

**TOWN OF NEW SHOREHAM, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**



TOWN OF NEW SHOREHAM, RHODE ISLAND

YEAR ENDED JUNE 30, 2009

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TOWN OF NEW SHOREHAM, RHODE ISLAND

YEAR ENDED JUNE 30, 2009

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Certified Public Accountants / Business Consultants

## **Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Town. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the School Funds, which is a major fund and represents 1 percent, 1 percent, 4 percent and 40 percent, respectively, of the assets, net assets, revenues and expenditures of the governmental activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Funds, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

## Independent Auditors' Report (Continued)

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

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2009 on our consideration of the Town's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12, and budgetary comparison schedules and historical pension information on pages 53 through 57 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our report and the report of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature in cursive script: Jeffrey A. Luntel, CPA. The signature is written in black ink and is positioned to the right of the date.

October 27, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of New Shoreham, Rhode Island (the Town), we offer 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, 2009.

### Financial Highlights

The assets of the Town exceeded its liabilities as of June 30, 2009 by \$29,720,593 (*net assets*). Net assets include \$25,003,741 invested in capital assets, net of related debt; \$471,764 of restricted net assets; and \$4,245,088 of unrestricted net assets that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets were \$51,733,203 and total liabilities were \$22,012,610 at June 30, 2009. The Town's total net assets decreased by \$719,721 in the current fiscal year (FY 2009).

As of June 30, 2009, the Town's governmental funds reported combined ending fund balances of \$4,624,187, a decrease of \$105,134 from the prior year. This decrease is primarily due to offsetting financing sources and uses, including the issuance of anticipation notes and a general obligation bond, the purchase of a land parcel, and the repayment of short and long-term debt recorded by the funds as debt service.

As of June 30, 2009, the unreserved fund balance for the General Fund was \$1,331,903, or 13% of total budgeted 2009 General Fund expenditures and other financing uses (\$10,547,783). This amount is available for spending at the Town's discretion. However, \$157,894 of this unreserved fund balance was designated for construction projects. This reduces the available unreserved fund balance for the General Fund to \$1,174,009, or 11% of total budgeted 2009 General Fund expenditures and other financing uses.

The Town's total debt increased by \$2,667,879 (15%) during the current fiscal year. The key factor in this increase was the issuance of \$2,975,000 of governmental fund debt, primarily for land acquisition.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of the following three components:

- government-wide financial statements
- fund financial statements, and
- notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

**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 *statement of net assets* presents information on the entire Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Government-wide financial statements (continued).** The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and 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 that are intended to recover all or a significant portion of their costs through user fees and 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.

The government-wide financial statements can be found on pages 13-14 of this report.

In the statement of activities, the operations of the Town are presented in a format that reports the net of 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.

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

**Governmental 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Fund financial statements (continued):**

***Governmental funds (continued).*** 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 *government funds* and *governmental activities*.

The Town maintains 9 individual governmental funds and 1 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 the School Funds, 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.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

***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.

The basic proprietary fund financial statements can be found on pages 19-22 of this report.

***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the 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 the Town's fiduciary funds.

The basic fiduciary fund financial statement can be found on page 23 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-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24-52 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. It presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund and the School Department to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 53-57 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$29,720,593 at June 30, 2009.

Net assets invested in capital assets, net of related debt, makes up \$25,003,741, or 84%, of total net assets. 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 reported 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 assets totaling \$471,764, or 2%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, \$159,112 is permanently restricted and is nonexpendable. *Unrestricted net assets*, totaling \$4,245,088, may be used to meet the government's ongoing obligations to citizens and creditors.

### Town of New Shoreham's Net Assets – Primary Government

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 5,856,070	\$ 6,506,879	\$ 401,129	\$ 895,373	\$ 6,257,199	\$ 7,402,252
Capital assets	35,968,955	33,115,637	9,507,049	9,686,721	45,476,004	42,802,358
Total assets	41,825,025	39,622,516	9,908,178	10,582,094	51,733,203	50,204,610
Long-term obligations	18,786,280	16,072,904	2,166,387	2,211,884	20,952,667	18,284,788
Other liabilities	987,247	1,291,009	72,696	188,499	1,059,943	1,479,508
Total liabilities	19,773,527	17,363,913	2,239,083	2,400,383	22,012,610	19,764,296
Net assets:						
Invested in capital assets, net of related debt	17,608,383	17,461,846	7,395,358	7,525,816	25,003,741	24,987,662
Restricted	471,764	412,604			471,764	412,604
Unrestricted	3,971,351	4,384,153	273,737	655,895	4,245,088	5,040,048
Total net assets	\$22,051,498	\$22,258,603	\$ 7,669,095	\$ 8,181,711	\$29,720,593	\$30,440,314

**Component unit.** The assets of the Town's Component Unit, The Block Island Land Trust, exceeded liabilities by \$18,301,167. Net assets invested in capital assets, net of related debt, makes up \$17,657,925, or 96%, of total net assets. The remaining balance of net assets of the Land Trust, totaling \$643,242, is restricted.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Changes in Net Assets

In 2009, the Town's net assets decreased by \$719,721. Approximately 57% of the Town's total revenue came from taxes and payments in lieu of taxes, while 16% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 26% of the total revenues; investment and miscellaneous revenue accounted for the remainder. The Town's expenses cover a range of services. The largest expenses were for schools, public safety, public works and harbors, retirement costs, and employee benefits. In 2009, governmental activity expenses exceeded program revenues by \$8,282,243. Net expenses from business-type activities exceeded program revenues in 2009 by \$529,717.

### The Town of New Shoreham's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 1,852,506	\$ 1,987,063	\$ 1,312,200	\$ 1,388,651	\$ 3,164,706	\$ 3,375,714
Operating grants and contributions	489,986	515,570			489,986	515,570
Capital grants and contributions	635,809	673,815	77,290	753,878	713,099	1,427,693
General revenues:						
Property taxes	7,095,283	6,775,139			7,095,283	6,775,139
Grants and contributions, nonspecific	807,220	909,759			807,220	909,759
Other	52,941	147,803	17,101	36,461	70,042	184,264
<b>Total revenues</b>	<b>10,933,745</b>	<b>11,009,149</b>	<b>1,406,591</b>	<b>2,178,990</b>	<b>12,340,336</b>	<b>13,188,139</b>
Expenses:						
General government and finance						
Public safety	1,380,951	1,531,036			1,380,951	1,531,036
Public works, highways, harbors	927,732	986,377			927,732	986,377
Recreation	1,369,728	1,433,541			1,369,728	1,433,541
Public services, library	335,852	272,477			335,852	272,477
Education	1,525,923	1,297,926			1,525,923	1,297,926
Interest on long-term debt	5,022,962	4,813,382			5,022,962	4,813,382
Sewer	697,396	704,063			697,396	704,063
Water			1,309,232	1,348,526	1,309,232	1,348,526
			609,975	600,452	609,975	600,452
<b>Total expenses</b>	<b>11,260,544</b>	<b>11,038,802</b>	<b>1,919,207</b>	<b>1,948,978</b>	<b>13,179,751</b>	<b>12,987,780</b>
<b>Change in net assets</b>	<b>(326,799)</b>	<b>(29,653)</b>	<b>(512,616)</b>	<b>230,012</b>	<b>(839,415)</b>	<b>200,359</b>
Transfers	119,694	123,838			119,694	123,838
<b>Increase (decrease) in net assets</b>	<b>(207,105)</b>	<b>94,185</b>	<b>(512,616)</b>	<b>230,012</b>	<b>(719,721)</b>	<b>324,197</b>
Net assets, beginning of year	22,258,603	22,164,418	8,181,711	7,951,699	30,440,314	30,116,117
<b>Net assets, end of year</b>	<b>\$ 22,051,498</b>	<b>\$ 22,258,603</b>	<b>\$ 7,669,095</b>	<b>\$ 8,181,711</b>	<b>\$ 29,720,593</b>	<b>\$ 30,440,314</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Expenses Net of Program Revenues

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
General government and finance	\$ 1,380,951	\$ 1,531,036	\$ 1,170,410	\$ 1,247,446
Public safety	927,732	986,377	832,428	905,702
Public works, highways, harbors	1,369,728	1,433,541	181,888	(75,176)
Recreation	335,852	272,477	115,984	(279,272)
Public/social services, library	1,525,923	1,297,926	646,187	938,140
Education	5,022,962	4,813,382	4,637,950	4,421,451
Interest on long-term debt	697,396	704,063	697,396	704,063
Total expenses	<u>\$ 11,260,544</u>	<u>\$ 11,038,802</u>	<u>\$ 8,282,243</u>	<u>\$ 7,862,354</u>

### Component Unit

The net assets of the Town's Component Unit increased by \$270,955. A key element in the increase is revenue derived from the 3% transfer fee. The component unit had several capital acquisitions of land and conservation easements during FY 2009, totaling \$952,912.

### General Fund Budgetary Highlights

The original budget adopted at the Financial Town Meeting on May 5, 2008 was \$10,547,783 (including \$180,500 reappropriated unrestricted fund balance) and no changes were made to the final budget for FY 2009.

Actual revenues reported in FY 2009 exceeded budgeted amounts by \$206,148. The principal reasons for this include:

- Grant revenue related to the North Light, Ball O'Brien project and Heinz Field, which had previously been deferred, was recognized during the year.
- Excess grant revenue offset revenue shortfalls in most other departments, particularly interest income and fee income.
- The budgeted transfer of \$135,000 principal payment from the component unit is recorded as a reduction of a note receivable rather than as revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### General Fund Budgetary Highlights (Continued)

Actual expenditures exceeded budgeted amounts by \$3,160,069. The principal reasons for this include:

- Debt service in excess of budget of \$2,495,099 is primarily related to the repayment of a BAN in the amount of \$2,500,000 for acquisition of land located at Plat 6 Lot 146.
- Capital outlay in excess of budget of \$674,657 includes grant expenditures for renovations of the North Light tower and the West Side Housing project, which are offset by grant revenue.
- Legal expenditures of \$95,820 in excess of budget are a result of the resolution of legal proceedings related to the Block Island School construction project, and other continuing legal situations in which the Town is involved.

Budgeted net other financing uses exceeded actual by \$2,789,627. This was principally due to the issuance of several anticipation notes and the repayment of such, entry into a capital lease agreement and the issuance of a general obligation bond. None of these financing arrangements were budgeted for.

### 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, 2009 amounts to \$45,476,004 (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 increase in the Town's investment in capital assets for the current fiscal year was \$2,673,646 (6%), of which an increase of \$2,853,318 is related to governmental activities and a decrease of \$179,672 is related to business-type activities.

Additions to capital assets in 2009 for governmental activities included the acquisition of a waterfront parcel in the Old Harbor area, development of athletic facilities at Heinz Field; renovations and improvements at the North Light; library books; a street sweeper; engineering and plans for renovation of Old Harbor Dock; and additional costs related to the renovation of the Block Island school.

Additions to capital assets in the Sewer and Water Funds were partially offset by depreciation expense.

Additional information regarding capital assets can be found in Note 6 on pages 36 and 37 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Asset and Debt Administration (Continued)

**Long-term debt.** As of June 30, 2009, the Town has total bonded debt outstanding of \$20,444,228 backed by the full faith and credit of the Town.

The Town has one capital lease outstanding at June 30, 2009 with a balance of \$102,559.

Long-term debt includes \$2,111,691 of outstanding loans to the Block Island Water Company and New Shoreham Sewer Commissions (Business Activities), which includes \$1,585,249 payable to the United States Department of Agriculture (USDA).

The Town's Component Unit has total bonded debt outstanding of \$657,325, consisting of general obligation bonds of the Town. The Component Unit also has a note outstanding totaling \$2,775,000 due to the Town.

#### Town of New Shoreham's Outstanding Debt General Obligation Bonds and Loans Payable

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$18,332,537	\$15,736,164	\$ 2,111,691	\$ 2,160,905	\$20,444,228	\$17,897,069
Capital lease	102,559				102,559	
Accrued compensated absences	351,184	336,740	54,696	50,979	405,880	387,719
<b>Total</b>	<b>\$18,786,280</b>	<b>\$16,072,904</b>	<b>\$ 2,166,387</b>	<b>\$ 2,211,884</b>	<b>\$20,952,667</b>	<b>\$18,284,788</b>

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 \$63,604,018 as of the December 31, 2007 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 follows a ratings upgrade in May 2005 from A to A+ and an A+ ratings affirmation in April 2006. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 38-44.

### Commitments

At June 30, 2009, the Town had commitments totaling \$158,922 remaining on the North Light construction contract.

The Town has entered into a purchase and sales agreement to purchase land for \$900,000. At a financial town meeting held September 23, 2008, voters authorized the issuance of bonds to finance this purchase.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **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 1,010 ranks New Shoreham last 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 \$2,120,133,920 at December 31, 2007.

With the approval of the taxpayers at the May 1, 2009 Financial Town Meeting, the tax rate on real property increased by \$0.28/\$1,000 (8%), from \$3.30/\$1,000 in 2008 to \$3.58/\$1,000 in 2009. The increase was driven by increasing operational costs of the Town and reductions in other funding sources.

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 will oversee the day-to-day maintenance and operations of the State highways. In exchange, the State will compensate the Town through annual payments, adjusted for inflation. In 2009, the Town received \$327,958. The State retains responsibility for any major capital improvements required.

### **Component Unit**

The Town has one component unit, the Block Island Land Trust (Land Trust), which 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, 2009 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. In FY 2003, it used \$3,500,000 to purchase the Hodge property 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.

The \$270,955 increase in net assets for 2009 is due primarily to \$483,677 in revenue derived from the transfer tax.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **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

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,215,325	\$ 483,083	\$ 2,698,408	\$ 158,103
Investments				384,973
Accounts receivable, less allowance for doubtful accounts of \$59,274:				
Property taxes	139,316		139,316	
Federal and state government	355,497	11,027	366,524	
Assessments and user fees	102	124,149	124,251	
Note receivable				105,349
Other	51,666	5,475	57,141	4,451
Internal balances	242,341	(242,341)	-	
Temporarily restricted assets, cash and cash equivalents	2,299		2,299	
Note receivable from component unit	2,775,000		2,775,000	
Deferred charges	74,524	19,736	94,260	8,269
Capital assets not being depreciated	18,107,637	956,183	19,063,820	21,090,250
Capital assets being depreciated, net	17,861,318	8,550,866	26,412,184	
<b>Total assets</b>	<b>41,825,025</b>	<b>9,908,178</b>	<b>51,733,203</b>	<b>21,751,395</b>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses	847,466	72,696	920,162	17,903
Due to federal and state government	429		429	
Unearned revenue	139,352		139,352	
Due to primary government:				
Due within one year				145,000
Due in more than one year				2,630,000
Long-term obligations:				
Due within one year	1,407,390	78,142	1,485,532	88,471
Due in more than one year	17,378,890	2,088,245	19,467,135	568,854
<b>Total liabilities</b>	<b>19,773,527</b>	<b>2,239,083</b>	<b>22,012,610</b>	<b>3,450,228</b>
Commitments and contingencies (Notes 11 and 12)				
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	17,608,383	7,395,358	25,003,741	17,657,925
Restricted for:				
Capital projects	59,318		59,318	
Education	144,726		144,726	
Library	27,696		27,696	
Land to be held in perpetuity				643,242
Other:				
Expendable	80,912		80,912	
Nonexpendable	159,112		159,112	
Unrestricted	3,971,351	273,737	4,245,088	
<b>Total net assets</b>	<b>\$ 22,051,498</b>	<b>\$ 7,669,095</b>	<b>\$ 29,720,593</b>	<b>\$ 18,301,167</b>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 1,118,158	\$ 227,553	\$ 300	\$ (17,312)	\$ (907,617)		\$ (907,617)	
Finance administration	262,793	-	-	-	(262,793)		(262,793)	
Fire, rescue and emergency services	344,659	13,425	-	-	(331,234)		(331,234)	
Police	583,073	11,552	5,970	64,357	(501,194)		(501,194)	
Town highways/maintenance	432,836	13,461	-	-	(419,375)		(419,375)	
State roads	255,635	327,958	-	-	72,323		72,323	
Harbors	510,348	740,488	-	-	230,140		230,140	
Building official	170,909	105,933	-	-	(64,976)		(64,976)	
Recreation	335,852	191,320	-	28,548	(115,984)		(115,984)	
Library	554,517	35,921	129,250	-	(389,346)		(389,346)	
GIS/Technology	139,182	-	-	-	(139,182)		(139,182)	
Boards and commissions	200,662	16,547	-	327,262	143,147		143,147	
Community support	631,562	115,762	22,040	232,954	(260,806)		(260,806)	
Education	5,022,962	52,586	332,426	-	(4,637,950)		(4,637,950)	
Interest on long-term debt	697,396	-	-	-	(697,396)		(697,396)	
Total governmental activities	11,260,544	1,852,506	489,986	635,809	(8,282,243)		(8,282,243)	
<b>Business-type activities:</b>								
Sewer	1,309,232	894,712	-	39,182		\$ (375,338)	(375,338)	
Water	609,975	417,488	-	38,108		(154,379)	(154,379)	
Total business-type activities	1,919,207	1,312,200	-	77,290		(529,717)	(529,717)	
Total primary government	\$ 13,179,751	\$ 3,164,706	\$ 489,986	\$ 713,099	(8,282,243)	(529,717)	(8,811,960)	
<b>Component unit:</b>								
Block Island Land Trust	\$ 225,218	\$ 483,677	\$ -	\$ -				\$ 258,459
General revenues:								
Property taxes					7,095,283		7,095,283	
Grants and contributions not restricted to specific programs					807,220		807,220	
Investment earnings					52,941	17,101	70,042	12,496
Transfers from component unit					119,694		119,694	
Total general revenues and transfers					8,075,138	17,101	8,092,239	12,496
Change in net assets					(207,105)	(512,616)	(719,721)	270,955
Net assets, beginning of year					22,258,603	8,181,711	30,440,314	18,030,212
Net assets, end of year					\$ 22,051,498	\$ 7,669,095	\$ 29,720,593	\$ 18,301,167

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>General Fund</u>	<u>School Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,636,858	\$ 209,770	\$ 370,996	\$ 2,217,624
Receivables:				
Property taxes, less allowance for doubtful accounts of \$40,000	139,316			139,316
Assessments and user fees	102			102
Intergovernmental	307,894	47,603		355,497
Other	51,666			51,666
Due from other funds	283,010	455,129	1,445	739,584
Notes receivable, component unit	<u>2,775,000</u>			<u>2,775,000</u>
Total assets	<u>\$ 5,193,846</u>	<u>\$ 712,502</u>	<u>\$ 372,441</u>	<u>\$ 6,278,789</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 250,036	\$ 489,219	\$ 4,733	\$ 743,988
Due to federal and state government	429			429
Due to other funds	383,244	73,329	40,670	497,243
Deferred revenue	<u>407,714</u>	<u>5,228</u>		<u>412,942</u>
Total liabilities	<u>1,041,423</u>	<u>567,776</u>	<u>45,403</u>	<u>1,654,602</u>
Fund balances:				
Reserved for:				
Note receivable	2,775,000			2,775,000
Perpetual care			159,112	159,112
Other	45,520	10,871		56,391
Unreserved, reported in:				
General Fund	1,331,903			1,331,903
Special revenue funds		133,855	108,608	242,463
Capital project funds			<u>59,318</u>	<u>59,318</u>
Total fund balances	<u>4,152,423</u>	<u>144,726</u>	<u>327,038</u>	<u>4,624,187</u>
Total liabilities and fund balances	<u>\$ 5,193,846</u>	<u>\$ 712,502</u>	<u>\$ 372,441</u>	<u>\$ 6,278,789</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS

JUNE 30, 2009

Total fund balances for governmental funds		\$	4,624,187
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:			
Capital assets, net	\$	35,968,955	
Deferred charges		<u>74,524</u>	36,043,479
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds.			273,590
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds payable		18,332,537	
Capital leases		102,559	
Compensated absences payable		351,184	
Accrued interest		<u>103,478</u>	<u>(18,889,758)</u>
Net assets of governmental activities			<u>\$ 22,051,498</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	School Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 7,105,636			\$ 7,105,636
Intergovernmental	1,870,413	\$ 332,426	\$ 17,332	2,220,171
Licenses, permits and fees	315,413			315,413
Interest and investment	49,604		3,337	52,941
Transfer from component unit	119,694			119,694
Other revenues	<u>1,256,421</u>	<u>52,586</u>	<u>167,278</u>	<u>1,476,285</u>
Total revenues	<u>10,717,181</u>	<u>385,012</u>	<u>187,947</u>	<u>11,290,140</u>
Expenditures:				
Current:				
General government	1,100,434			1,100,434
Finance administration	251,768			251,768
Fire, rescue and emergency services	285,991			285,991
Police	615,529			615,529
Town highways/maintenance	480,212			480,212
State roads	255,635			255,635
Harbors	465,998			465,998
Building official	171,758			171,758
Recreation	362,771			362,771
Library	447,946		38,330	486,276
GIS/Technology	139,182			139,182
Boards and commissions	534,745		15,632	550,377
Community support	581,395		23,020	604,415
Education		4,505,581		4,505,581
Capital outlay			429,866	429,866
Debt service:				
Principal	3,375,169			3,375,169
Interest	<u>695,060</u>			<u>695,060</u>
Total expenditures	<u>9,763,593</u>	<u>4,505,581</u>	<u>506,848</u>	<u>14,776,022</u>
Excess (deficiency) of revenues over expenditures	<u>953,588</u>	<u>(4,120,569)</u>	<u>(318,901)</u>	<u>(3,485,882)</u>
Other financing sources (uses):				
Other financing sources	5,844,129		225,000	6,069,129
Transfers to other funds	(4,352,630)		(79,000)	(4,431,630)
Other financing uses	(2,688,381)			(2,688,381)
Transfers from other funds	<u>79,000</u>	<u>4,118,630</u>	<u>234,000</u>	<u>4,431,630</u>
Total other financing sources (uses)	<u>(1,117,882)</u>	<u>4,118,630</u>	<u>380,000</u>	<u>3,380,748</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(164,294)	(1,939)	61,099	(105,134)
Fund balance, beginning of year	<u>4,316,717</u>	<u>146,665</u>	<u>265,939</u>	<u>4,729,321</u>
Fund balance, end of year	<u>\$ 4,152,423</u>	<u>\$ 144,726</u>	<u>\$ 327,038</u>	<u>\$ 4,624,187</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

Net change in fund balances for governmental funds		\$ (105,134)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related asset and reported as depreciation expense.</p>		
Capital outlays, including amounts charged to current expenditures	\$ 3,759,404	
Depreciation expense	<u>(906,086)</u>	2,853,318
<p>Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.</p>		
		(7,848)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		(236,701)
<p>The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums, discounts and refunding charges are deferred and amortized as part of future interest expense.</p>		
Issuance of general obligation bonds	(6,069,129)	
Principal repayment on general obligation bonds and capital leases	3,375,169	
Amortization of premiums, discounts and deferred charges on refundings	<u>(4,973)</u>	(2,698,933)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Accrued compensated absences	(14,444)	
Accrued interest	<u>2,637</u>	<u>(11,807)</u>
Change in net assets of governmental activities		<u>\$ (207,105)</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

JUNE 30, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 184,610	\$ 298,473	\$ 483,083
Accounts receivable, net of allowance for doubtful accounts of \$9,274 and \$10,000, respectively:			
Assessments and user fees	50,316	73,833	124,149
Federal and state government		11,027	11,027
Other	5,475		5,475
Due from other funds		<u>2,365</u>	<u>2,365</u>
Total current assets	240,401	385,698	626,099
Noncurrent assets:			
Deferred charges	6,142	13,594	19,736
Capital assets not being depreciated	892,880	63,303	956,183
Capital assets being depreciated, net	<u>4,277,651</u>	<u>4,273,215</u>	<u>8,550,866</u>
Total assets	<u>5,417,074</u>	<u>4,735,810</u>	<u>10,152,884</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable and accrued expenses	55,632	17,064	72,696
Due to other funds	244,706		244,706
Accrued compensated absences	27,199		27,199
Current portion of long-term debt	<u>11,510</u>	<u>39,433</u>	<u>50,943</u>
Total current liabilities	<u>339,047</u>	<u>56,497</u>	<u>395,544</u>
Noncurrent liabilities:			
Accrued compensated absences	27,497		27,497
Loans payable, net of current portion	<u>969,105</u>	<u>1,091,643</u>	<u>2,060,748</u>
Total noncurrent liabilities	<u>996,602</u>	<u>1,091,643</u>	<u>2,088,245</u>
Total liabilities	<u>1,335,649</u>	<u>1,148,140</u>	<u>2,483,789</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	4,189,916	3,205,442	7,395,358
Unrestricted	<u>(108,491)</u>	<u>382,228</u>	<u>273,737</u>
Total net assets	<u>\$ 4,081,425</u>	<u>\$ 3,587,670</u>	<u>\$ 7,669,095</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Operating revenues:			
Assessments and user fees	\$ 603,943	\$ 395,784	\$ 999,727
Water contract	232,298		232,298
Other revenues	58,471	21,704	80,175
	<u>894,712</u>	<u>417,488</u>	<u>1,312,200</u>
Operating expenses:			
Salaries and benefits	604,887		604,887
Contracted services	67,987	260,419	328,406
Materials and supplies	55,264	13,854	69,118
Repairs and maintenance	40,186	29,820	70,006
Depreciation	330,257	166,146	496,403
Utilities	118,176	54,248	172,424
Professional services	39,534	18,502	58,036
Miscellaneous	10,870	20,060	30,930
	<u>1,267,161</u>	<u>563,049</u>	<u>1,830,210</u>
Operating loss	<u>(372,449)</u>	<u>(145,561)</u>	<u>(518,010)</u>
Nonoperating revenues (expenses):			
Interest revenue	6,311	10,790	17,101
Grant revenue	39,182	38,108	77,290
Interest expense	(41,905)	(45,390)	(87,295)
Amortization of bond issuance costs	(166)	(1,536)	(1,702)
	<u>3,422</u>	<u>1,972</u>	<u>5,394</u>
Change in net assets	(369,027)	(143,589)	(512,616)
Net assets, beginning of year	<u>4,450,452</u>	<u>3,731,259</u>	<u>8,181,711</u>
Net assets, end of year	<u>\$ 4,081,425</u>	<u>\$ 3,587,670</u>	<u>\$ 7,669,095</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND  
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 604,056	\$ 379,777	\$ 983,833
Cash received from other sources	45,316	21,704	67,020
Cash receipts for quasi-external transactions	290,147		290,147
Cash paid to employees for benefits	(598,053)		(598,053)
Cash paid to suppliers	(342,542)	(150,578)	(493,120)
Cash payments for quasi-external transactions		(297,937)	(297,937)
Net cash used in operating activities	<u>(1,076)</u>	<u>(47,034)</u>	<u>(48,110)</u>
Cash flows from capital and related financing activities:			
Capital contributions	161,312	98,143	259,455
Acquisition and construction of fixed assets	(283,529)	(137,407)	(420,936)
Principal paid on bonds and notes	(11,043)	(38,171)	(49,214)
Interest paid on bonds and notes	(41,949)	(45,770)	(87,719)
Net cash used in capital and related financing activities	<u>(175,209)</u>	<u>(123,205)</u>	<u>(298,414)</u>
Cash provided by investing activities, interest received	<u>6,308</u>	<u>10,790</u>	<u>17,098</u>
Net decrease in cash and cash equivalents	(169,977)	(159,449)	(329,426)
Cash and cash equivalents, beginning of year	<u>354,587</u>	<u>457,922</u>	<u>812,509</u>
Cash and cash equivalents, end of year	<u>\$ 184,610</u>	<u>\$ 298,473</u>	<u>\$ 483,083</u>

(continued)

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2009

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (372,449)	\$ (145,561)	\$ (518,010)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	330,257	166,146	496,403
Changes in assets and liabilities:			
Accounts receivable, assessments and fees	(3,042)	(16,006)	(19,048)
Due from other funds	47,849	(47,849)	-
Accounts payable and accrued expenses	(7,408)	(3,764)	(11,172)
Accrued compensated absences	3,717	-	3,717
Net cash used in operating activities	<u>\$ (1,076)</u>	<u>\$ (47,034)</u>	<u>\$ (48,110)</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS -  
FIDUCIARY FUNDS

JUNE 30, 2009

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$ 17,908</u>
Total assets	<u><u>\$ 17,908</u></u>
<b>LIABILITIES:</b>	
Deposits held in custody for others	<u>\$ 17,908</u>
Total liabilities	<u><u>\$ 17,908</u></u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 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.

*Financial reporting entity:*

The Town was incorporated in 1672 and is governed under a home rule charter adopted in 1988 and revised in 2001. 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 (police, fire, rescue, and emergency services), 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. 39, "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. Through the application of GASB Statement Nos. 14 and 39 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Financial reporting entity (continued):*

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.

*Basis of presentation:*

*Government-wide financial statements:*

The statement of net assets and statement of activities display information about the Town as a whole. They include all funds of the Town except for fiduciary funds. The statements 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 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.

*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:

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Fund financial statements (continued):*

- (a) Total assets, liabilities, 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
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

*Governmental funds:*

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

*General Fund:*

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 all activities except those legally or administratively required to be accounted for in other funds.

*Special revenue funds:*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The Town's only major special revenue fund is the School Department, reported as School Funds.

*Capital projects funds:*

Capital projects funds are used to account for financial resources designated for the acquisition or construction of major capital projects or items, other than those financed by a proprietary fund. The Town's three capital project funds are all nonmajor funds in the current year.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Fund financial statements (continued):*

*Permanent funds:*

Permanent funds account for assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town's only permanent fund is the Cemetery Fund, which is a nonmajor fund.

*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.

*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.

*Measurement focus and basis of accounting:*

The government-wide financial statements, including the component unit, are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Measurement focus and basis of accounting (continued):*

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 revenues. 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.

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 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 and thus 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Measurement focus and basis of accounting (continued):*

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.

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

*Property taxes:*

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. Taxes levied in July are payable on and between the 15<sup>th</sup> day of August and the 31<sup>st</sup> 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 either its total tax levy or its tax rates by more than 5% over those of the preceding year.

*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 fiscal year.

*Use of estimates:*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*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.

*Investments:*

Investments are reported at fair value, as established by 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 an investment policy for custodial credit risk or other risks.

*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 elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Interfund receivables and payables are classified as "due from other funds" or "due to other funds."

*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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Capital assets (continued):*

*Government-wide financial statements (continued):*

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 has 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 funds 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 assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is 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. Land in the component unit 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. No interest was capitalized for the year ended June 30, 2009.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Capital assets (continued):*

*Government-wide financial statements (continued):*

*Fund financial statements:*

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

*Bond issuance costs:*

Bond issuance costs for government-wide operations and proprietary funds are deferred and amortized over the term of the bonds using the straight-line method. In governmental funds, bond issuance costs are recognized as debt service expenditures in the current period.

*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 an expenditure and a fund liability of the governmental fund(s) that will pay it.

*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 assets. 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 other financing sources. Bond issuance costs are expensed as incurred. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

TOWN OF NEW SHOREHAM, RHODE ISLAND  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2009

1. Summary of significant accounting policies (continued):

*Fund equity:*

*Government-wide financial statements:*

*Net assets:*

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

Invested in capital assets, net of related debt - represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted - those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted - a residual category for the balance of net assets.

*Fund financial statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. Fund balances:

*Designated fund balances:*

As of June 30, 2009, unreserved fund balance designations are as follows:

	General Fund
Town Hall construction	\$ 70,000
North Light construction	87,894
Total	\$ 157,894

At June 30, 2009, no Town fund had a deficit fund balance.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

3. Deposits and investments:

At June 30, 2009, the carrying amount of the Town's deposits was \$2,718,615, including \$1,645,889 of cash equivalents, and the total bank balance was \$3,074,637. Included in these balances are deposits of agency funds totaling \$17,908.

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.

At June 30, 2009, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Maturities	Total bank balance	Carrying amount
Deposits:				
Demand deposits	\$ 1,428,764		\$ 1,428,764	\$ 1,064,527
Restricted cash and cash equivalents				2,299
Petty cash				5,900
Certificates of deposit	430,782	7/15/09- 7/30/09	430,782	430,798
Money market	<u>1,215,091</u>		<u>1,215,091</u>	<u>1,215,091</u>
	<u>\$ 3,074,637</u>		<u>\$ 3,074,637</u>	<u>\$ 2,718,615</u>

At June 30, 2009, deposits and investment of the component unit are categorized as follows:

Type	Rating	Maturities	Total bank balance	Carrying value
Deposits, demand deposits			<u>\$ 164,158</u>	<u>\$ 158,103</u>
Investment, United States Treasury Bill		7/23/2009		<u>\$ 384,973</u>

At June 30, 2009, the component unit's demand deposits are federally insured.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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, 2009 totaled approximately \$44,500. The net investment loss for the year was approximately \$15,600.

5. Interfund receivables/payables:

Interfund receivables and payables at June 30, 2009 were as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds: General Fund	Governmental funds: Library Fund	\$ 40,670
	Enterprise funds: Sewer	242,340
		<u>283,010</u>
School Funds	Governmental funds: General Fund	455,129
Rhode Island Substance Abuse Fund	Government funds: General Fund	1,445
		<u>\$ 739,584</u>
Enterprise funds: Water	Enterprise funds: Sewer	\$ 2,365

The interfund receivables and payables arose from normal operations – principally payroll and school appropriations.

## TOWN OF NEW SHOREHAM, RHODE ISLAND

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

## 6. Capital assets:

Governmental activities:	Beginning balances	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 14,829,955	\$ 2,691,597	\$ -	\$ 17,521,552
Construction in progress	568,007	497,145	(479,067)	586,085
Total capital assets not being depreciated	15,397,962	3,188,742	(479,067)	18,107,637
Capital assets being depreciated:				
Land improvements	1,553,190	479,067	-	2,032,257
Buildings and improvements	19,319,717	219,512	-	19,539,229
Vehicles and vessels	1,793,481	140,178	(23,787)	1,909,872
Furniture and equipment	546,661	121,674	-	668,335
Machinery and equipment	722,525	113,085	-	835,610
Infrastructure	1,560,363	-	-	1,560,363
Total capital assets being depreciated	25,495,937	1,073,516	(23,787)	26,545,666
Less accumulated depreciation for:				
Land improvements	743,242	57,132	-	800,374
Buildings and improvements	4,748,594	647,063	-	5,395,657
Vehicles and vessels	1,264,261	84,733	(23,787)	1,325,207
Furniture and equipment	404,712	47,004	-	451,716
Machinery and equipment	577,088	40,457	-	617,545
Infrastructure	40,365	53,484	-	93,849
Total accumulated depreciation	7,778,262	929,873	(23,787)	8,684,348
Total capital assets being depreciated, net	17,717,675	143,643	-	17,861,318
Governmental activity capital assets, net	<u>\$ 33,115,637</u>	<u>\$ 3,332,385</u>	<u>\$ (479,067)</u>	<u>\$ 35,968,955</u>
Component unit:				
Capital assets not being depreciated, land and land rights under management	<u>\$ 20,137,338</u>	<u>\$ 952,912</u>	<u>\$ -</u>	<u>\$ 21,090,250</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

6. Capital assets (continued):

Business-type activities:	Beginning balances	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 954,203	\$ -	\$ -	\$ 954,203
Construction in progress	1,409,639	187,147	(1,594,806)	1,980
Total capital assets not being depreciated	<u>2,363,842</u>	<u>187,147</u>	<u>(1,594,806)</u>	<u>956,183</u>
Capital assets being depreciated:				
Buildings and improvements	4,209,045	410,656	-	4,619,701
Equipment	1,288,114	41,154	-	1,329,268
Underground piping	8,832,432	1,272,580	-	10,105,012
Wells/reserve osmosis/water supply	1,194,448	-	-	1,194,448
Total capital assets being depreciated	<u>15,524,039</u>	<u>1,724,390</u>	<u>-</u>	<u>17,248,429</u>
Less accumulated depreciation for:				
Buildings and improvements	1,784,002	117,007	-	1,901,009
Equipment	854,350	68,701	-	923,051
Underground piping	5,355,317	284,152	-	5,639,469
Wells/reserve osmosis/water supply	207,491	26,543	-	234,034
Total accumulated depreciation	<u>8,201,160</u>	<u>496,403</u>	<u>-</u>	<u>8,697,563</u>
Total capital assets being depreciated, net	<u>7,322,879</u>	<u>1,227,987</u>	<u>-</u>	<u>8,550,866</u>
Business-type activities capital assets, net	<u>\$ 9,686,721</u>	<u>\$ 1,415,134</u>	<u>\$ (1,594,806)</u>	<u>\$ 9,507,049</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 82,543		
Finance administration		8,538		
Fire, rescue and emergency services		57,681		
Police		7,536		
Town highways/maintenance		110,330		
Harbors		41,653		
Recreation		19,000		
Library		88,963		
Boards and commissions		23,965		
Community support		47,086		
Education		418,791		
		<u>\$ 906,086</u>		
Business-type activities:				
Sewer Fund		\$ 330,257		
Water Fund		166,146		
		<u>\$ 496,403</u>		

TOWN OF NEW SHOREHAM, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009

7. Long-term obligations:

A summary of long-term obligations as of June 30, 2009 is as follows:

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Block Island Land Trust
Bonds and notes	\$ 18,377,563	\$ 2,111,691	\$ 20,489,254	\$ 657,325
Deferred amounts:				
For issuance costs	(34,724)		(34,724)	
On refunding	(20,372)		(20,372)	
On premium	10,070		10,070	
	18,332,537	2,111,691	20,444,228	657,325
Capital lease	102,559		102,559	
Accrued compensated absences	351,184	54,696	405,880	
	18,786,280	2,166,387	20,952,667	657,325
Less portion due within one year	1,407,390	78,142	1,485,532	88,471
	<u>\$ 17,378,890</u>	<u>\$ 2,088,245</u>	<u>\$ 19,467,135</u>	<u>\$ 568,854</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009

7. Long-term obligations (continued):

Changes in long-term obligations during the year ended June 30, 2009 were as follows:

	<u>Balance, July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2009</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable:					
Bonds and notes	\$ 15,790,113	\$ 5,925,000	\$ 3,337,550	\$ 18,377,563	\$ 1,312,563
Deferred amounts:					
For issuance discounts	(38,544)		(3,820)	(34,724)	(3,834)
On refunding	(21,903)		(1,531)	(20,372)	(1,546)
On premium	6,498	3,949	377	10,070	567
Total bonds payable	<u>15,736,164</u>	<u>5,928,949</u>	<u>3,332,576</u>	<u>18,332,537</u>	<u>1,307,750</u>
Capital lease	- 0 -	140,178	37,619	102,559	32,551
Accrued compensated absences	<u>336,740</u>	<u>14,444</u>		<u>351,184</u>	<u>67,089</u>
Total long-term obligations	<u>\$ 16,072,904</u>	<u>\$ 6,083,571</u>	<u>\$ 3,370,195</u>	<u>\$ 18,786,280</u>	<u>\$ 1,407,390</u>
Business-type activities:					
Bonds and notes	\$ 2,160,905		\$ 49,214	\$ 2,111,691	\$ 50,943
Accrued compensated absences	<u>50,979</u>	<u>\$ 3,717</u>		<u>54,696</u>	<u>27,199</u>
Total long-term obligations	<u>\$ 2,211,884</u>	<u>\$ 3,717</u>	<u>\$ 49,214</u>	<u>\$ 2,166,387</u>	<u>\$ 78,142</u>
Component unit:					
Bonds and notes	<u>\$ 743,014</u>	<u>\$ - 0 -</u>	<u>\$ 85,689</u>	<u>\$ 657,325</u>	<u>\$ 88,471</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

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, 2008</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance, June 30, 2009</u>
Governmental activities:								
2009 Bond	\$ 2,975,000	2009	2.25-4.5%	2029	\$ - 0 -	\$ 2,975,000		\$ 2,975,000
Housing Board Land Acquisition (RAN)	100,000	2009	3.25%	2010	- 0 -	100,000		100,000
Land Acquisition (BAN)	2,500,000	2009	1.91%	2009	- 0 -	2,500,000	\$ 2,500,000	- 0 -
School Construction (BAN)	350,000	2009	4.00%	2010	- 0 -	350,000		350,000
Town Hall Construction 2006	1,350,000	2006	4.0-4.75%	2026	1,210,000		70,000	1,140,000
School Construction 2006	1,100,000	2006	4.0-4.75%	2026	990,000		55,000	935,000
School Construction 2005	7,160,000	2005	3.5-4.25%	2025	6,490,000		250,000	6,240,000
Hodge Property	1,000,000	2002	2.5-5.0%	2022	830,000		40,000	790,000
Hodge Property	3,500,000	2002	2.5-5.0%	2022	2,910,000		135,000	2,775,000
Refunding bond - school	1,913,000	2002	4.25-5.0%	2022	1,510,000		75,000	1,435,000
Town library - additions/renovations	1,257,000	2002	4.25-5.0%	2022	990,000		50,000	940,000
Town Hall - additions/renovations	750,000	2002	4.25-5.0%	2022	590,000		30,000	560,000
Old Harbor lavatories	260,000	1998	3.65-4.6%	2010	50,000		25,000	25,000
Land acquisition	170,000	1998	3.65-5.0%	2010	35,000		15,000	20,000
Refunding bond - open space	838,768	1998	3.65-4.6%	2010	80,091		40,040	40,051
Refunding bond - school	583,107	1998	3.65-4.6%	2010	55,649		27,830	27,819
Refunding bond - sewer	516,960	1998	3.65-4.6%	2010	49,373		24,680	24,693
Total	<u>\$ 26,323,835</u>				<u>\$ 15,790,113</u>	<u>\$ 5,925,000</u>	<u>\$ 3,337,550</u>	<u>\$ 18,377,563</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009

7. Long-term obligations (continued):

*General obligation bonds and notes (continued):*

Bonds and notes currently outstanding and recorded in the business-type activities statement of net assets are as follows:

Purpose	Authorized and issued	Fiscal year of issue	Interest rate	Fiscal year of maturity	Balance, July 1, 2008	New issues	Retirements	Balance, June 30, 2009
Enterprise funds:								
Sewer Fund:								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 345,432	\$ - 0 -	\$ 3,715	\$ 341,717
Sewer improvements	192,500	2006	4.375%	2046	188,711		2,020	186,691
Land	<u>472,175</u>	2005	4.25%	2045	<u>457,515</u>		<u>5,308</u>	<u>452,207</u>
	<u>1,013,675</u>				<u>991,658</u>	<u>- 0 -</u>	<u>11,043</u>	<u>980,615</u>
Water Fund:								
Discharge	442,000	2007	4.125%	2047	437,482	- 0 -	4,704	432,778
Water supply	179,445	2005	4.25%	2045	173,873		2,017	171,856
Clean Water GOB	614,287	2004	3.26%	2024	543,000		24,000	519,000
Refunding bond	<u>156,165</u>	1998	3.65-4.6%	2010	<u>14,892</u>		<u>7,450</u>	<u>7,442</u>
	<u>1,391,897</u>				<u>1,169,247</u>	<u>- 0 -</u>	<u>38,171</u>	<u>1,131,076</u>
Total	<u>\$ 2,405,572</u>				<u>\$ 2,160,905</u>	<u>\$ - 0 -</u>	<u>\$ 49,214</u>	<u>\$ 2,111,691</u>
Component unit:								
Land acquisition	\$ 450,000	2004	6.00%	2013	\$ 258,014	\$ - 0 -	\$ 45,689	\$ 212,325
Land acquisition	<u>800,000</u>	1998	3.65%-5.0%	2018	<u>485,000</u>		<u>40,000</u>	<u>445,000</u>
	<u>\$ 1,250,000</u>				<u>\$ 743,014</u>	<u>\$ - 0 -</u>	<u>\$ 85,689</u>	<u>\$ 657,325</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

7. Long-term obligations (continued):

*General obligation bonds and notes (continued):*

At June 30, 2009, 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
2010	\$ 1,312,563	\$ 759,554	\$ 2,072,117
2011	1,020,000	712,918	1,732,918
2012	950,000	671,630	1,621,630
2013	980,000	635,590	1,615,590
2014	1,025,000	597,231	1,622,231
2015-2019	5,670,000	2,327,056	7,997,056
2020-2024	5,840,000	1,025,441	6,865,441
2025-2029	1,580,000	145,211	1,725,211
	<u>\$ 18,377,563</u>	<u>\$ 6,874,631</u>	<u>\$ 25,252,194</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2010	\$ 50,953	\$ 85,956	\$ 136,909
2011	45,289	84,070	129,359
2012	46,100	82,436	128,536
2013	47,945	80,713	128,658
2014	49,826	78,889	128,715
2015-2019	279,696	363,620	643,316
2020-2024	340,989	302,127	643,116
2025-2029	228,756	239,858	468,614
2030-2034	229,481	196,264	425,745
2035-2039	281,984	143,761	425,745
2040-2044	346,505	79,239	425,744
2045-2047	164,167	12,036	176,203
	<u>\$ 2,111,691</u>	<u>\$ 1,748,969</u>	<u>\$ 3,860,660</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

7. Long-term obligations (continued):

*General obligation bonds and notes (continued):*

Component unit:

Year ending June 30,	Principal	Interest	Total
2010	\$ 88,471	\$ 33,623	\$ 122,094
2011	96,423	28,831	125,254
2012	99,554	23,585	123,139
2013	102,877	18,125	121,002
2014	50,000	13,348	63,348
2015-2018	220,000	28,145	248,145
	<u>\$ 657,325</u>	<u>\$ 145,657</u>	<u>\$ 802,982</u>

Capital lease:

Year ending June 30,	Principal	Interest	Total
2010	\$ 32,551	\$ 5,068	\$ 37,619
2011	34,160	3,459	37,619
2012	35,848	1,771	37,619
	<u>\$ 102,559</u>	<u>\$ 10,298</u>	<u>\$ 112,857</u>

The 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 laws cap 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, 2008 was \$2,120,133,920, limiting the amount of non-exempted general obligation bonds outstanding to \$63,604,018. At June 30, 2009, general obligation bonds outstanding totaled \$18,377,563.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

7. Long-term obligations (continued):

*General obligation bonds and notes (continued):*

During 2009, the Town approved and issued a general obligation bond totaling \$2,975,000. Of this amount, \$2,500,000 was used to refund the bond anticipation note (BAN) issued in 2009 and used to purchase a parcel of land, \$350,000 was used in July 2009 to refund a BAN, issued in 2009 related to the Block Island School construction, and \$125,000 was used to fund renovations to the Old Harbor dock. In addition, a \$100,000 Revenue Anticipation Note (RAN) was issued for a land acquisition by the Block Island Housing Board. The previously authorized, but unissued, general obligation bonds related to the component unit remain at \$6,050,000.

The component unit may request the Town to 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.

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 coincide, generally, with the interest rates, principal installments and maturities of the related general obligation bond of the Town. At June 30, 2009, the balance of the note was \$2,775,000.

*Accrued compensated absences:*

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

TOWN OF NEW SHOREHAM, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009

8. Accounts payable and accrued expenses:

Accounts payable and accrued expenses are as follows:

	Vendors	Other Governments	Employees	Accrued Interest	Total
Governmental activities:					
General Fund	\$ 185,673	\$ 7,955	\$ 56,408		\$ 250,036
School Department	95,362		393,857		489,219
Nonmajor funds	4,733				4,733
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 103,478	103,478
	<u>\$ 285,768</u>	<u>\$ 7,955</u>	<u>\$ 450,265</u>	<u>\$ 103,478</u>	<u>\$ 847,466</u>
Business-type activities:					
Sewer	\$ 40,466	\$ 1,112	\$ 8,342	\$ 5,712	\$ 55,632
Water	7,749	1,330		7,985	17,064
	<u>\$ 48,215</u>	<u>\$ 2,442</u>	<u>\$ 8,342</u>	<u>\$ 13,697</u>	<u>\$ 72,696</u>
Component unit	<u>\$ 3,958</u>	<u>\$ - 0 -</u>	<u>\$ 256</u>	<u>\$ 13,689</u>	<u>\$ 17,903</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Employee retirement systems:

All eligible employees of the Town are covered by one of two pension plans: the Employees' Retirement System of the State of Rhode Island (Teachers' Plan) or the Municipal Employees' Retirement System of the State of Rhode Island (Municipal Plan). The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Business managers are also eligible to participate. The Municipal Plan covers substantially all of the Town's employees except public school teachers. Total covered payroll under all plans during 2009 was \$4,147,004. Total Town payroll was \$4,824,450 for the same period.

Teachers' Plan

*Plan description:*

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple employer public employee retirement system administered by the State. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the plan during 2009 was \$1,783,235.

Participants' rights to pension benefits become fully vested after 10 years of service. Participants are eligible to retire after 10 years of service if they have attained age 60, or after 28 years of service regardless of age. Benefits are equal to 1.7% of final average salary for each of the first 10 years of service, 1.9% for each of the next ten years, 3% for each of the next 14 years thereafter, and 2% for the 35<sup>th</sup> year, resulting in a maximum benefit of 80% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retirees' benefits are subject to a 3% compounded annual cost of living increase, commencing on the January 1<sup>st</sup> following the third anniversary of an employee's retirement.

The Teachers' Plan also provides pre-retirement benefits at a minimum of 17% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Employee retirement systems (continued):

Teachers' Plan (continued):

*Funding policy:*

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of July 1, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The Town does not participate in the optional Teachers Survivor Benefits Fund.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2009, actuarial required contributions were 23.95% of participant salary, which resulted in a contribution rate paid by the State on behalf of Town teachers of 9.74% (\$173,687). The Town's contribution rate was 14.21%. The Town's required and actual contributions to the Teachers' Plan for fiscal years 2009, 2008 and 2007 were \$253,398, \$222,230 and \$162,636, respectively.

Municipal Plan

*Plan description:*

The Municipal Plan is an agent multiple employer public employee retirement system administered by the State. Financial statements for the Municipal Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. For fiscal year 2009, payroll for employees covered under the plan totaled \$2,363,769 (including \$237,126 for police).

Participants' rights to pension benefits become fully vested after 10 years of service. They are also eligible to retire after 10 years of service if they have attained age 58 (age 55 for police) or after 30 years of service (25 years for police) regardless of age. Benefits are equal to 2% of final average salary for each year of service, with a maximum benefit of 75% of final average salary. Final average salary is computed using the highest three consecutive years of base earnings, exclusive of overtime. Retiree benefits are adjusted annually by 3%, not compounded, to allow for cost of living increases under an optional benefit provision adopted by the Town.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Employee retirement systems (continued):

Municipal Plan (continued)

*Plan description (continued):*

The Municipal Plan also provides pre-retirement benefits at a minimum of 20% of salary for non-occupational disabilities after 5 years of service, and at 67% of salary for occupational disabilities regardless of service. Surviving spouses are also eligible for both pre- and post-retirement death benefits with minimum amounts established under varying circumstances.

As of June 30, 2009, active employees who were members of the Municipal Plan are as follows:

Municipal workers	42 (15 school)
Police	5

*Funding policy:*

Rhode Island general laws set contributions of participating employees at 6% (8% for police) of salary. An additional 1% of salary is assessed to employees under the optional cost-of-living provision. Annual required contributions are actuarially determined for each separate employer and are assessed to each as a percentage of their participating employees' payroll. The annual required contribution covers normal costs and, where applicable, a payment to amortize the unfunded actuarial accrued liability as of July 1, 1999 over a closed period of 30 years. Normal cost is determined using the entry age normal cost method. Unlike in the Teachers' Plan, the State makes no contributions to the Municipal Plan on behalf of the Town nor does it assume any liability for funding pension benefits for the Town's participants.

*Annual pension costs and net pension obligations:*

The following table summarizes annual pension costs and actual contributions for the Municipal Plan for the past three years. There was no net pension obligation during the three-year period.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension costs	\$ 414,692	\$ 376,375	\$ 372,168
Actual contributions:			
Municipal:			
Employee	148,938	133,309	143,663
Employer	193,099	168,993	167,523

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Employee retirement systems (continued):

Municipal Plan (continued)

*Annual pension costs and net pension obligations (continued):*

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police:			
Employee	\$ 21,341	\$ 20,014	\$ 19,709
Employer	51,314	54,059	41,273
Percent of annual pension costs contributed	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The School Department was required to contribute 9.08% to the Municipal Plan during the fiscal year ended June 30, 2009, which resulted in a contribution of \$36,119 by the School Department. School employees under the Municipal Plan were required to contribute \$27,918.

*Funded status and funding progress:*

As of June 30, 2008, the most recent actuarial valuation date, the Municipal Plan was 69.4% and 89.7% funded for police and all other, respectively. The actuarial accrued liability for benefits was \$1,199,366 and \$4,740,547 for police and all other, respectively, and the actuarial value of assets was \$832,678 and \$4,254,010, respectively. This resulted in an unfunded actuarial accrued liability (UAAL) of \$366,688 and \$486,537 for police and all other, respectively. The covered payroll (annual payroll of active employees covered by the Municipal Plan) was \$222,375 and \$1,972,982 for police and all other, respectively, and the ratio of the UAAL to the covered payroll was 164.9% and 24.7%, respectively.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of Municipal Plan assets are increasing or decreasing over time relative to accrued actuarial liabilities for benefits.

*Actuarial methods and significant assumptions:*

The State uses the entry age normal method to determine both the actuarial accrued liabilities and annual required contributions to each member of the Municipal Plan. Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Municipal Plan are performed annually as of June 30.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

9. Employee retirement systems (continued):

Municipal Plan (continued)

*Actuarial methods and significant assumptions (continued):*

Significant actuarial assumptions used in each valuation are summarized as follows:

Asset appreciation: 8.25% annually

Salary increases: 3.75% annually

Cost of living adjustments: 3.00%, non-compounded

Retirement probability:

100% at age 70 or upon eligibility (100% at age 60 or upon eligibility - police)

Mortality:

Healthy members - 1994 Group Annuity Mortality Table

Disabled members - 1994 PBGC Table Va (VIa for females) set to age 65 (60 for police employees)

Disability:

Probabilities ranging from .05% at age 25 to .71% at age 60 (.17% at age 25 to 1.21% at age 50 for police)

10. 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

10. Risk management (continued):

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

There were no significant reductions in insurance coverage during the year ended June 30, 2009.

11. Litigation and contingencies:

*Litigation:*

On June 17, 2009, the Town reached a settlement related to architecture services at the Block Island School totaling \$125,000, none of which was recorded as a liability in the 2008 financial statements.

The Town is a party to various other 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.

*Other contingencies:*

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$657,000 for the year ended June 30, 2009.

12. Commitments:

Renovations to the North Light are underway and completion is expected during fiscal year 2010. The Town has committed to pay \$87,894 from the General Fund; remaining funding is being provided by grants from the Rhode Island Department of Transportation and the Rhode Island Historic Preservation Society. At year-end, the Town has commitments totaling approximately \$158,000 remaining on the contract with Campbell Construction Group. Total estimated costs for the project are \$650,000, of which approximately \$492,000 has been incurred through June 30, 2009.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2009

12. Commitments (continued):

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 2009, the component unit made the first installment plus interest totaling approximately \$75,000.

The Town has entered into a purchase and sales agreement to purchase a parcel of land for \$900,000, to be financed by the issuance of bonds.

TOWN OF NEW SHOREHAM, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 7,166,343	\$ 7,105,636	\$ (60,707)
Intergovernmental	1,116,878	1,870,413	753,535
Licenses, permits and fees	435,545	315,413	(120,132)
Interest and investment	175,000	49,604	(125,396)
Transfer from component unit	254,694	119,694	(135,000)
Other revenues	<u>1,399,323</u>	<u>1,293,171</u>	<u>(106,152)</u>
Total revenues	<u>10,547,783</u>	<u>10,753,931</u>	<u>206,148</u>
Expenditures:			
Current:			
General government	968,392	1,070,177	(101,785)
Finance administration	294,494	287,118	7,376
Fire, rescue and emergency services	250,206	251,891	(1,685)
Police	592,268	581,758	10,510
Town highways and maintenance	414,041	430,221	(16,180)
State roads	327,958	255,635	72,323
Harbors	437,345	444,011	(6,666)
Building official	172,098	171,758	340
Recreation	293,769	270,660	23,109
Library	446,141	437,950	8,191
GIS/Technology	109,050	101,442	7,608
Boards and commissions	162,674	159,489	3,185
Community support	307,302	303,941	3,361
Capital outlay	288,006	962,663	(674,657)
Debt service	<u>1,576,528</u>	<u>4,071,627</u>	<u>(2,495,099)</u>
Total expenditures	<u>6,640,272</u>	<u>9,800,341</u>	<u>(3,160,069)</u>
Excess of revenues over expenditures, budgetary basis	<u>3,907,511</u>	<u>953,590</u>	<u>(2,953,921)</u>
Other financing sources (uses):			
Reappropriated fund balances, unrestricted fund balances	180,500		(180,500)
Transfers to other funds	(4,088,011)	(4,352,632)	(264,621)
Transfers from other funds		79,000	79,000
Other financing sources		5,844,129	5,844,129
Other financing uses		<u>(2,688,381)</u>	<u>(2,688,381)</u>
Total other financing sources (uses)	<u>(3,907,511)</u>	<u>(1,117,884)</u>	<u>2,789,627</u>
Excess of expenditures and other financing uses over revenues and other financing sources, budgetary basis	<u>\$ -</u>	<u>(164,294)</u>	<u>\$ (164,294)</u>
Excess of expenditures and other financing uses over revenues and other financing sources, U. S. GAAP basis		(164,294)	
Net assets, beginning of year		<u>4,316,717</u>	
Net assets, end of year		<u>\$ 4,152,423</u>	

TOWN OF NEW SHOREHAM, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 203,264	\$ 158,739	\$ (44,525)
Other revenues		52,586	52,586
	<u>203,264</u>	<u>211,325</u>	<u>8,061</u>
Total revenues			
Expenditures:			
Current:			
Salaries	2,491,341	2,483,866	7,475
Employee benefits	1,005,859	1,004,799	1,060
Purchased services	660,840	659,362	1,478
Supplies and materials	85,098	135,426	(50,328)
Other	3,000	2,874	126
Capital expenditures	45,137	45,567	(430)
	<u>4,291,275</u>	<u>4,331,894</u>	<u>(40,619)</u>
Total expenditures			
Excess of expenditures over revenues, budgetary basis	(4,088,011)	(4,120,569)	(32,558)
Other financing sources, transfer from General Fund	<u>4,088,011</u>	<u>4,118,630</u>	<u>30,619</u>
Excess of expenditures over revenues and other financing sources , budgetary basis	<u>\$ -</u>	<u>(1,939)</u>	<u>\$ (1,939)</u>
Excess of expenditures over revenues, U.S. GAAP basis		(1,939)	
Net assets, beginning of year		<u>146,665</u>	
Net assets, end of year		<u>\$ 144,726</u>	

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGET COMPARISON

YEAR ENDED JUNE 30, 2009

Budget preparation and budgetary basis of accounting:

In accordance with the Town Charter, the Town Manager must present to the Council, no 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 (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include reappropriations 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGET COMPARISON  
(CONTINUED)

YEAR ENDED JUNE 30, 2009

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<i>Municipal Employees Retirement System, Police</i>						
June 30, 2006	\$ 652,277	\$ 1,008,223	\$ 355,946	64.7%	\$ 268,978	132.3%
June 30, 2007	749,397	1,149,748	400,351	65.2%	209,013	191.5%
June 30, 2008	832,678	1,199,366	366,688	69.4%	222,375	164.9%
June 30, 2009	N/A	N/A	N/A	N/A	237,126	N/A
<i>Municipal Employees Retirement System, Other</i>						
June 30, 2006	\$ 3,146,380	\$ 3,936,518	\$ 790,138	79.9%	\$ 1,961,604	40.3%
June 30, 2007	3,711,018	4,421,529	710,511	83.9%	2,026,568	35.1%
June 30, 2008	4,254,010	4,740,547	486,537	89.7%	1,972,982	24.7%
June 30, 2009	N/A	N/A	N/A	N/A	1,728,850	N/A

(1) N/A not available

(2) The latest actuarial valuation for the plan is as of June 30, 2008.

TOWN OF NEW SHOREHAM, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2009

Real estate and personal property taxes receivable:

<u>Year</u>	<u>Balance, July 1, 2008</u>	<u>Current year assessment</u>	<u>Adjustments/ abatements</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance, June 30, 2009</u>
2009	\$ -	\$ 6,971,510	\$ (22,345)	\$ 6,949,165	\$ 6,786,283	\$ 162,882
2008	127,492		(532)	126,960	124,626	2,334
2007	23,209		(669)	22,540	21,889	651
2006	1,100		(430)	670	41	629
2005	965			965		965
2004	1,006			1,006		1,006
2003	1,686			1,686		1,686
2002	1,836			1,836		1,836
2001	2,065			2,065		2,065
2000	2,305			2,305		2,305
1999	2,957			2,957		2,957
	<u>\$ 164,621</u>	<u>\$ 6,971,510</u>	<u>\$ (23,976)</u>	<u>\$ 7,112,155</u>	<u>\$ 6,932,839</u>	179,316
						Less allowance for doubtful accounts
						<u>40,000</u>
						<u>\$ 139,316</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND  
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)  
YEAR ENDED JUNE 30, 2009

Schedule of most recent net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 2,098,956,096	\$ 6,835,919
Motor vehicles	17,194,245	83,631
Tangible personal	<u>3,983,579</u>	<u>13,338</u>
Total	2,120,133,920	6,932,888
Exemptions	<u>36,080,507</u>	<u>-</u>
Current year assessment	<u><u>\$ 2,084,053,413</u></u>	<u><u>\$ 6,932,888</u></u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 6,932,839
Revenue collected within 60 days subsequent to year ended June 30, 2009	<u>83,370</u>
	7,016,209
Prior year revenue received in current year	<u>(61,355)</u>
Current year real estate and personal property tax revenue	<u><u>\$ 6,954,854</u></u>



Lefkowitz, Garfinkel, Champi & DeRienzo P.C.  
Certified Public Accountants / Business Consultants

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

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

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 27, 2009. We did not audit the financial statements of the School Funds, which is a major fund and represents approximately 1 percent, 1 percent, 4 percent and 40 percent, respectively, of the assets, net assets, revenues and expenditures of the Governmental Activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Funds, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Town of New Shoreham, Rhode Island, its management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*DeFazio, Jai Jinkel, Campi & DeGuzol, C.*

October 27, 2009