation and budgetary basis of accounting:

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

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

Budget compliance:

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

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

See independent auditors' report

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information
Notes to Required Supplementary Information

For the Year Ended June 30, 2015

Reconciliation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>School Unrestricted</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 137,176	\$ 159,162
Unbudgeted grant revenues	99,077	-
Unbudgeted grant expenditures	(55,997)	-
Unbudgeted bond proceeds	246,793	-
Unbudgeted bond costs	(36,112)	-
Budgeted transfer from school unrestricted fund to school lunch	-	(28,941)
Budgeted Pension not included on governmental funds statement	-	-
State contribution to teachers' pension plan revenue on behalf	-	166,402
State contribution to teacher's pension plan expense on behalf	-	(166,402)
Budgeted restricted revenue (school lunch)	-	(44,598)
Budgeted restricted expenses (school lunch)	-	73,539
Budgeted debt principal not considered an expense on full accrual statements	-	-
Budgeted principal for Block Island Land Trust bond which offsets note payable	(352,228)	-
Increase (decrease) in 60 day accrual	<u>15,328</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 54,037</u>	<u>\$ 159,162</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

	<u>2015</u>
Employer's proportion of the net pension liability	0.12110929%
Employer's proportionate share of the net pension liability	\$ 2,947,801
State's proportionate share of the net pension liability associated with the school district	<u>4,969,244</u>
Total	<u>\$ 7,917,045</u>
Employer's covered employee payroll	\$ 1,953,073
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	150.93%
Plan fiduciary net position as a percentage of the total pension liability	61.40%

Notes:

1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

	<u>2015</u>
Actuarially determined contribution	\$ 250,456
Contributions in relation to the actuarially determined contribution	<u>250,456</u>
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,953,073
Contributions as a percentage of covered- employee payroll	12.82%

Notes:

1.) *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.*

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

	Year Ended June 30, 2014
A. Total pension liability	
1. Service Cost	\$ 195,536
2. Interest on the Total Pension Liability	448,421
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	-
5. Changes of assumptions	48,761
6. Benefit payments, including refunds of employee contributions	(248,780)
7. Net change in total pension liability	443,938
8. Total pension liability – beginning	6,005,567
9. Total pension liability – ending (a)	\$ 6,449,505
B. Plan fiduciary net position	
1. Contributions – employer	\$ 168,351
2. Contributions – employee	41,678
3. Net investment income	867,957
4. Benefit payments, including refunds of employee contributions	(248,780)
5. Pension Plan Administrative Expense	(5,435)
6. Other	(8,676)
7. Net change in plan fiduciary net position	815,095
8. Plan fiduciary net position – beginning	5,701,647
9. Plan fiduciary net position – ending (b)	\$ 6,516,742
C. Net pension liability - ending (a) - (b)	\$ (67,237)
D. Plan fiduciary net position as a percentage of the total pension liability	101.04%
E. Covered employee payroll	\$ 2,066,975
F. Net pension liability as a percentage of covered payroll	-3.25%

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

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

Notes:

1.) *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.*

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

	Year Ended June 30, 2014
A. Total pension liability	
1. Service Cost	\$ 46,199
2. Interest on the Total Pension Liability	108,488
3. Changes of benefit terms	-
4. Difference between expected and actual experience of the Total Pension Liability	-
5. Changes of assumptions	(10,469)
6. Benefit payments, including refunds of employee contributions	(77,381)
7. Net change in total pension liability	66,837
8. Total pension liability – beginning	1,462,094
9. Total pension liability – ending (a)	\$ 1,528,931
B. Plan fiduciary net position	
1. Contributions – employer	\$ 52,664
2. Contributions – employee	22,875
3. Net investment income	146,745
4. Benefit payments, including refunds of employee contributions	(77,381)
5. Pension Plan Administrative Expense	(919)
6. Other	8,781
7. Net change in plan fiduciary net position	152,765
8. Plan fiduciary net position – beginning	949,014
9. Plan fiduciary net position – ending (b)	\$ 1,101,779
C. Net pension liability - ending (a) - (b)	\$ 427,152
D. Plan fiduciary net position as a percentage of the total pension liability	72.06%
E. Covered employee payroll	\$ 253,839
F. Net pension liability as a percentage of covered payroll	168.28%

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

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

Notes:

1.) *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.*

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Sewer Enterprise Fund

For the Year Ended June 30, 2015

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenue:					
Charges for services	\$ 1,213,368	\$ -	\$ 1,213,368	\$ 1,204,164	\$ (9,204)
Interest income	8,000	-	8,000	11,216	3,216
Water contract	256,603	-	256,603	256,603	-
Miscellaneous	<u>51,900</u>	<u>-</u>	<u>51,900</u>	<u>50,925</u>	<u>(975)</u>
Total revenue	<u>1,529,871</u>	<u>-</u>	<u>1,529,871</u>	<u>1,522,908</u>	<u>(6,963)</u>
Expenses:					
Personnel services	609,157	-	609,157	612,159	(3,002)
Purchase of services	243,700	-	243,700	189,880	53,820
Supplies	114,200	-	114,200	123,552	(9,352)
Other charges and expenditures	87,850	-	87,850	41,750	46,100
Capital outlay	40,000	-	40,000	2,673	37,327
Debt service	81,391	-	81,391	84,001	(2,610)
Depreciation	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>330,327</u>	<u>69,673</u>
Total expenses	<u>1,576,298</u>	<u>-</u>	<u>1,576,298</u>	<u>1,384,342</u>	<u>191,956</u>
Excess(deficiency) of revenues over expenses	<u>(46,427)</u>	<u>-</u>	<u>(46,427)</u>	<u>138,566</u>	<u>184,993</u>
Other financing sources (uses):					
Transfers from retained earnings	133,427	-	133,427	-	(133,427)
Transfers between funds	<u>(87,000)</u>	<u>-</u>	<u>(87,000)</u>	<u>-</u>	<u>87,000</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	138,566	<u>\$ 138,566</u>
Adjustments of budgetary basis for US GAAP basis				<u>462,958</u>	
Excess of revenues and other source over expenditures and other financing uses, US GAAP basis				<u>601,524</u>	
Fund balance, beginning of year				<u>3,879,187</u>	
Fund balance, end of year				<u>\$ 4,017,753</u>	

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Budgetary Comparison Schedule - Water Enterprise Fund

For the Year Ended June 30, 2015

	Original Budget	Additional	Total		Variance
	As	Appropriations	Available	Actual	Favorable
	Adopted	and Transfers			(Unfavorable)
Revenues:					
Charges for services	\$ 585,541	\$ -	\$ 585,541	\$ 647,418	\$ 61,877
Interest income	5,000	-	5,000	4,794	(206)
Miscellaneous	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>10,727</u>	<u>2,727</u>
Total revenues	<u>598,541</u>	<u>-</u>	<u>598,541</u>	<u>662,939</u>	<u>64,398</u>
Expenses:					
Purchase of services	131,354	-	131,354	143,926	(12,572)
Supplies	39,500	-	39,500	34,686	4,814
Other charges and expenditures	36,500	-	36,500	31,382	5,118
Depreciation	180,000	-	180,000	184,848	(4,848)
Debt service	<u>96,587</u>	<u>-</u>	<u>96,587</u>	<u>96,611</u>	<u>(24)</u>
Total expenses	<u>483,941</u>	<u>-</u>	<u>483,941</u>	<u>491,453</u>	<u>(7,512)</u>
Excess(deficiency) of revenues over expenses	114,600	-	114,600	171,486	56,886
Other financing sources (uses):					
Contributions from Reserves	142,003	-	142,003	-	(142,003)
Transfers between funds	<u>(256,603)</u>	<u>-</u>	<u>(256,603)</u>	<u>(256,603)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(85,117)	<u>\$ (85,117)</u>
Adjustments of budgetary basis for US GAAP basis				<u>(76,821)</u>	
Excess of revenue and other source over expenditures and other financing uses, US GAAP basis				<u>(161,938)</u>	
Fund balance, beginning of year				<u>3,760,362</u>	
Fund balance, end of year				<u>\$ 3,675,245</u>	

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Notes to Supplementary Information

For the Year Ended June 30, 2015

	<u>Sewer</u>	<u>Water</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis)	\$ 138,566	\$ (85,117)
Unbudgeted grant revenues	439,114	(120,613)
Unbudgeted grant expenditures	-	-
Unbudgeted bond proceeds	-	-
Unbudgeted bond costs		
Budgeted transfer from school unrestricted fund to school lunch	-	-
Budgeted Pension not included on governmental funds statement	-	-
State contribution to teachers' pension plan revenue on behalf	-	-
State contribution to teacher's pension plan expense on behalf	-	-
Budgeted restricted revenue (school lunch)	-	-
Budgeted restricted expenses (school lunch)	-	-
Budgeted debt principal not considered an expense on full accrual statements	23,844	43,792
Budgeted principal for Block Island Land Trust bond which offsets note payable	-	-
Increase (decrease) in 60 day accrual	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 601,524</u>	<u>\$ (161,938)</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2015

Tax Collector's Annual Report

Real estate and personal property tax receivable:

<u>Tax Roll Year</u>	<u>Balance July 1, 2014</u>	<u>Assessment</u>	<u>Abatements Refunds</u>	<u>Tranfers/ Adjustments</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance June 30, 2015</u>
2014	\$ -	\$ 8,945,602	\$ 30,796	\$ (70)	8,976,328	\$ 8,713,357	\$ 262,971
2013	307,199	-	4	1,865	309,068	242,055	67,013
2012	56,260	-	-	-	56,260	29,770	26,490
2011	1,050	-	-	-	1,050	101	949
2010	487	-	-	-	487	21	466
2009	548	-	-	-	548	-	548
2008	3,424	-	-	-	3,424	-	3,424
2007	485	-	-	-	485	-	485
2006	1,231	-	-	-	1,231	-	1,231
2005	428	-	-	-	428	-	428
2004	55	-	-	-	55	-	55
2003	166	-	-	-	166	-	166
2002	1,252	-	-	(8)	1,244	-	1,244
2001	1,079	-	-	(8)	1,071	-	1,071
2000 and prior	<u>4,771</u>	<u>-</u>	<u>-</u>	<u>(123)</u>	<u>4,648</u>	<u>-</u>	<u>4,648</u>
	<u>\$ 378,435</u>	<u>\$ 8,945,602</u>	<u>\$ 30,800</u>	<u>\$ 1,656</u>	<u>\$ 71,097</u>	<u>\$ 8,985,304</u>	<u>\$ 371,189</u>
						Less reserve for abatements	<u>(40,000)</u>
							<u>\$ 331,189</u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Tax Collector's Annual Report

For the Year Ended June 30, 2015

<u>Description of Property</u>	<u>Valuations</u>	<u>Levy</u>
Real property	\$ 1,664,059,848	\$ 8,788,288
Motor vehicles	17,931,555	136,526
Tangible personal	<u>3,869,156</u>	<u>20,788</u>
Total	1,685,860,559	8,945,602
Exemptions	<u>22,840,454</u>	<u>-</u>
Current year assessment	<u>\$ 1,663,020,105</u>	<u>\$ 8,945,602</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 8,985,304
Revenues collected within 60 days subsequent to year ended June 30, 2015	<u>175,390</u>
	9,160,694
Prior year revenue received in current year	<u>(271,947)</u>
Current year real estate and personal property tax revenue	<u>\$ 8,888,747</u>

See independent auditors' report

OWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
 Combining Balance Sheet - Non Major Governmental Funds

June 30, 2015

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and investments	\$ 1,040,947	\$ 190,485	\$ 1,231,432
Federal and state grants receivable	26,394	-	26,394
Due from other funds	<u>-</u>	<u>9,400</u>	<u>9,400</u>
Total assets	<u>1,067,341</u>	<u>199,885</u>	<u>1,267,226</u>
Deferred outflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,067,341</u>	<u>\$ 199,885</u>	<u>\$ 1,267,226</u>
Liabilities			
Accounts payable and accrued expenses	\$ 723	\$ -	\$ 723
Due to other funds	<u>70,715</u>	<u>-</u>	<u>70,715</u>
Total liabilities	<u>71,438</u>	<u>-</u>	<u>71,438</u>
Deferred inflows of resources			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	199,885	199,885
Restricted	14,173	-	14,173
Committed	350,000	-	350,000
Assigned	673,106	-	673,106
Unassigned	<u>(41,376)</u>	<u>-</u>	<u>(41,376)</u>
Total fund balance	<u>995,903</u>	<u>199,885</u>	<u>1,195,788</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,067,341</u>	<u>\$ 199,885</u>	<u>\$ 1,267,226</u>

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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, 2015

	<u>Special Revenue</u>	<u>Permanent Trust Funds</u>	<u>Total Non-Major Governmental Funds</u>
Revenues			
Federal and state grant income	\$ 38,089	\$ -	\$ 38,089
Other revenue	535,785	8,025	543,810
Investment income	<u>626</u>	<u>243</u>	<u>869</u>
Total revenue	<u>574,500</u>	<u>8,268</u>	<u>582,768</u>
Expenditures			
Education			-
Recreation, library, and other	<u>112,176</u>	<u>-</u>	<u>112,176</u>
Total Expenditures	<u>112,176</u>	<u>-</u>	<u>112,176</u>
Excess (deficiency) of revenues over expenditures	462,324	8,268	470,592
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over expenditures and other uses	462,324	8,268	470,592
Fund balance, July 1, 2014	<u>533,579</u>	<u>191,617</u>	<u>725,196</u>
Fund balance, June 30, 2015	<u><u>\$ 995,903</u></u>	<u><u>\$ 199,885</u></u>	<u><u>\$ 1,195,788</u></u>

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information
Combining Balance Sheet - School Department

June 30, 2015

	School Restricted				Total School Department Funds
	School Unrestricted	School Special Revenue	Capital Projects	School Lunch	
Assets					
Cash and investments	\$ 608,521	\$ -	\$ -	\$ (5,132)	\$ 603,389
Receivables, other	1,234	-	-	-	1,234
Due from state and federal government	1,680	4,713	8,006	1,016	15,415
Due from Town of New Shoreham	379,262	3,000	-	-	382,262
Due from other funds	163,889	-	-	-	163,889
	<u>1,154,586</u>	<u>7,713</u>	<u>8,006</u>	<u>(4,116)</u>	<u>1,166,189</u>
Total assets					
	<u>1,154,586</u>	<u>7,713</u>	<u>8,006</u>	<u>(4,116)</u>	<u>1,166,189</u>
Deferred outflows of resources					
None	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources					
	<u>\$ 1,154,586</u>	<u>\$ 7,713</u>	<u>\$ 8,006</u>	<u>\$ (4,116)</u>	<u>\$ 1,166,189</u>
Liabilities					
Accounts payable and accrued expenses	\$ 460,594	\$ -	\$ 4,875	\$ 5,489	\$ 470,958
Due to other funds	8,301	4,713	128,981	21,894	163,889
	<u>468,895</u>	<u>4,713</u>	<u>133,856</u>	<u>27,383</u>	<u>634,847</u>
Total liabilities					
	<u>468,895</u>	<u>4,713</u>	<u>133,856</u>	<u>27,383</u>	<u>634,847</u>
Deferred inflows of resources					
None	-	-	-	(137)	(137)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137)</u>	<u>(137)</u>
Total deferred inflows of resources					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(137)</u>	<u>(137)</u>
Fund balances					
Restricted	-	3,000	-	-	3,000
Assigned	685,691	-	-	-	685,691
Unassigned	-	-	(125,850)	(31,362)	(157,212)
	<u>685,691</u>	<u>3,000</u>	<u>(125,850)</u>	<u>(31,362)</u>	<u>531,479</u>
Total fund balance					
	<u>685,691</u>	<u>3,000</u>	<u>(125,850)</u>	<u>(31,362)</u>	<u>531,479</u>
Total liabilities, deferred inflows of resources, and fund balance					
	<u>\$ 1,154,586</u>	<u>\$ 7,713</u>	<u>\$ 8,006</u>	<u>\$ (4,116)</u>	<u>\$ 1,166,189</u>

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

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

For the Year Ended June 30, 2015

	School Unrestricted	School Restricted			Total School Department Funds
		School Special Revenue	Capital Projects	School Lunch	
Revenues					
Federal and state grant income	\$ 91,103	\$ 70,144	\$ -	\$ 12,771	\$ 174,018
Medicaid reimbursement	53,250	-	-	-	53,250
Other revenue	3,121	-	71,113	31,739	105,973
State contribution to teachers' pension plan	166,402	-	-	-	166,402
Total revenue	313,876	70,144	71,113	44,510	499,643
Expenditures					
Education	4,739,830	70,486	174,289	73,539	5,058,144
Total Expenditures	4,739,830	70,486	174,289	73,539	5,058,144
Excess (deficiency) of revenues over expenditures	(4,425,954)	(342)	(103,176)	(29,029)	(4,558,501)
Other financing sources (uses):					
Transfers in	4,737,773	-	-	28,941	4,766,714
Transfers out	(152,657)	-	-	-	(152,657)
Total other financing sources (uses)	4,585,116	-	-	28,941	4,614,057
Excess of revenue and other sources over expenditures and other uses	159,162	(342)	(103,176)	(88)	55,556
Fund balance, July 1, 2014	526,529	3,342	(22,674)	(31,274)	475,923
Fund balance, June 30, 2015	<u>\$ 685,691</u>	<u>\$ 3,000</u>	<u>\$ (125,850)</u>	<u>\$ (31,362)</u>	<u>\$ 531,479</u>

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