

TOWN OF NEW SHOREHAM, RHODE ISLAND

BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011



TOWN OF NEW SHOREHAM, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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TOWN OF NEW SHOREHAM, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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Lefkowitz, Garfinkel, Champi & DeRienzo P.C.
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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island as of June 30, 2011, 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 December 12, 2011 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 opinions 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.

Management's Discussion and Analysis on pages 3 through 11, and budgetary comparison schedules and historical pension information on pages 54 through 58 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 tax collector's annual report listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Leffkowitz, Jac. Jankel, Charpi & DeGuzio, P.C.

December 12, 2011

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, 2011.

Financial Highlights

The assets of the Town exceeded its liabilities as of June 30, 2011 by \$29,252,411 (*net assets*). Net assets include \$25,668,082 invested in capital assets, net of related debt; \$443,761 of restricted net assets; and \$3,140,568 of unrestricted net assets that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets were \$53,052,185 and total liabilities were \$23,799,774 at June 30, 2011. The Town's total net assets decreased by \$179,908 in the current fiscal year (FY 2011).

As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$4,019,880, a decrease of \$2,144,176 from the prior year. This decrease is primarily due to capital project expenditures in the Old Harbor Dock Construction Fund.

As of June 30, 2011, the unassigned fund balance for the General Fund was \$785,729, or 7% of total budgeted 2011 General Fund expenditures and other financing uses (\$10,951,560). This amount is available for spending at the Town's discretion.

The Town's total debt decreased by \$634,118 (3%) during the current fiscal year. The key factors in this decrease were the retirement of principal, partially offset by the issuance of \$450,000 of debt, primarily for the extension of a water main.

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)

Overview of the Financial Statements (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 12-13 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 *governmental funds* and *governmental activities*.

The Town maintains nine individual governmental funds and one component unit fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, School Funds, and Old Harbor Dock Construction Fund, 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 14-17 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 18-21 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 fiduciary funds.

The basic fiduciary fund financial statement can be found on page 22 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 23-53 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Supplementary information 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 54-58 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 \$29,252,411 at June 30, 2011.

Net assets invested in capital assets, net of related debt, comprises \$25,668,082, or 88%, 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 \$443,761, or 2%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net assets, \$173,687 is permanently restricted and is nonexpendable. Unrestricted net assets, totaling \$3,140,568, 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 5,198,465	\$ 8,077,248	\$ 275,156	\$ 141,664	\$ 5,473,621	\$ 8,218,912
Capital assets	38,258,896	36,643,961	9,319,668	9,083,022	47,578,564	45,726,983
Total assets	43,457,361	44,721,209	9,594,824	9,224,686	53,052,185	53,945,895
Long-term obligations	20,046,064	21,073,815	2,513,894	2,120,261	22,559,958	23,194,076
Other liabilities	1,008,571	1,263,219	231,245	56,281	1,239,816	1,319,500
Total liabilities	21,054,635	22,337,034	2,745,139	2,176,542	23,799,774	24,513,576
Net assets:						
Invested in capital assets, net of related debt	18,813,850	16,126,457	6,854,232	7,022,280	25,668,082	23,148,737
Restricted	433,761	2,874,535	10,000	5,000	443,761	2,879,535
Unrestricted	3,155,115	3,383,183	(14,547)	20,864	3,140,568	3,404,047
Total net assets	\$22,402,726	\$22,384,175	\$ 6,849,685	\$ 7,048,144	\$29,252,411	\$29,432,319

Component unit. The assets of the Town's Component Unit, The Block Island Land Trust (Land Trust), exceeded its liabilities by \$19,893,108. Net assets invested in capital assets, net of related debt, comprises \$18,921,727, or 95%, of total net assets. The remaining balance of net assets of the Land Trust, totaling \$971,381, is restricted.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in Net Assets

The Town's net assets decreased by \$179,908 in FY 2011. Approximately 62% of the Town's total revenue came from taxes and payments in lieu of taxes, while 12% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 26% of total revenues. The Town's expenses cover a range of services, the largest of which were for schools, public works and harbors, administration costs, and employee benefits. In 2011, governmental activities expenses exceeded program revenues by \$8,830,261. Net expenses from business-type activities exceeded program revenues in 2011 by \$216,536.

The Town of New Shoreham's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,914,133	\$ 1,872,091	\$ 1,476,141	\$ 1,280,119	\$ 3,390,274	\$ 3,152,210
Operating grants and contributions	550,838	537,152			550,838	537,152
Capital grants and contributions	(5,685)	495,776	242,319	18,699	236,634	514,475
General revenues:						
Property taxes	7,956,587	7,687,341			7,956,587	7,687,341
Grants and contributions, nonspecific	773,404	774,034			773,404	774,034
Other	9,021	18,505	18,077	9,949	27,098	28,454
Total revenues	<u>11,198,298</u>	<u>11,384,899</u>	<u>1,736,537</u>	<u>1,308,767</u>	<u>12,934,835</u>	<u>12,693,666</u>
Expenses:						
General government and finance	1,305,254	1,318,091			1,305,254	1,318,091
Public safety	959,783	915,751			959,783	915,751
Public works, highways, harbors	1,575,928	1,593,370			1,575,928	1,593,370
Recreation	345,443	331,601			345,443	331,601
Public services, library	1,234,768	1,209,926			1,234,768	1,209,926
Education	5,040,538	4,994,145			5,040,538	4,994,145
Interest on long-term debt	827,833	804,301			827,833	804,301
Sewer			1,327,954	1,321,256	1,327,954	1,321,256
Water			607,042	608,462	607,042	608,462
Total expenses	<u>11,289,547</u>	<u>11,167,185</u>	<u>1,934,996</u>	<u>1,929,718</u>	<u>13,224,543</u>	<u>13,096,903</u>
Change in net assets	(91,249)	217,714	(198,459)	(620,951)	(289,708)	(403,237)
Transfers	109,800	114,963			109,800	114,963
Increase (decrease) in net assets	18,551	332,677	(198,459)	(620,951)	(179,908)	(288,274)
Net assets, beginning of year	<u>22,384,175</u>	<u>22,051,498</u>	<u>7,048,144</u>	<u>7,669,095</u>	<u>29,432,319</u>	<u>29,720,593</u>
Net assets, end of year	<u>\$ 22,402,726</u>	<u>\$ 22,384,175</u>	<u>\$ 6,849,685</u>	<u>\$ 7,048,144</u>	<u>\$ 29,252,411</u>	<u>\$ 29,432,319</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

Governmental activities increased the Town's net assets by \$18,551, or less than 1%, over the prior year. Key elements of this increase are as follows:

- Bond proceeds and capital grants were used to finance capital improvements and acquisitions.
- Property taxes were levied for debt service payments and program expenses.

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

Expenses Net of Program Revenues

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General government and finance	\$ 1,305,254	\$ 1,318,091	\$ 972,723	\$ 999,796
Public safety	959,783	915,751	934,373	849,511
Public works, highways, harbors	1,575,928	1,593,370	106,735	398,262
Recreation	345,443	331,601	105,900	27,312
Public/social services, library	1,234,768	1,209,926	1,206,940	525,014
Education	5,040,538	4,994,145	4,675,757	4,657,970
Interest on long-term debt	827,833	804,301	827,833	804,301
Total expenses	<u>\$ 11,289,547</u>	<u>\$ 11,167,185</u>	<u>\$ 8,830,261</u>	<u>\$ 8,262,166</u>

Component Unit

The net assets of the Town's Component Unit increased by \$784,238. 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 2011, totaling \$384,712.

General Fund Budgetary Highlights

The original budget adopted at the Financial Town Meeting on May 3, 2010 was \$10,951,560 and no changes were made to the final budget for FY 2011.

Actual revenues reported in FY 2011 were greater than budgeted amounts by \$295,108. The principal reasons for this include:

- During FY 2010, capital outlays of \$453,498 were funded by grant expenditures for renovations of the North Light tower and RI-LEAP highway improvements. Most of this offsetting grant revenue was deferred revenue received and recognized during FY 2011.
- The budgeted transfer of \$150,000 principal payment from the component unit was 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 were below budgeted amounts by \$3,657. The principal reasons for this include:

- Legal and litigation expenses were significantly under budget by \$91,588.
- Expenditures for Boards & Commissions were \$24,505 under budget as a result of staffing changes.
- The savings noted above were partially offset by over-expenditures in Highways and Maintenance as a result of staffing changes and in Capital Outlay as a result of grant expenditures which were unbudgeted.

The total excess of revenue and other financing sources over expenditures and other financing uses on a budgetary basis was \$252,820.

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, 2011 amounts to \$47,578,564 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net increase in the Town's investment in capital assets for the current fiscal year was \$1,851,581, of which \$1,614,935 is related to governmental activities and \$236,646 is related to business-type activities.

Additions to capital assets in 2011 for governmental activities included the renovation of the Old Harbor Dock, renovations and improvements at the Fire Barn, library books and continued improvements at the School.

Additions to capital assets in the Sewer and Water Funds were primarily the extension of a water line, partially offset by depreciation expense.

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

Long-term debt. As of June 30, 2011, the Town has total bonded debt outstanding of \$21,940,436, which is backed by the full faith and credit of the Town.

The Town has two capital leases outstanding at June 30, 2011 with balances totaling \$106,346.

Long-term debt includes \$2,465,436 of outstanding loans to the Block Island Water Company and New Shoreham Sewer Commission (Business Activities), which includes \$1,997,436 payable to the United States Department of Agriculture (USDA).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration (Continued)

Long-term debt (continued). The Town's Component Unit has total bonded debt outstanding of \$472,431, consisting of general obligation bonds of the Town. In addition, the Component Unit has a note outstanding totaling \$2,480,000 due to the Town.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$19,438,187	\$20,464,800	\$ 2,465,436	\$ 2,060,742	\$21,903,623	\$22,525,542
Capital leases	106,346	159,642			106,346	159,642
Accrued compensated absences	409,531	380,373	48,458	59,519	457,989	439,892
Other post-employment benefits	92,000	69,000			92,000	69,000
Total	<u>\$20,046,064</u>	<u>\$21,073,815</u>	<u>\$ 2,513,894</u>	<u>\$ 2,120,261</u>	<u>\$22,559,958</u>	<u>\$23,194,076</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to three percent (3%) of its total equalized valuation. The debt limitation for the Town is \$52,211,814 as of the December 31, 2009 assessment, which significantly exceeds the Town's outstanding general debt.

In January 2009, S&P upgraded the Town's bond rating from A+ to AA. Primary factors driving the ratings increase include sound financial position, low per capita debt levels and strong market value per capita. This rating was affirmed in June 2009 and June 2010. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 38-44 of this report.

Commitments

At June 30, 2011, the Town had commitments under construction contracts related to the enterprise funds and the Old Harbor Dock Construction Fund in the amounts of approximately \$281,000 and \$50,000, respectively.

Economic Factors and Next Year's Budget and Rates

The Town of New Shoreham, popularly known as Block Island, enjoys a favorable economic environment and local indicators point to continued stability. Block Island is a 10 square mile island off the coast of Rhode Island at the mouth of Long Island Sound. The year-round population of approximately 1,051 ranks New Shoreham smallest among the 39 cities and towns in Rhode Island, but the summer population swells to between 15,000 and 20,000. Employment is primarily in service industries, focused on the tourism sector. The predominantly residential tax base (92% residential) shows small but steady growth that brought the net assessed value to \$1,740,393,815 at December 31, 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors and Next Year's Budget and Rates (Continued)

With the approval of the taxpayers at the May 2, 2011 Financial Town Meeting, the tax rate on real property increased by \$0.16/\$1,000 (3.5%), from \$4.58/\$1,000 in 2010 to \$4.74/\$1,000 in 2011. The increase was driven by increasing 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 oversees the day-to-day maintenance and operations of the State highways. In exchange, the State compensates the Town \$341,092 annually. The State retains responsibility for any major capital improvements required.

Component Unit

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

The Land Trust is funded principally by fees levied on qualifying real property transfers within the Town. The transfer fee adopted by the Land Trust for the year ended June 30, 2011 was 3%.

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

The \$784,238 increase in net assets for 2011 is due primarily to \$976,433 in revenue derived from the transfer tax.

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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Block Island Land Trust
ASSETS:				
Cash and cash equivalents	\$ 1,811,755	\$ 279,603	\$ 2,091,358	\$ 536,077
Investments				385,155
Accounts receivable, less allowance for doubtful accounts of \$64,274:				
Property taxes	177,115		177,115	
Federal and state government	187,791	215,097	402,888	
Assessments and user fees	103	143,891	143,994	
Note receivable				55,629
Other	49,747	6,871	56,618	2,350
Internal balances	388,033	(388,033)	-	
Temporarily restricted assets, cash and cash equivalents	4,434		4,434	
Note receivable from component unit	2,480,000		2,480,000	
Deferred charges	99,487	17,727	117,214	6,323
Capital assets not being depreciated	18,376,467	1,700,693	20,077,160	21,874,158
Capital assets being depreciated, net	19,882,429	7,618,975	27,501,404	
Total assets	43,457,361	9,594,824	53,052,185	22,859,692
LIABILITIES:				
Accounts payable and accrued expenses	932,514	231,245	1,163,759	14,153
Due to federal and state government	26,898		26,898	
Unearned revenue	49,159		49,159	
Due to primary government:				
Due within one year				155,000
Due in more than one year				2,325,000
Long-term obligations:				
Due within one year	1,309,802	68,296	1,378,098	99,554
Due in more than one year	18,736,262	2,445,598	21,181,860	372,877
Total liabilities	21,054,635	2,745,139	23,799,774	2,966,584
Commitments and contingencies (Notes 11 and 12)				
NET ASSETS:				
Invested in capital assets, net of related debt	18,813,850	6,854,232	25,668,082	18,921,727
Restricted for:				
Education	170,314		170,314	
Library	30,758		30,758	
Land to be held in perpetuity				971,381
Other:				
Expendable		10,000	10,000	
Nonexpendable	173,687		173,687	
Unrestricted	3,155,115	(14,547)	3,140,568	
Total net assets	\$ 22,343,724	\$ 6,849,685	\$ 29,193,409	\$ 19,893,108

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

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	
Primary government:								
Governmental activities:								
General government	\$ 1,049,347	\$ 261,466	\$ 1,000	\$ 70,065	\$ (716,816)		\$ (716,816)	
Finance administration	255,907	-	-	-	(255,907)		(255,907)	
Fire, rescue and emergency services	339,753	-	-	-	(339,753)		(339,753)	
Police	620,030	10,094	29,459	(14,143)	(594,620)		(594,620)	
Town highways/maintenance	531,151	21,599	8,075	249,682	(251,795)		(251,795)	
State roads	340,699	341,092	-	-	393		393	
Harbors	521,140	739,993	8,075	-	226,928		226,928	
Building official	182,938	100,677	-	-	(82,261)		(82,261)	
Recreation	345,443	232,985	-	6,558	(105,900)		(105,900)	
Library	543,728	38,684	94,072	-	(410,972)		(410,972)	
GIS/Technology	124,028	-	-	-	(124,028)		(124,028)	
Boards and commissions	186,465	8,152	-	(417,847)	(596,160)		(596,160)	
Community support	380,547	109,796	94,971	100,000	(75,780)		(75,780)	
Education	5,040,538	49,595	315,186	-	(4,675,757)		(4,675,757)	
Interest on long-term debt	827,833	-	-	-	(827,833)		(827,833)	
Total governmental activities	11,289,547	1,914,133	550,838	(5,685)	(8,830,261)		(8,830,261)	
Business-type activities:								
Sewer	1,327,954	1,005,487	-	65,607		\$ (256,860)	(256,860)	
Water	607,042	470,654	-	176,712		40,324	40,324	
Total business-type activities	1,934,996	1,476,141		242,319		(216,536)	(216,536)	
Total primary government	\$ 13,224,543	\$ 3,390,274	\$ 550,838	\$ 236,634	(8,830,261)	(216,536)	(9,046,797)	
Component unit:								
Block Island Land Trust	\$ 196,232	\$ 976,433	\$ 19	\$ -				\$ 780,220
General revenues:								
Property taxes					7,956,587		7,956,587	
Grants and contributions not restricted to specific programs					773,404		773,404	
Investment earnings					9,021	18,077	27,098	4,018
Transfers from component unit					109,800		109,800	
Total general revenues and transfers					8,848,812	18,077	8,866,889	4,018
Change in net assets					18,551	(198,459)	(179,908)	784,238
Net assets, beginning of year					22,384,175	7,048,144	29,432,319	19,108,870
Net assets, end of year					\$ 22,402,726	\$ 6,849,685	\$ 29,252,411	\$ 19,893,108

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2011

ASSETS	General Fund	School Funds	Old Harbor Dock Construction Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 979,417	\$ 241,407	\$ 186,424	\$ 408,941	\$ 1,816,189
Receivables:					
Property taxes, less allowance for doubtful accounts of \$40,000	177,115				177,115
Assessments and user fees	103				103
Intergovernmental	161,208	20,333	6,250		187,791
Other	44,113	5,634			49,747
Due from other funds	398,450	394,113		8,525	801,088
Notes receivable, component unit	2,480,000				2,480,000
Total assets	\$ 4,240,406	\$ 661,487	\$ 192,674	\$ 417,466	\$ 5,512,033
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 218,642	\$ 466,939	\$ 133,672	\$ 4,582	\$ 823,835
Due to federal and state government	26,898				26,898
Due to other funds	379,306	23,332		10,417	413,055
Deferred revenue	227,463	902			228,365
Total liabilities	852,309	491,173	133,672	14,999	1,492,153
Fund balances:					
Nonspendable, in form	2,480,000			173,687	2,653,687
Restricted	50,460	9,136	59,002		118,598
Committed	66,908				66,908
Assigned	5,000	161,178		228,780	394,958
Unassigned	785,729				785,729
Total fund balances	3,388,097	170,314	59,002	402,467	4,019,880
Total liabilities and fund balances	\$ 4,240,406	\$ 661,487	\$ 192,674	\$ 417,466	\$ 5,512,033

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, 2011

Total fund balances for governmental funds		\$	4,019,880
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:			
Capital assets, net	\$	38,258,896	
Deferred charges		<u>99,487</u>	38,358,383
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the funds.			179,206
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds payable		19,438,187	
Capital leases		106,346	
Accrued other post-employment benefits		92,000	
Compensated absences payable		409,531	
Accrued interest		<u>108,679</u>	<u>(20,154,743)</u>
Net assets of governmental activities			<u>\$ 22,402,726</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, 2011

	General Fund	School Funds	Old Harbor Dock Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 8,002,735				\$ 8,002,735
Intergovernmental	1,668,437	\$ 315,186	\$ 6,250	\$ 17,331	2,007,204
Licenses, permits and fees	342,077				342,077
Interest and investment	4,013		4,290	718	9,021
Transfer from component unit	109,800				109,800
Other revenues	1,080,656	49,595		185,148	1,315,399
Total revenues	11,207,718	364,781	10,540	203,197	11,786,236
Expenditures:					
Current:					
General government	913,748			3,218	916,966
Finance administration	249,756				249,756
Fire, rescue and emergency services	299,403				299,403
Police	603,120				603,120
Town highways/maintenance	481,892			18	481,910
State roads	340,699				340,699
Harbors	432,636				432,636
Building official	183,165				183,165
Recreation	314,522				314,522
Library	434,379			30,565	464,944
GIS/Technology	124,028				124,028
Boards and commissions	134,564			9,911	144,475
Community support	296,712			25,683	322,395
Education		4,652,578			4,652,578
Capital outlay			2,434,411	90,611	2,525,022
Debt service:					
Principal	1,030,000				1,030,000
Interest	826,780			3,295	830,075
Total expenditures	6,665,404	4,652,578	2,434,411	163,301	13,915,694
Excess (deficiency) of revenues over expenditures	4,542,314	(4,287,797)	(2,423,871)	39,896	(2,129,458)
Other financing sources (uses):					
Transfers to other funds	(4,278,549)			(3,773)	(4,282,322)
Other financing uses	(14,718)				(14,718)
Transfers from other funds	3,773	4,243,549		35,000	4,282,322
Total other financing sources (uses)	(4,289,494)	4,243,549	-	31,227	(14,718)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	252,820	(44,248)	(2,423,871)	71,123	(2,144,176)
Fund balance, beginning of year	3,135,277	214,562	2,482,873	331,344	6,164,056
Fund balance, end of year	\$ 3,388,097	\$ 170,314	\$ 59,002	\$ 402,467	\$ 4,019,880

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, 2011

Net change in fund balances for governmental funds		\$ (2,144,176)
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.		
Capital outlays, including amounts charged to current expenditures	\$ 2,648,450	
Depreciation expense	<u>(1,033,515)</u>	1,614,935
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.		
Amortization expense		(7,450)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(478,138)
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.		
Principal repayment on general obligation bonds and capital leases	1,083,296	
Amortization of premiums, discounts and deferred charges on refundings	<u>(3,388)</u>	1,079,908
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:		
Accrued compensated absences	(29,158)	
Accrued other post-employment benefits	(23,000)	
Accrued interest	<u>5,630</u>	<u>(46,528)</u>
Change in net assets of governmental activities		<u>\$ 18,551</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF NET ASSETS – ENTERPRISE FUNDS

JUNE 30, 2011

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 57,286	\$ 222,317	\$ 279,603
Accounts receivable, net of allowance for doubtful accounts of \$9,274 and \$15,000, respectively:			
Federal and state government	65,607	149,490	215,097
Assessments and user fees	63,647	80,244	143,891
Other	6,871		6,871
Due from other funds	3,558		3,558
Total current assets	196,969	452,051	649,020
Noncurrent assets:			
Deferred charges	5,810	11,917	17,727
Capital assets not being depreciated	958,487	742,206	1,700,693
Capital assets being depreciated, net	3,680,512	3,938,463	7,618,975
Total assets	4,841,778	5,144,637	9,986,415
LIABILITIES:			
Current liabilities:			
Accounts payable and accrued expenses	61,797	169,448	231,245
Due to other funds	379,755	11,836	391,591
Accrued compensated absences	16,557		16,557
Current portion of long-term debt	12,504	39,235	51,739
Total current liabilities	470,613	220,519	691,132
Noncurrent liabilities:			
Accrued compensated absences	31,901		31,901
Loans payable, net of current portion	944,604	1,469,093	2,413,697
Total noncurrent liabilities	976,505	1,469,093	2,445,598
Total liabilities	1,447,118	1,689,612	3,136,730
NET ASSETS:			
Invested in capital assets, net of related debt	3,681,891	3,172,341	6,854,232
Restricted for building	10,000		10,000
Unrestricted	(297,231)	282,684	(14,547)
Total net assets	\$ 3,394,660	\$ 3,455,025	\$ 6,849,685

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, 2011

	Sewer Fund	Water Fund	Total
Operating revenues:			
Assessments and user fees	\$ 674,476	\$ 418,714	\$ 1,093,190
Water contract	242,458		242,458
Other revenues	68,153	51,940	120,093
	<u>985,087</u>	<u>470,654</u>	<u>1,455,741</u>
Total operating revenues			
Operating expenses:			
Salaries and benefits	586,978		586,978
Contracted services	67,078	258,826	325,904
Materials and supplies	53,007	12,965	65,972
Repairs and maintenance	42,045	24,973	67,018
Depreciation	351,808	171,681	523,489
Utilities	130,836	47,378	178,214
Professional services	34,497	30,333	64,830
Miscellaneous	20,601	17,491	38,092
	<u>1,286,850</u>	<u>563,647</u>	<u>1,850,497</u>
Total operating expenses			
Operating loss	<u>(301,763)</u>	<u>(92,993)</u>	<u>(394,756)</u>
Nonoperating revenues (expenses):			
Interest revenue	7,729	10,348	18,077
Grant revenue	65,607	176,712	242,319
Rentals and fees	20,400		20,400
Interest expense	(40,938)	(42,789)	(83,727)
Amortization of bond issuance costs	(166)	(606)	(772)
	<u>52,632</u>	<u>143,665</u>	<u>196,297</u>
Total nonoperating revenues (expenses)			
Change in net assets	(249,131)	50,672	(198,459)
Net assets, beginning of year	<u>3,643,791</u>	<u>3,404,353</u>	<u>7,048,144</u>
Net assets, end of year	<u>\$ 3,394,660</u>	<u>\$ 3,455,025</u>	<u>\$ 6,849,685</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2011

	Sewer Fund	Water Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 666,871	\$ 407,609	\$ 1,074,480
Cash received from other sources	62,764	51,940	114,704
Cash receipts for quasi-external transactions	243,280		243,280
Cash paid to employees for benefits	(596,383)		(596,383)
Cash paid to suppliers	(351,512)	(137,586)	(489,098)
Cash payments for quasi-external transactions		(243,280)	(243,280)
Net cash provided by operating activities	<u>25,020</u>	<u>78,683</u>	<u>103,703</u>
Cash flows from noncapital financing activities:			
Interfund balances	25,179	8,278	33,457
Rental income	20,400		20,400
Cash provided by noncapital financing activities	<u>45,579</u>	<u>8,278</u>	<u>53,857</u>
Cash flows from capital and related financing activities:			
Debt issuances	-	450,000	450,000
Capital contributions	-	56,947	56,947
Acquisition and construction of fixed assets	(66,980)	(523,599)	(590,579)
Principal paid on bonds and notes	(11,998)	(33,308)	(45,306)
Interest paid on bonds and notes	(40,995)	(43,074)	(84,069)
Net cash used in capital and related financing activities	<u>(119,973)</u>	<u>(93,034)</u>	<u>(213,007)</u>
Cash provided by investing activities, interest received	<u>7,729</u>	<u>10,348</u>	<u>18,077</u>
Net increase (decrease) in cash and cash equivalents	(41,645)	4,275	(37,370)
Cash and cash equivalents, beginning of year	<u>98,931</u>	<u>218,042</u>	<u>316,973</u>
Cash and cash equivalents, end of year	<u>\$ 57,286</u>	<u>\$ 222,317</u>	<u>\$ 279,603</u>

(continued)

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2011

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (301,763)	\$ (92,993)	\$ (394,756)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	351,808	171,681	523,489
Changes in assets and liabilities:			
Accounts receivable:			
Assessments and user fees	(7,605)	(11,105)	(18,710)
Other	(1,009)		(1,009)
Due from other funds	(3,558)	3,558	-
Accounts payable and accrued expenses	(1,792)	7,542	5,750
Accrued compensated absences	(11,061)		(11,061)
Net cash provided by operating activities	<u>\$ 25,020</u>	<u>\$ 78,683</u>	<u>\$ 103,703</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS –
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 19,724
Total assets	<u>\$ 19,724</u>
LIABILITIES:	
Accounts payable	\$ 672
Deposits held in custody for others	<u>19,052</u>
Total liabilities	<u>\$ 19,724</u>

See notes to basic financial statements.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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 and 2011. The charter provides for a Town Council/Town Manager form of government. Legislative authority is vested in a five-member Town Council elected to biennial terms. A five-member School Committee is vested with autonomous legislative authority over the Town's public school system. Members of the School Committee are elected to biennial terms.

The council-appointed Town Manager serves as chief executive officer over all municipal services including public safety (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. The separate financial statements of the Land Trust can be obtained from the Block Island Land Trust, PO Box Drawer 220, Block Island, RI 02807.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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.

Recent accounting pronouncement:

Effective July 1, 2010, the Town implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). This statement revises the governmental fund type definitions and provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent.

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 and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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:

- (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 and report all financial resources not accounted for and reported in another fund.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Governmental funds (continued):

Special revenue funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Town's only major special revenue fund is the School Department, reported as School Funds.

Capital projects funds:

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's only major capital projects fund is the Old Harbor Dock Construction Fund.

Permanent funds:

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. The Town's only permanent fund is the Cemetery Fund, which is a 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

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.

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 (60 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 of Rhode Island (the State) on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

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

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

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

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

Rhode Island general laws restrict the Town's ability to increase either its total tax levy or its tax rates by more than 4.50% over that of the preceding fiscal year for 2011. The rate decreases annually by .25% to 4% in 2013.

TOWN OF NEW SHOREHAM, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Intergovernmental revenues:

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

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.

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, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The Town does not have an investment policy for custodial credit risk or other risks.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but are 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.

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 fund financial statements.

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Capital assets (continued):

Government-wide financial statements (continued):

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

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

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. No interest was capitalized for the year ended June 30, 2011.

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 terms 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

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 premiums are reported as other financing sources while discounts are reported as other financing uses.

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Fund financial statements:

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

Nonspendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority

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

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

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

Unassigned – amounts available for any purpose

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

2. Fund balances:

At June 30, 2011, none of the Town's funds had a deficit (negative) fund balance.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments:

At June 30, 2011, the carrying amount of the Town's deposits was \$2,115,516, including \$1,176,297 of cash equivalents, and the total bank balance was \$2,811,899. Included in these balances are deposits of agency funds totaling \$19,724.

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, 2011, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Maturities	Total bank balance	Carrying amount
Deposits:				
Demand deposits	\$ 1,623,925		\$ 1,623,925	\$ 932,840
Restricted cash and cash equivalents	12,230		12,230	4,434
Petty cash				2,447
Certificates of deposit	315,571	7/1/11- 8/2/11	315,571	315,622
Money market	860,173		860,173	860,173
	<u>\$ 2,811,899</u>		<u>\$ 2,811,899</u>	<u>\$ 2,115,516</u>

At June 30, 2011, deposits and investment of the component unit are categorized as follows:

Type	Maturities	Total bank balance	Carrying value
Deposits, demand deposits		<u>\$ 536,039</u>	<u>\$ 536,077</u>
Investment, United States Treasury Bill	8/18/2011		<u>\$ 385,155</u>

The component unit's deposit bank balance is insured or collateralized.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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, 2011 totaled approximately \$55,200; the net investment gain for the year was approximately \$7,700.

5. Interfund receivables/payables:

Interfund receivables and payables at June 30, 2011 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds:	
	Other Governmental Funds	\$ 10,417
	Enterprise funds:	
	Sewer	379,755
	Water	8,278
		<u>398,450</u>
School Funds	Governmental funds:	
	General Fund	\$ 370,781
Other Governmental Funds	General Fund	8,525
		<u>379,306</u>
Enterprise funds:		
Sewer	Water	3,558
		<u>\$ 781,314</u>

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, 2011

6. Capital assets:

Governmental activities:	Beginning balances	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 18,265,449			\$ 18,265,449
Construction in progress	262,944	103,770	(255,696)	111,018
Total capital assets not being depreciated	18,528,393	103,770	(255,696)	18,376,467
Capital assets being depreciated:				
Land improvements	2,032,257	2,693,049	(252,120)	4,473,186
Buildings and improvements	20,255,895	27,850	(12,695)	20,271,050
Vehicles and vessels	1,938,372	-	-	1,938,372
Furniture and equipment	709,702	57,362	(52,936)	714,128
Machinery and equipment	1,014,216	23,950	(21,200)	1,016,966
Infrastructure	1,810,045	-	-	1,810,045
Total capital assets being depreciated	27,760,487	2,802,211	(338,951)	30,223,747
Less accumulated depreciation for:				
Land improvements	865,482	105,993	(252,120)	719,355
Buildings and improvements	6,059,784	679,391	(10,860)	6,728,315
Vehicles and vessels	1,417,401	78,629	-	1,496,030
Furniture and equipment	477,551	45,779	(52,936)	470,394
Machinery and equipment	673,206	61,917	(21,200)	713,923
Infrastructure	151,495	61,806	-	213,301
Total accumulated depreciation	9,644,919	1,033,515	(337,116)	10,341,318
Total capital assets being depreciated, net	18,115,568	1,768,696	(1,835)	19,882,429
Governmental activities capital assets, net	\$ 36,643,961	\$ 1,872,466	\$ (257,531)	\$ 38,258,896
Component unit:				
Capital assets not being depreciated, land and land rights under management	\$ 21,489,446	\$ 384,712	\$ -	\$ 21,874,158

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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	20,679	725,811	-	746,490
Total capital assets not being depreciated	974,882	725,811	-	1,700,693
Capital assets being depreciated:				
Buildings and improvements	4,634,683	-	-	4,634,683
Equipment	1,383,071	17,724	-	1,400,795
Underground piping	10,118,677	16,600	-	10,135,277
Wells/reserve osmosis/water supply	1,194,448	-	-	1,194,448
Total capital assets being depreciated	17,330,879	34,324	-	17,365,203
Less accumulated depreciation for:				
Buildings and improvements	2,028,865	133,749	-	2,162,614
Equipment	994,383	69,681	-	1,064,064
Underground piping	5,938,913	293,516	-	6,232,429
Wells/reserve osmosis/water supply	260,578	26,543	-	287,121
Total accumulated depreciation	9,222,739	523,489	-	9,746,228
Total capital assets being depreciated, net	8,108,140	(489,165)	-	7,618,975
Business-type activities capital assets, net	\$ 9,083,022	\$ 236,646	\$ -	\$ 9,319,668
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 94,596		
Finance administration		5,726		
Fire, rescue and emergency services		85,967		
Police		23,325		
Town highways/maintenance		106,446		
Harbors		87,642		
Recreation		43,610		
Library		92,581		
Boards and commissions		42,358		
Community support		46,545		
Education		404,719		
		\$ 1,033,515		
Business-type activities:				
Sewer Fund		\$ 351,809		
Water Fund		171,680		
		\$ 523,489		

TOWN OF NEW SHOREHAM, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2011

7. Long-term obligations:

A summary of long-term obligations as of June 30, 2011 is as follows:

	Primary Government			Component Unit
	Governmental activities	Business-type activities	Total	Block Island Land Trust
Bonds and notes	\$ 19,475,000	\$ 2,465,436	\$ 21,940,436	\$ 472,431
Deferred amounts:				
For issuance costs	(28,452)		(28,452)	
On refunding	(17,268)		(17,268)	
On premium	8,907		8,907	
	19,438,187	2,465,436	21,903,623	472,431
Capital leases	106,346		106,346	
Other post-employment obligation	92,000		92,000	
Accrued compensated absences	409,531	48,458	457,989	
	20,046,064	2,513,894	22,559,958	472,431
Less portion due within one year	1,309,802	68,296	1,378,098	99,554
	<u>\$ 18,736,262</u>	<u>\$ 2,445,598</u>	<u>\$ 21,181,860</u>	<u>\$ 372,877</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

Changes in long-term obligations during the year ended June 30, 2011 were as follows:

	Balance, July 1, 2010	Additions	Retirements	Balance, June 30, 2011	Due within one year
Governmental activities:					
Bonds payable:					
Bonds and notes	\$20,505,000	\$ - 0 -	\$ 1,030,000	\$19,475,000	\$ 1,165,000
Deferred amounts:					
For issuance costs	(30,890)		(2,438)	(28,452)	(2,438)
On refunding	(18,826)		(1,558)	(17,268)	(1,569)
On premium	9,516		609	8,907	609
Total bonds payable	20,464,800		1,026,613	19,438,187	1,161,602
Capital leases	159,642		53,296	106,346	56,134
Other post-employment obligation	69,000	23,000		92,000	33,143
Accrued compensated Absences	380,373	29,158		409,531	58,923
Total long-term obligations	<u>\$21,073,815</u>	<u>\$ 52,158</u>	<u>\$ 1,079,909</u>	<u>\$20,046,064</u>	<u>\$ 1,309,802</u>
Business-type activities:					
Bonds and notes	\$ 2,060,742	\$ 450,000	\$ 45,306	\$ 2,465,436	\$ 51,739
Accrued compensated absences	59,519		11,061	48,458	16,557
Total long-term obligations	<u>\$ 2,120,261</u>	<u>\$ 450,000</u>	<u>\$ 56,367</u>	<u>\$ 2,513,894</u>	<u>\$ 68,296</u>
Component unit:					
Bonds and notes	<u>\$ 568,854</u>	<u>\$ - 0 -</u>	<u>\$ 96,423</u>	<u>\$ 472,431</u>	<u>\$ 99,554</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

General obligation bonds and notes:

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

Purpose	Amount of original issue	Fiscal year of issue	Interest rate	Fiscal year of maturity	Balance, July 1, 2010	New issues	Retirements	Balance, June 30, 2011
Governmental activities:								
2010 Bond	\$ 3,440,000	2010	3.0-4.0%	2030	\$ 3,440,000	\$ - 0 -	\$ 110,000	\$ 3,330,000
2009 Bond	2,975,000	2009	2.25-4.5%	2029	2,890,000		150,000	2,740,000
Housing Board Land Acquisition (RAN)	100,000	2009	3.25%	2011	100,000		- 0 -	100,000
Town Hall Construction 2006	1,350,000	2006	4.0-4.75%	2026	1,070,000		70,000	1,000,000
School Construction 2006	1,100,000	2006	4.0-4.75%	2026	880,000		55,000	825,000
School Construction 2005	7,160,000	2005	3.5-4.25%	2025	5,975,000		275,000	5,700,000
Hodge Property	1,000,000	2002	2.5-5.0%	2022	750,000		50,000	700,000
Hodge Property	3,500,000	2002	2.5-5.0%	2022	2,630,000		145,000	2,485,000
Refunding bond - school	1,913,000	2002	4.25-5.0%	2022	1,355,000		80,000	1,275,000
Town library – additions/renovations	1,257,000	2002	4.25-5.0%	2022	885,000		55,000	830,000
Town Hall – additions/renovations	750,000	2002	4.25-5.0%	2022	530,000		40,000	490,000
Total	<u>\$ 24,545,000</u>				<u>\$ 20,505,000</u>	<u>\$ - 0 -</u>	<u>\$ 1,030,000</u>	<u>\$ 19,475,000</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

General obligation bonds and notes (continued):

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

Purpose	Authorized and issued	Fiscal year of issue	Interest rate	Fiscal year of maturity	Balance, July 1, 2010	New issues	Retirements	Balance, June 30, 2011
Enterprise funds:								
Sewer Fund:								
Headworks	\$ 349,000	2007	4.13%	2047	\$ 337,849	\$ - 0 -	\$ 4,028	\$ 333,821
Sewer improvements	192,500	2006	4.375%	2046	184,583		2,202	182,381
Land	472,175	2005	4.25%	2045	446,674		5,768	440,906
	<u>1,013,675</u>				<u>969,106</u>	<u>- 0 -</u>	<u>11,998</u>	<u>957,108</u>
Water Fund:								
Discharge	442,000	2007	4.125%	2047	427,880		5,100	422,780
Water supply	179,445	2005	4.25%	2045	169,756		2,208	167,548
Clean Water GOB	614,287	2004	3.26%	2024	494,000		26,000	468,000
Water supply	450,000	2011	3.25%	2051	- 0 -	450,000		450,000
	<u>1,685,732</u>				<u>1,091,636</u>	<u>450,000</u>	<u>33,308</u>	<u>1,508,328</u>
Total	<u>\$ 2,699,407</u>				<u>\$ 2,060,742</u>	<u>\$ 450,000</u>	<u>\$ 45,306</u>	<u>\$ 2,465,436</u>
Component unit:								
Land acquisition	\$ 450,000	2004	6.00%	2013	\$ 163,854	\$ - 0 -	\$ 51,423	\$ 112,431
Land acquisition	800,000	1998	3.65%-5.0%	2018	405,000		45,000	360,000
	<u>\$ 1,250,000</u>				<u>\$ 568,854</u>	<u>\$ - 0 -</u>	<u>\$ 96,423</u>	<u>\$ 472,431</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

General obligation bonds and notes (continued):

At June 30, 2011, 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
2012	\$ 1,165,000	\$ 790,843	\$ 1,955,843
2013	1,100,000	748,103	1,848,103
2014	1,150,000	706,145	1,856,145
2015	1,185,000	661,518	1,846,518
2016	1,235,000	614,363	1,849,363
2017-2021	6,885,000	2,275,661	9,160,661
2022-2026	5,335,000	849,930	6,184,930
2027-2030	1,420,000	139,200	1,559,200
	<u>\$ 19,475,000</u>	<u>\$ 6,785,763</u>	<u>\$ 26,260,763</u>

Business-type activities:

Year ending June 30,	Principal	Interest	Total
2012	\$ 51,739	\$ 97,061	\$ 148,800
2013	53,768	95,155	148,923
2014	55,838	93,141	148,979
2015	57,951	91,022	148,973
2016	60,109	88,800	148,909
2017-2021	337,625	333,961	671,586
2022-2026	366,471	334,001	700,472
2027-2031	251,410	275,655	527,065
2032-2036	306,236	220,829	527,065
2037-2041	373,144	153,922	527,066
2042-2046	420,326	72,256	492,582
2047-2051	130,819	10,758	141,577
	<u>\$ 2,465,436</u>	<u>\$ 1,866,561</u>	<u>\$ 4,331,997</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

General obligation bonds and notes (continued):

Component unit:

Year ending June 30,	Principal	Interest	Total
2012	\$ 99,554	\$ 23,585	\$ 123,139
2013	102,877	18,125	121,002
2014	50,000	13,347	63,347
2015	50,000	10,923	60,923
2016	55,000	8,472	63,472
2017-2018	115,000	8,750	123,750
	<u>\$ 472,431</u>	<u>\$ 83,202</u>	<u>\$ 555,633</u>

Capital leases:

Year ending June 30,	Principal	Interest	Total
2012	\$ 56,134	\$ 5,337	\$ 61,471
2013	21,505	2,367	23,872
2014	22,797	1,075	23,872
2015	5,910	58	5,968
	<u>\$ 106,346</u>	<u>\$ 8,837</u>	<u>\$ 115,183</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 Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2009 was \$1,740,393,815, limiting the amount of non-exempted general obligation bonds outstanding to \$52,211,814. At June 30, 2011, general obligation bonds outstanding totaled \$19,475,000.

The previously authorized, but unissued, general obligation bonds related to the component unit remain at \$6,050,000.

TOWN OF NEW SHOREHAM, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

General obligation bonds and notes (continued):

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 generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. At June 30, 2011, the balance of the note was \$2,480,000.

Accrued compensated absences:

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

Other post-employment benefits:

Through its single-employer defined benefit other post-employment benefit plan, the School Department provides health benefits to its public school professional staff with 20 years of accumulated service. A teacher at the Block Island School may continue to receive the same health care coverage as offered to the bargaining unit for five contract years, until Medicare takes over or age 65, whichever occurs first. For governmental activities, this liability reflects amounts attributable to employees' services already rendered, considered probable for payment and reasonably estimated. The Town funds these benefits on a pay-as-you-go basis. The Town's annual other post-employment benefit (OPEB) cost is calculated using the estimated amounts that will be paid or payable to covered employees based upon their current actual years of service and the current premium cost (without regard to inflation), and without regard to the probability of their remaining employed for the required 20 years. For the year ended June 30, 2011, covered payroll under the plan amounts to approximately \$1,862,000 and OPEB expense is \$23,000, which is included in the obligation reported by the Town. The estimated undiscounted total liability for post-employment benefits is as follows:

Fully vested employees	\$	724,505
Non-vested employees		1,123,388
		1,847,893
	\$	1,847,893

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

8. Accounts payable and accrued expenses:

Accounts payable and accrued expenses are as follows:

	<u>Vendors</u>	<u>Other Governments</u>	<u>Employees</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 134,088	\$ 4,354	\$ 80,200		\$ 218,642
School Department	74,812	34,849	357,278		466,939
Old Harbor Dock					
Construction Fund	133,672				133,672
Nonmajor funds	4,582				4,582
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 108,679	108,679
	<u>347,154</u>	<u>39,203</u>	<u>437,478</u>	<u>108,679</u>	<u>932,514</u>
Business-type activities:					
Sewer	43,974	1,167	11,046	5,610	61,797
Water	159,168	2,994		7,286	169,448
	<u>203,142</u>	<u>4,161</u>	<u>11,046</u>	<u>12,896</u>	<u>231,245</u>
	<u>\$ 550,296</u>	<u>\$ 43,364</u>	<u>\$ 448,524</u>	<u>\$ 121,575</u>	<u>\$ 1,163,759</u>
Component unit	<u>\$ 3,575</u>	<u>\$ - 0 -</u>	<u>\$ 919</u>	<u>\$ 9,659</u>	<u>\$ 14,153</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 both plans during 2011 was \$4,292,137. Total Town payroll was \$5,098,905 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. The Teachers' Plan covers all school department personnel certified by the State of Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. 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 Teachers' Plan during 2011 was \$1,861,950.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedule A Benefits and Schedule B Benefits.

Schedule A Benefits:

Schedule A benefits are available to members who possessed ten years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% per year for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available as well as the Service Retirement Allowance Plus option that provides for the payment of a larger benefit before the attainment of age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with ten years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Employee retirement systems (continued):

Teachers' Plan (continued)

Schedule A Benefits (continued):

On the third January after retirement, a cost-of-living increase of 3.00% (compounded annually) is provided independent of actual changes in the Consumer Price Index. The Teachers' Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with ten years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

On the month following the third anniversary date of retirement, and on the month following the anniversary date of each succeeding year, a benefit increase is provided for Schedule B members, consisting of the lesser of a cost-of-living increase of 3.00% (compounded annually) or the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year.

Rhode Island General Law relating to state employees and teachers' benefits was amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of ten years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Employee retirement systems (continued):

Teachers' Plan (continued):

Schedule B Benefits (continued):

This legislation also amended the disability retirement provision for state employees and teachers. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%.

Rhode Island General Law relating to state employees and teachers benefits were amended during the fiscal year ended June 30, 2010. Members eligible to retire as of June 12, 2010 are not affected by the legislation. The legislation modifies the Cost of Living Adjustment (COLA). The COLA now applies to the first \$35,000 of retirement allowance, indexed annually, and shall commence upon the retiree's 3rd anniversary of the date of retirement or when the retiree reaches age 65, whichever is later. The \$35,000 limit will increase annually by the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year, or 3%, whichever is less.

Funding policy:

Rhode Island General Law sets 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 2011, actuarial required contributions were 17.92% of participant salary, which resulted in a contribution rate paid by the State on behalf of Town teachers of 7.32% (\$136,295). The Town's contribution rate was 10.60%. The Town's required and actual contributions to the Teachers' Plan for fiscal years 2011, 2010 and 2009 were \$197,367, \$198,609 and \$253,398, respectively.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Employee retirement systems (continued):

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 2011, payroll for employees covered under the Municipal Plan totaled \$2,430,187 (including \$275,021 for police).

Participants' rights to pension benefits become fully vested after 10 years of service. They are also eligible to retire after ten 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.

The Municipal Plan also provides pre-retirement benefits at a minimum of 20% of salary for non-occupational disabilities after five 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, 2011, active employees who were members of the Municipal Plan are as follows:

Municipal workers	53 (12 school)
Police	5

Funding policy:

Rhode Island General Law sets 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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Employee retirement systems (continued):

Municipal Plan (continued)

Annual pension costs:

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>2011</u>	<u>2010</u>	<u>2009</u>
Annual pension costs	\$ 349,342	\$ 387,678	\$ 414,692
Actual contributions:			
Municipal:			
Employee	126,750	138,498	148,938
Employer	132,907	173,519	193,099
Police:			
Employee	24,752	19,112	21,341
Employer	64,933	56,549	51,314
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 7.34% to the Municipal Plan during the fiscal year ended June 30, 2011, resulting in a contribution of \$25,282. School employees under the Municipal Plan were required to contribute \$24,111.

Funded status and funding progress:

As of June 30, 2010, the most recent actuarial valuation date, the Municipal Plan was 57.3% and 76.3% funded for police and all other, respectively. The actuarial accrued liability for benefits was \$1,513,386 and \$6,221,418 for police and all other, respectively, and the actuarial value of assets was \$866,662 and \$4,749,070, respectively. This resulted in an unfunded actuarial accrued liability (UAAL) of \$646,724 and \$1,472,348 for police and all other, respectively. The covered payroll (annual payroll of active employees covered by the Municipal Plan) was \$251,988 and \$2,048,103 for police and all other, respectively, and the ratio of the UAAL to the covered payroll was 256.7% and 71.9%, respectively.

TOWN OF NEW SHOREHAM, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

9. Employee retirement systems (continued):

Municipal Plan (continued)

Funded status and funding progress (continued):

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic 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.

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

Asset appreciation:	7.50% annually
Salary increases:	4.00% annually
Cost-of-living adjustments:	2.75%, non-compounded

Retirement probability:

100% at age 70 or upon eligibility (100% at age 65 or upon eligibility – police)

Mortality:

Healthy members – 115% (for Male Employees) and 95% (for Female Employees) of the RP 2000 Combined Healthy with White Collar Adjustments, projected with Scale AA
Disabled members – PBGC Table Va (VIa for females) set to age 65 (55 for police employees)

Disability:

Probabilities per 1000 ranging from .08% at age 25 to 9.87% at age 60 (.43% at age 25 to 18.15% at age 50 for police)

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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.

The Town insures five 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, 2011.

11. Litigation:

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

12. Commitments and contingencies:

At June 30, 2011, the Town had commitments under construction contracts related to the enterprise funds and the Old Harbor Dock Construction Fund in the amounts of approximately \$281,000 and \$50,000, respectively.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

12. Commitments and contingencies (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 2011, the component unit made the fourth installment plus interest totaling \$69,580.

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 \$824,000 for the year ended June 30, 2011.

TOWN OF NEW SHOREHAM, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 8,066,072	\$ 8,002,735	\$ (63,337)
Intergovernmental	1,202,678	1,668,437	465,759
Licenses, permits and fees	315,325	342,077	26,752
Interest and investment	25,000	4,013	(20,987)
Transfer from component unit	259,800	109,800	(150,000)
Other revenues	1,082,685	1,119,606	36,921
Total revenues	10,951,560	11,246,668	295,108
Expenditures:			
Current:			
General government	1,021,705	908,560	113,145
Finance administration	284,781	288,706	(3,925)
Fire, rescue and emergency services	249,684	267,386	(17,702)
Police	585,635	580,530	5,105
Town highways and maintenance	391,432	453,023	(61,591)
State roads	341,093	340,699	394
Harbors	412,703	428,912	(16,209)
Building official	185,811	183,165	2,646
Recreation	286,211	294,964	(8,753)
Library	424,117	434,379	(10,262)
GIS/Technology	107,132	103,941	3,191
Boards and commissions	159,069	134,564	24,505
Community support	281,802	273,333	8,469
Capital outlay	96,113	155,412	(59,299)
Debt service	1,880,723	1,856,780	23,943
Total expenditures	6,708,011	6,704,354	3,657
Excess of revenues over expenditures, budgetary basis	4,243,549	4,542,314	298,765
Other financing sources (uses):			
Reappropriated fund balances, unrestricted fund balances			-
Transfers to other funds	(4,243,549)	(4,278,549)	(35,000)
Transfers from other funds		3,773	3,773
Other financing uses		(14,718)	(14,718)
Total other financing sources (uses)	(4,243,549)	(4,289,494)	(45,945)
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	\$ -	252,820	\$ 252,820
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis		252,820	
Net assets, beginning of year		3,135,277	
Net assets, end of year		\$ 3,388,097	

NEW SHOREHAM SCHOOL DEPARTMENT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE – SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal and state governments	\$ 63,037	\$ 135,825	\$ 315,186	\$ 179,361
Other revenues	60,000	60,000	49,595	(10,405)
Total revenues	<u>123,037</u>	<u>195,825</u>	<u>364,781</u>	<u>168,956</u>
Expenditures:				
Salaries	2,750,570	2,708,242	2,713,383	(5,141)
Employee benefits	948,915	939,031	1,069,328	(130,297)
Purchased services	394,533	519,533	510,154	9,379
Supplies and materials	243,368	243,368	281,063	(37,695)
Capital outlay	90,200	90,200	78,650	11,550
Total expenditures	<u>4,427,586</u>	<u>4,500,374</u>	<u>4,652,578</u>	<u>(152,204)</u>
Excess (deficiency) of revenues over expenditures, budgetary basis	<u>(4,304,549)</u>	<u>(4,304,549)</u>	<u>(4,287,797)</u>	<u>16,752</u>
Other financing sources (uses):				
Transfers from Town of New Shoreham	4,243,549	4,243,549	4,243,549	-
Appropriations of Unrestricted Fund Balance	61,000	61,000	-	(61,000)
Total other financing sources (uses)	<u>4,304,549</u>	<u>4,304,549</u>	<u>4,243,549</u>	<u>(61,000)</u>
Excess of expenditures and other financing uses, over revenues and other financing sources budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>(44,248)</u>	<u>\$ (44,248)</u>
Excess of expenditures and other financing uses over revenues and other financing sources; U.S. GAAP basis			(44,248)	
Fund balance, beginning of year			<u>214,562</u>	
Fund balance, end of year			<u>\$ 170,314</u>	

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES

YEAR ENDED JUNE 30, 2011

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. However, there were no adjustments from the budgetary basis to the U.S. GAAP basis of accounting for the year ended June 30, 2011.

TOWN OF NEW SHOREHAM, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON SCHEDULES (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 - SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
<i>Municipal Employees Retirement System, Police</i>						
June 30, 2008	\$ 832,678	\$ 1,199,366	\$ 366,688	69.43%	\$ 222,375	164.90%
June 30, 2009	833,702	1,251,857	418,155	66.60%	237,034	176.41%
June 30, 2010	866,662	1,513,386	646,724	57.27%	251,988	256.65%
June 30, 2011	N/A	N/A	N/A	N/A	275,021	N/A
<i>Municipal Employees Retirement System, Other</i>						
June 30, 2008	\$ 4,254,010	\$ 4,740,547	\$ 486,537	89.74%	\$ 1,972,982	24.66%
June 30, 2009	4,500,415	5,209,876	709,461	86.38%	2,089,994	33.95%
June 30, 2010	4,749,070	6,221,418	1,472,348	76.33%	2,048,103	71.89%
June 30, 2011	N/A	N/A	N/A	N/A	2,155,166	N/A

(1) N/A not available

(2) The latest actuarial valuation for the plan is as of June 30, 2010

TOWN OF NEW SHOREHAM, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2011

Real estate and personal property taxes receivable:

Year	Balance, July 1, 2010	Current year assessment	Adjustments/ abatements	Amount to be collected	Collections	Balance, June 30, 2011
2011	\$ -	\$ 7,870,841	\$ (3,759)	\$ 7,867,082	\$ 7,664,515	\$ 202,567
2010	182,294		1,834	184,128	181,184	2,944
2009	49,151		(745)	48,406	44,766	3,640
2008	1,997		(1,458)	539	27	512
2007	451		850	1,301		1,301
2006	469		18	487		487
2005	823		(14)	809		809
2004	976			976		976
2003	1,686			1,686		1,686
2002	1,836			1,836	656	1,180
2001	1,013			1,013		1,013
2000	976		(976)	-		-
	<u>\$ 241,672</u>	<u>\$ 7,870,841</u>	<u>\$ (4,250)</u>	<u>\$ 8,108,263</u>	<u>\$ 7,891,148</u>	217,115
					Less allowance for doubtful accounts	<u>40,000</u>
						<u>\$ 177,115</u>

TOWN OF NEW SHOREHAM, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2011

Schedule of most recent net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 1,719,550,608	\$ 7,767,101
Motor vehicles	17,145,533	83,304
Tangible personal	<u>3,697,674</u>	<u>17,076</u>
Total	1,740,393,815	7,867,481
Exemptions	<u>32,276,551</u>	<u>-</u>
Current year assessment	<u>\$ 1,708,117,264</u>	<u>\$ 7,867,481</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 7,891,148
Revenue collected within 60 days subsequent to year ended June 30, 2011	<u>74,521</u>
	7,965,669
Prior year revenue received in current year	<u>(58,388)</u>
Current year real estate and personal property tax revenue	<u>\$ 7,907,281</u>