

TOWN OF NEW SHOREHAM, RHODE ISLAND

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

TOWN NEW SHOREHAM, RHODE ISLAND

June 30, 2013

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TOWN NEW SHOREHAM, RHODE ISLAND

June 30, 2013

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of New Shoreham, Rhode Island, as of June 30, 2013, and the respective changes in financial position and, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10) and budgetary comparison information on pages 51-57 and certain pension and other post employment benefits information on pages 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Shoreham, Rhode Island's basic financial statements. The supplementary schedules on pages 59 through 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules on pages 59 through 64 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report date December 5, 2013, on our consideration of the Town of New Shoreham, Rhode Islands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of New Shoreham, Rhode Islands' internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
December 5, 2013

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

The management of the Town of New Shoreham, Rhode Island (herein, the Town), offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013 (FY 2013) and 2012 (FY 2012). We encourage readers to consider the information presented here in conjunction with additional information found within the financial statements.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Financial Highlights:

The assets plus deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources at June 30, 2013 by \$31,571,469 (net position). Net position include \$24,392,470 invested in capital assets, net of related debt; \$5,921,854 of restricted net position; and \$1,257,145 of unrestricted net position that may be used to meet the Town's ongoing obligations to citizens and creditors. Total assets plus deferred outflows were \$57,101,735 and total liabilities plus deferred inflows were \$25,530,266 at June 30, 2013. The Town's total net position increased by \$900,147 in FY 2013.

As of June 30, 2013, the Town's governmental funds reported combined ending fund balances of \$6,913,664, an increase of \$324,484 from the prior year.

As of June 30, 2013, the unassigned fund balance for the General Fund was \$1,011,810, or 9% of total budgeted 2013 General Fund expenditures and other financial uses of \$11,523,654. This amount is available for spending at the Town's discretion.

The Town total debt decreased by \$892,133 (4%) during the current fiscal year. The key factors in this decrease was the retirement of principal and other long-term obligations.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The government-wide financial statements include two statements:

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Government-Wide Financial Statements (Continued):

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

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

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

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

The government-wide financial statement can be found on pages 11-14 of this report.

Fund Financial Statements:

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

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Fund Financial Statements (Continued):

Governmental Funds (Continued):

The basic governmental fund financial statements can be found on pages 15-16 of this report.

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

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

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

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

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

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

Notes to the Basic Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government and fund financial statements. The notes to the basic financial statements can be found on pages 24-50 of this report.

Other Required Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information presents schedules detailing certain pension information, as well as budgetary comparison schedules for the General Fund and the School Unrestricted Fund to demonstrate compliance with their respective budgets. Requirement supplementary information can be found on pages 51-58 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$31,571,469 at June 30, 2013.

Net position invested in capital assets, net of related debt, comprises \$24,392,470, or 77% of total net position. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position totaling \$5,901,854 or 25%, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$248,905 is permanently restricted and is nonexpendable. Unrestricted net position, totaling \$904,718, may be used to meet the government's ongoing obligations to citizens and creditors.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Government-Wide Financial Analysis (Continued)

| Town of New Shoreham's Net Position - Primary Government | | | | | | |
|---|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| June 30, 2013 and 2012 | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Assets: | | | | | | |
| Current and other assets | \$ 8,568,212 | \$ 7,791,702 | \$1,160,795 | \$ 738,292 | \$ 9,729,007 | \$ 8,529,994 |
| Capital assets | <u>37,270,034</u> | <u>38,046,244</u> | <u>9,955,678</u> | <u>9,721,396</u> | <u>47,225,712</u> | <u>47,767,640</u> |
| Total assets | <u>45,838,246</u> | <u>45,837,946</u> | <u>11,116,473</u> | <u>10,459,688</u> | <u>56,954,719</u> | <u>56,297,634</u> |
| Deferred outflows of resources: | | | | | | |
| Charges on issuance debt | <u>147,016</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,016</u> | <u>-</u> |
| Total deferred outflows of resources | <u>147,016</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>147,016</u> | <u>-</u> |
| Liabilities: | | | | | | |
| Long-term obligations | 18,750,196 | 21,624,885 | 2,775,574 | 2,468,877 | 21,525,770 | 24,093,762 |
| Other liabilities | <u>3,159,643</u> | <u>948,189</u> | <u>844,853</u> | <u>584,363</u> | <u>4,004,496</u> | <u>1,532,552</u> |
| Total liabilities | <u>21,909,839</u> | <u>22,573,074</u> | <u>3,620,427</u> | <u>3,053,240</u> | <u>25,530,266</u> | <u>25,626,314</u> |
| Deferred inflows of resources: | | | | | | |
| None | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 17,268,851 | 17,108,717 | 7,123,619 | 7,307,699 | 24,392,470 | 24,416,416 |
| Restricted | 5,901,854 | 499,018 | 20,000 | 15,000 | 5,921,854 | 514,018 |
| Unrestricted | <u>904,718</u> | <u>5,657,137</u> | <u>352,427</u> | <u>83,749</u> | <u>1,257,145</u> | <u>5,740,886</u> |
| Total net position | <u>\$ 24,075,423</u> | <u>\$ 23,264,872</u> | <u>\$ 7,496,046</u> | <u>\$ 7,406,448</u> | <u>\$ 31,571,469</u> | <u>\$ 30,671,320</u> |

Component unit. The assets plus deferred outflows of the Town's Component Unit, the Block Island Land Trust (Land Trust), exceeded its liabilities plus deferred inflows by \$21,915,799. Net position invested in capital assets, net of related debt, comprises \$21,125,799, or 96% of total net position. The remaining balance of net position of the Land Trust, totaling \$790,000 is restricted.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Changes in Net Position

The Town's net position increased by \$900,149 in FY 2013. Approximately 59% of the Town's total revenue came from taxes and payments in lieu of taxes, while 17% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 24% of total revenue. The Town's expenses cover a range of services, the largest of which were for schools, public works and harbors, administration costs, and employee benefits. In 2013, governmental activities expenses exceeded program revenues by \$9,603,731. Net revenues from business-type activities exceed program expenses in 2013 by \$112,730.

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

For the Year Ended June 30, 2013 and 2012

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,026,552 | \$ 2,163,076 | \$1,523,480 | \$ 1,714,774 | \$ 3,550,032 | \$ 3,877,850 |
| Operating grants and contributions | 318,885 | 521,697 | | | 318,885 | 521,697 |
| Capital grants and contributions | 63,400 | 549,869 | 446,903 | 837,083 | 510,303 | 1,386,952 |
| General revenues: | | | | | | |
| Property taxes | 8,548,983 | 8,264,732 | | | 8,548,983 | 8,264,732 |
| Grants and contributions, nonspecific | 1,547,145 | 816,028 | | | 1,547,145 | 816,028 |
| Other | 3,633 | 3,308 | 13,152 | 5,992 | 16,785 | 9,300 |
| Total revenues | 12,508,598 | 12,318,710 | 1,983,535 | 2,557,849 | 14,492,133 | 14,876,559 |
| Expenses: | | | | | | |
| General government | 2,180,998 | 1,451,404 | | | 2,180,998 | 1,451,404 |
| Public safety | 898,733 | 977,945 | | | 898,733 | 977,945 |
| Public works | 1,581,565 | 1,664,695 | | | 1,581,565 | 1,664,695 |
| Recreation, library, and other | 1,332,890 | 1,662,262 | | | 1,332,890 | 1,662,262 |
| Education | 5,121,641 | 5,020,847 | | | 5,121,641 | 5,020,847 |
| Interest on long-term debt | 896,742 | 783,873 | | | 896,742 | 783,873 |
| Sewer | | | 1,521,059 | 1,380,194 | 1,521,059 | 1,380,194 |
| Water | - | - | 372,878 | 620,892 | 372,878 | 620,892 |
| Total expenses | 12,012,569 | 11,561,026 | 1,893,937 | 2,001,086 | 13,906,506 | 13,562,112 |
| Change in net position before transfers | 496,029 | 757,684 | 89,598 | 556,763 | 585,627 | 1,314,447 |
| Transfers | 314,521 | 104,462 | - | - | 314,521 | 104,462 |
| Increase (decrease) in net position | 810,550 | 862,146 | 89,598 | 556,763 | 900,148 | 1,418,909 |
| Net position, beginning of year | 23,264,872 | 22,402,726 | 7,406,448 | 6,849,685 | 30,671,320 | 29,252,411 |
| Net position, end of year | \$ 24,075,422 | \$ 23,264,872 | \$ 7,496,046 | \$ 7,406,448 | \$ 31,571,468 | \$ 30,671,320 |

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Governmental Activities

Governmental activities increased the Town's net position by \$810,551, or less than 4%, over the prior year. Key elements of this increase are as follows:

- 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 | |
|--|------------------------|----------------------|----------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Expenses net of program revenues: | | | | |
| General government | \$ 2,180,998 | \$ 1,451,404 | \$ 1,811,334 | \$ 562,278 |
| Public safety | 898,733 | 977,945 | 856,212 | 935,167 |
| Public works | 1,581,565 | 1,664,695 | 208,899 | 437,440 |
| Recreation, library, and other | 1,332,890 | 1,662,262 | 895,667 | 985,298 |
| Education | 5,121,641 | 5,020,847 | 4,934,878 | 4,622,328 |
| Interest on long-term debt | 896,742 | 783,873 | 896,742 | 783,873 |
| Total expenses | <u>\$12,012,569</u> | <u>\$ 11,561,026</u> | <u>\$ 9,603,732</u> | <u>\$ 8,326,384</u> |

Component Unit

The net position of the Town's Component Unit increased by \$836,845. 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 2013 totaling \$1,240,394.

General Fund Budgetary Highlights

The original budget for FY 2013 adopted at the Financial Town Meeting on May 7, 2012 was \$11,523,654; no changes were made to the final budget.

Actual revenues reported in FY 2013 were greater than budgeted amounts by \$619,884, due principally to insurance recoveries related to various unforeseeable weather occurrences as well as grant revenue that was unbudgeted.

Actual expenditure exceeded budgeted amounts by \$590,437. The principal reasons for this include:

- Expenditures in the amount of \$309,524 relating to Hurricane Sandy which were offset by insurance recoveries.
- Roughly \$210,000 worth of unforeseen principal payments on bonds that were thought to be refunded in the prior year and principal for the Land Trust against outstanding receivables.

The total excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis was \$54,729.

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, 2013 amounts to \$47,225,712 (net of accumulated depreciation). This investment includes land and land improvements, buildings and improvements, machinery and equipment, vehicles and vessels, furniture and fixtures, underground piping, wells/reserve osmosis/water supply and construction in progress. The total net decrease in the Town's investment in capital assets for the current fiscal year was \$541,925, comprised of an increase related to business-type activities of \$234,285 offset by a decrease of \$776,210 related to governmental activities.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

Capital Asset and Debt Administration (Continued)

Capital assets (continued)

Additions to capital assets in 2013 for governmental activities included acquisition of property, various renovations and improvements, library books and continued improvements at the School, offset by the sale of property and depreciation expense.

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

Additional information regarding capital assets can be found in Note 6 on pages 35 and 36 of this report.

Long-term debt. As of June 30, 2013, the Town has total bonded debt outstanding of \$22,681,845, which is backed by the full faith and credit of the Town.

The Town has one capital lease outstanding at June 30, 2013 with a balance totaling \$28,707.

Long-term debt includes \$2,817,943 of outstanding loans to the Block Island Water Company and New Shoreham Sewer Commission (business-type activities).

The Town's Component Unit has total notes payable outstanding of \$4,586,170, consisting primarily of general obligation bonds issued through the Town.

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

| | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General obligation bonds | \$ 19,863,902 | \$ 21,043,760 | \$ 2,817,943 | \$ 2,413,697 | \$ 22,681,845 | \$ 23,457,457 |
| Capital leases | 28,707 | 50,212 | | | 28,707 | 50,212 |
| Accrued compendated absences | 376,735 | 449,913 | 37,355 | 55,180 | 414,090 | 505,093 |
| Other post-employment benefit obligation | <u>77,000</u> | <u>81,000</u> | <u>-</u> | <u>-</u> | <u>77,000</u> | <u>81,000</u> |
| Total | <u>\$ 20,346,344</u> | <u>\$ 21,624,885</u> | <u>\$ 2,855,298</u> | <u>\$ 2,468,877</u> | <u>\$ 23,201,642</u> | <u>\$ 24,093,762</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 \$52,560,356 as of the December 31, 2010 assessment, which significantly exceeds the Town's outstanding general debt.

In January 2009, S&P upgraded the Town's bond rating from A+ to AA. Primary factors driving the ratings increase include sound financial position, low per capita debt levels and strong market value per capita. This rating was affirmed in June 2009, June 2010 and June 2012. Additional information regarding the Town's long-term debt can be found in Note 7 on pages 37-44 of this report.

In June 2012, the Town issued \$7,704,000 of the general obligation bonds, including \$2,634,000 issued on behalf of the Block Island Land Trust for acquisitions. The balance was used to refund general obligation bonds from 1998 and 2002 in order to realize a lower interest rate. Debt service savings over the life of the refunding transaction will approximate 13%.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

For the Year Ended June 30, 2013

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 resident (92% residential) shows small but steady growth that brought the net assessed value to \$1,752,011,854 at December 31, 2010.

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 \$358,424 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, 2013 was 3%.

The Land Trust may request the Town to issue bonds for the purpose of financing its activities. The Land Trust has used proceeds from portions of authorized bond amounts for land and land right acquisitions and is responsible for the repayment of all principal and interest. The Land Trust was authorized to bond up to \$6,000,000 in May 2001. It used \$3,500,000 to purchase the Hodge property in FY 2003, and \$450,000 to purchase the Turnip Farm land; there is \$2,050,000 in authority remaining. At the May 2, 2005 Financial Town Meeting, voters authorized an additional \$4,000,000 for total authority of \$6,050,000. During 2012, the Town issued a bond in the amount of \$2,364,000 to finance the Trust's acquisitions. The remaining authority is \$4,228,972.

The \$836,845 increase in net position for 2013 is due primarily to \$1,240,394 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 Position

June 30, 2013

| | Primary Government | | | Component Units |
|---|-------------------------|--------------------------|---------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total | Block Island Land Trust |
| ASSETS | | | | |
| Cash and investments | \$ 2,242,690 | \$ 401,940 | \$ 2,644,630 | \$ 1,239,116 |
| Receivables, net | | | | |
| Personal property taxes | 197,341 | | 197,341 | |
| User charges | | 334,268 | 334,268 | |
| Intergovernmental | 274,397 | 367,333 | 641,730 | |
| Departmental and other | 177,166 | 6,873 | 184,039 | |
| Due from other funds | 1,024,009 | 50,381 | 1,074,390 | |
| Due from component unit | 66,439 | | 66,439 | |
| Notes receivable, net | 4,586,170 | | 4,586,170 | |
| Capital assets: | | | | |
| Land | 18,909,776 | 954,202 | 19,863,978 | 25,617,957 |
| Construction in progress | 31,240 | 38,854 | 70,094 | |
| Infrastructure, net | 1,473,130 | 6,179,488 | 7,652,618 | |
| Land improvements, net | 3,652,193 | | 3,652,193 | |
| Building and improvements, net | 12,264,138 | 2,500,217 | 14,764,355 | |
| Automobiles and vessels, net | 416,898 | | 416,898 | |
| Machinery and equipment, net | 323,037 | 282,917 | 605,954 | |
| Office equipment and furniture, net | 165,884 | | 165,884 | |
| Library books and textbooks, net | 33,738 | | 33,738 | |
| Total capital assets | 37,270,034 | 9,955,678 | 47,225,712 | 25,617,957 |
| Total assets | 45,838,246 | 11,116,473 | 56,954,719 | 26,857,073 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Charges on issuance of debt | 147,016 | | 147,016 | |
| Total assets and deferred outflows of resources | \$ 45,985,262 | \$ 11,116,473 | \$ 57,101,735 | \$ 26,857,073 |

The accompanying notes are an integral part of this statement

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position

June 30, 2013

| | <u>Primary Government</u> | | | <u>Component Units</u> |
|---|--------------------------------|---------------------------------|----------------------|--------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Block Island Land Trust</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 877,133 | \$ 214,314 | \$ 1,091,447 | \$ 1,477 |
| Accrued interest | 108,574 | 14,129 | 122,703 | |
| Due to federal and state governments | 35,307 | 4,790 | 40,097 | |
| Due to other funds | 542,481 | 531,909 | 1,074,390 | 66,439 |
| Current portion of capital leases | 22,797 | | 22,797 | |
| Current portion of bonds and notes payable | 1,437,542 | 62,269 | 1,499,811 | 357,228 |
| Current portion of OPEB | 68,000 | | 68,000 | |
| Current portion of compensated absences | 67,809 | 17,442 | 85,251 | |
| Portion due or payable in more than one year: | | | | |
| Capital leases | 5,910 | | 5,910 | |
| Bonds and notes payable | 18,426,360 | 2,755,661 | 21,182,021 | 4,228,942 |
| Compensated absences | 308,926 | 19,913 | 328,839 | |
| Other post-employment benefit obligation | 9,000 | | 9,000 | |
| Total liabilities | <u>21,909,839</u> | <u>3,620,427</u> | <u>25,530,266</u> | <u>4,654,086</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Gains on refunding of debt | <u>-</u> | <u>-</u> | <u>-</u> | <u>287,188</u> |
| NET POSITION | | | | |
| Invested in capital assets, net of related debt | \$ 17,268,851 | \$ 7,123,619 | \$ 24,392,470 | \$ 21,125,799 |
| Restricted | 5,901,854 | 20,000 | 5,921,854 | 790,000 |
| Unrestricted | <u>904,718</u> | <u>352,427</u> | <u>1,257,145</u> | <u>-</u> |
| Total liabilities, deferred inflows or resources and net position | <u>\$ 24,075,423</u> | <u>\$ 7,496,046</u> | <u>\$ 31,571,469</u> | <u>\$ 21,915,799</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2013

| | <u>Net (Expense) Revenue and Changes in Net Position</u> | | | | | | | |
|----------------------------------|--|-----------------------------|---|---|--------------------------------|---------------------------------|-----------------------|--------------------------------|
| | <u>Program Revenues</u> | | | | <u>Primary Government</u> | | | <u>Component Unit</u> |
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Block Island Land Trust</u> |
| Governmental Activities: | | | | | | | | |
| General government | \$ 2,180,998 | \$ 358,677 | \$ 10,987 | \$ - | \$ (1,811,334) | \$ - | \$ (1,811,334) | \$ - |
| Public safety | 898,733 | 33,617 | 8,904 | | (856,212) | | (856,212) | |
| Education | 5,121,641 | 38,896 | 147,867 | | (4,934,878) | | (4,934,878) | |
| Public works | 1,581,565 | 1,309,266 | | 63,400 | (208,899) | | (208,899) | |
| Recreation, library, and other | 1,332,890 | 286,096 | 151,127 | | (895,667) | | (895,667) | |
| Interest on debt | 896,742 | | | | (896,742) | | (896,742) | |
| Total governmental activities | <u>12,012,569</u> | <u>2,026,552</u> | <u>318,885</u> | <u>63,400</u> | <u>(9,603,732)</u> | <u>-</u> | <u>(9,603,732)</u> | <u>-</u> |
| Business-Type Activities: | | | | | | | | |
| Water | 372,878 | 608,256 | | 23,243 | | 258,621 | 258,621 | |
| Sewer | 1,521,059 | 915,224 | | 234,484 | | (371,351) | (371,351) | |
| Total business-type activities | <u>1,893,937</u> | <u>1,523,480</u> | <u>-</u> | <u>257,727</u> | <u>-</u> | <u>(112,730)</u> | <u>(112,730)</u> | <u>-</u> |
| Total primary government | <u>13,906,506</u> | <u>3,550,032</u> | <u>318,885</u> | <u>321,127</u> | <u>(9,603,732)</u> | <u>(112,730)</u> | <u>(9,716,462)</u> | <u>-</u> |
| Component Units: | | | | | | | | |
| Block Island Land Trust | 127,243 | 1,240,394 | | | | | | 1,113,151 |
| Total component units | <u>127,243</u> | <u>1,240,394</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,113,151</u> |
| Total Town of New Shoreham | <u>\$ 14,033,749</u> | <u>\$ 4,790,426</u> | <u>\$ 318,885</u> | <u>\$ 321,127</u> | <u>\$ (9,603,732)</u> | <u>\$ (112,730)</u> | <u>\$ (9,716,462)</u> | <u>\$ 1,113,151</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2013

| | <u>Primary Government</u> | | | <u>Component Unit</u> |
|--|------------------------------------|-------------------------------------|----------------------|------------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Block Island Land Trust</u> |
| General revenues: | | | | |
| Real estate and personal property, net of reserve for abatements | \$ 8,548,983 | \$ - | \$ 8,548,983 | \$ - |
| Insurance recoveries | 376,530 | | 376,530 | |
| Sale of surplus property | 522 | | 522 | |
| Meals tax | 257,729 | | 257,729 | |
| School housing | 217,952 | | 217,952 | |
| Library housing | 61,761 | | 61,761 | |
| Earnings on investments | 3,633 | 13,152 | 16,785 | 510 |
| Hotel tax | 253,556 | | 253,556 | |
| Library aid | 73,011 | | 73,011 | |
| Airport aid | 32,562 | | 32,562 | |
| State aid to education | 124,716 | | 124,716 | |
| State contribution to teachers' pension plan | 136,869 | | 136,869 | |
| Miscellaneous | 11,937 | 189,176 | 201,113 | 15,955 |
| Total general revenues | 10,099,761 | 202,328 | 10,302,089 | 16,465 |
| Special Item - sale of easement | 21,750 | - | 21,750 | |
| Special Item - transfer from component unit | 292,771 | - | 292,771 | |
| Transfers between funds - operating | - | 264,341 | 264,341 | |
| Transfers between funds - operating | - | (264,341) | (264,341) | (292,771) |
| Total general revenues, special items, and transfers | 10,414,282 | 202,328 | 10,616,610 | (276,306) |
| Changes in net position | 810,550 | 89,598 | 900,148 | 836,845 |
| Net position - July 1, 2012 | 23,264,872 | 7,406,448 | 30,671,320 | 21,078,954 |
| Net position - June 30, 2013 | \$ 24,075,422 | \$ 7,496,046 | \$ 31,571,468 | \$ 21,915,799 |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Balance Sheet - Governmental Funds

June 30, 2013

| | <u>Major Fund</u> <u>General</u> <u>Fund</u> | <u>Major Fund</u> <u>School</u> <u>Department</u> | <u>Non-Major</u> <u>Governmental</u> <u>Funds</u> | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|--|---|---|---|
| Assets: | | | | |
| Cash and investments | \$ 1,198,642 | \$ 424,388 | \$ 619,660 | \$ 2,242,690 |
| Receivables: | | | | |
| Property taxes, net | 197,341 | | | 197,341 |
| Intergovernmental | 241,927 | 32,470 | | 274,397 |
| Other | 175,322 | 1,844 | | 177,166 |
| Due from other funds | 532,861 | 481,451 | 9,697 | 1,024,009 |
| Due from component unit | 66,439 | | | 66,439 |
| Notes receivable, component unit | 4,586,170 | | | 4,586,170 |
| Total assets | <u>6,998,702</u> | <u>940,153</u> | <u>629,357</u> | <u>8,568,212</u> |
| Deferred outflows of resources: | | | | |
| None | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 6,998,702</u> | <u>\$ 940,153</u> | <u>\$ 629,357</u> | <u>\$ 8,568,212</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 407,241 | \$ 469,892 | \$ - | \$ 877,133 |
| Retainage payable | | | | - |
| Due to federal and state governments | 23,496 | 11,811 | | 35,307 |
| Notes payable | | | | - |
| Due to other funds | 431,744 | 106,388 | 4,349 | 542,481 |
| Total liabilities | <u>862,481</u> | <u>588,091</u> | <u>4,349</u> | <u>1,454,921</u> |
| Deferred inflows of resources: | | | | |
| Unearned revenue | 199,627 | - | - | 199,627 |
| Total deferred inflows of resources | <u>199,627</u> | <u>-</u> | <u>-</u> | <u>199,627</u> |
| Fund balance: | | | | |
| Nonspendable | 4,652,609 | | 182,466 | 4,835,075 |
| Restricted | 101,116 | 1,683 | 25,225 | 128,024 |
| Committed | 77,215 | | - | 77,215 |
| Assigned | 93,844 | 350,379 | 417,317 | 861,540 |
| Unassigned | 1,011,810 | - | - | 1,011,810 |
| Total fund balance | <u>5,936,594</u> | <u>352,062</u> | <u>625,008</u> | <u>6,913,664</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 6,998,702</u> | <u>\$ 940,153</u> | <u>\$ 629,357</u> | <u>\$ 8,568,212</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance to the Statement of Activities

For the Year June 30, 2013

| | <u>Major Fund General Fund</u> | <u>Major Fund School Department</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|--|---|---|---|
| Revenues: | | | | |
| Real estate and personal property taxes | \$ 8,544,520 | \$ - | \$ - | \$ 8,544,520 |
| Intergovernmental | 992,630 | 272,583 | 20,331 | 1,285,544 |
| Licenses, permits, and fees | 385,139 | | | 385,139 |
| Investment Income | 2,973 | | 660 | 3,633 |
| State contribution to teachers' pension plan | | 136,869 | | 136,869 |
| Other Revenue | <u>1,947,350</u> | <u>38,896</u> | <u>162,184</u> | <u>2,148,430</u> |
| Total revenue | <u>11,872,612</u> | <u>448,348</u> | <u>183,175</u> | <u>12,504,135</u> |
| Expenditures : | | | | |
| General government | 2,070,914 | | | 2,070,914 |
| Public safety | 942,917 | | | 942,917 |
| Education | | 4,780,163 | | 4,780,163 |
| Public works | 1,427,515 | | | 1,427,515 |
| Recreation, library, and other | 1,124,987 | | 82,374 | 1,207,361 |
| Pension benefits | | | | - |
| State and county charges | | | | - |
| Debt service: | | | | |
| Principal | 1,179,858 | | | 1,179,858 |
| Interest | <u>885,444</u> | | | <u>885,444</u> |
| Total expenditures | <u>7,631,635</u> | <u>4,780,163</u> | <u>82,374</u> | <u>12,494,172</u> |
| Excess (deficiency) of revenues over expenditures | 4,240,977 | (4,331,815) | 100,801 | 9,963 |
| Other financing sources (uses): | | | | |
| Sale of easement | 21,750 | | | 21,750 |
| Transfer from component unit | 292,771 | | | 292,771 |
| Transfers in | 3,873 | 4,437,861 | | 4,441,734 |
| Transfers out | <u>(4,417,861)</u> | <u>(20,000)</u> | <u>(3,873)</u> | <u>(4,441,734)</u> |
| Other financing sources (uses) | <u>(4,099,467)</u> | <u>4,417,861</u> | <u>(3,873)</u> | <u>314,521</u> |
| Excess of revenue and other sources over expenditures and other uses | 141,510 | 86,046 | 96,928 | 324,484 |
| Fund balance, July 1, 2012 | <u>5,795,084</u> | <u>266,016</u> | <u>528,080</u> | <u>6,589,180</u> |
| Fund balance, June 30, 2013 | <u>\$ 5,936,594</u> | <u>\$ 352,062</u> | <u>\$ 625,008</u> | <u>\$ 6,913,664</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Funds Balance
Sheet to the Statement of Net Position

June 30, 2013

| | |
|---|----------------------|
| Total governmental fund balances | \$ 6,913,664 |
| Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Capital assets, net | 37,270,034 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds. | 199,627 |
| Deferred outflows of resources relating to bond issuance costs amortized over the life of the payable | 147,016 |
| In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due. | (108,574) |
| Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds | |
| Bonds and notes payable | (19,863,902) |
| Capital leases | (28,707) |
| Compensated absences | (376,735) |
| Other postemployment benefits | <u>(77,000)</u> |
| Net position of governmental activities | <u>\$ 24,075,423</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Reconciliation of Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balance to Statement of Activities

For the Year Ended June 30, 2013

| | |
|--|-------------------|
| Net change in fund balances - total governmental funds | \$ 324,484 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | (776,210) |
| Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources. | 4,463 |
| The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 1,201,363 |
| Bond issuance costs for long term debt are amortized over the course of the payable but are not reported as an expenditure on governmental fund statements | (9,429) |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due. | (11,298) |
| The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds | 4,000 |
| Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds. | <u>73,178</u> |
| Change in net position of governmental activities | <u>\$ 810,551</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Net Position - Proprietary Funds

June 30, 2013

| | Business-type Activities | | |
|---|---------------------------------|-------------------|-------------------|
| | Enterprise Funds | | |
| | Sewer | Water | Total |
| | Enterprise | Enterprise | Enterprise |
| Assets | | | |
| Current assets: | | | |
| Cash and short-term investments | \$ 89,748 | \$ 312,192 | \$ 401,940 |
| Receivables, net: | | | |
| User fees | 168,858 | 165,410 | 334,268 |
| Intergovernmental | 365,353 | 1,980 | 367,333 |
| Assessments and miscellaneous fees | 6,873 | | 6,873 |
| Due from other funds | 17,815 | 32,566 | 50,381 |
| Total current assets | 648,647 | 512,148 | 1,160,795 |
| Non-current assets: | | | |
| Land | 892,880 | 61,322 | 954,202 |
| Construction in progress | | 38,854 | 38,854 |
| Buildings, net | 1,937,348 | 562,869 | 2,500,217 |
| Infrastructure, net | 2,473,235 | 3,706,253 | 6,179,488 |
| Equipment, net | 169,542 | 113,375 | 282,917 |
| Total non-current assets | 5,473,005 | 4,482,673 | 9,955,678 |
| Total assets | \$ 6,121,652 | \$ 4,994,821 | \$ 11,116,473 |
| Deferred outflows of resources | | | |
| None | - | - | - |
| Total assets and deferred outflows of resources | \$ 6,121,652 | \$ 4,994,821 | \$ 11,116,473 |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | \$ 195,267 | \$ 23,837 | \$ 219,104 |
| Current portion of serial bonds payable | 20,016 | 42,253 | 62,269 |
| Current portion of compensated absences | 17,442 | | 17,442 |
| Accrued interest payable | 7,455 | 6,674 | 14,129 |
| Due to other funds | 531,233 | 676 | 531,909 |
| Total current liabilities | 771,413 | 73,440 | 844,853 |
| Non-current liabilities: | | | |
| Serial bonds payable | 1,369,555 | 1,386,106 | 2,755,661 |
| Compensated absences | 19,913 | - | 19,913 |
| Total non-current liabilities | 1,389,468 | 1,386,106 | 2,775,574 |
| Total liabilities | 2,160,881 | 1,459,546 | 3,620,427 |
| Deferred inflows of resources | | | |
| None | - | - | - |
| Total deferred inflows of resources | - | - | - |
| Net Position | | | |
| Invested in capital assets, net of related debt | 4,075,979 | 3,047,640 | 7,123,619 |
| Restricted | 20,000 | | 20,000 |
| Unrestricted | (135,208) | 487,635 | 352,427 |
| Total liabilities, deferred inflows of resources and net position | \$ 3,960,771 | \$ 3,535,275 | \$ 7,496,046 |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Fund
Net Position - Proprietary Funds

For the Year June 30, 2013

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------------|-----------------------------|
| | <u>Sewer Enterprise</u> | <u>Water Enterprise</u> | <u>Total Enterprise</u> |
| OPERATING REVENUES | | | |
| Charges for services | \$ 915,224 | \$ 608,256 | \$ 1,523,480 |
| Other revenues | <u>159,491</u> | <u>29,685</u> | <u>189,176</u> |
| Total operating revenues | <u>1,074,715</u> | <u>637,941</u> | <u>1,712,656</u> |
| OPERATING EXPENSES | | | |
| Salaries and benefits | 644,996 | | 644,996 |
| Services and supplies | 475,982 | 127,618 | 603,600 |
| Depreciation | <u>345,128</u> | <u>179,071</u> | <u>524,199</u> |
| Total operating expenses | <u>1,466,106</u> | <u>306,689</u> | <u>1,772,795</u> |
| Operating income (loss) | <u>(391,391)</u> | <u>331,252</u> | <u>(60,139)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 8,404 | 4,748 | 13,152 |
| Grant revenue | 234,484 | 23,243 | 257,727 |
| Interest expense | (41,844) | (54,878) | (96,722) |
| Amortization of bond issuance costs | <u>(13,109)</u> | <u>(11,311)</u> | <u>(24,420)</u> |
| Total nonoperating revenue (expenses) | <u>187,935</u> | <u>(38,198)</u> | <u>149,737</u> |
| Income (loss) before transfers | <u>(203,456)</u> | <u>293,054</u> | <u>89,598</u> |
| TRANSFERS | | | |
| Transfer in - operating | 264,341 | - | 264,341 |
| Transfers out - operating | <u>-</u> | <u>(264,341)</u> | <u>(264,341)</u> |
| Total Transfers | <u>264,341</u> | <u>(264,341)</u> | <u>-</u> |
| Change in net position | 60,885 | 28,713 | 89,598 |
| Total net position, July 1, 2012 | <u>3,899,886</u> | <u>3,506,562</u> | <u>7,406,448</u> |
| Total net position, June 30, 2013 | <u>\$ 3,960,771</u> | <u>\$ 3,535,275</u> | <u>\$ 7,496,046</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2013

| | Business-type Activities - Enterprise Funds | | |
|--|--|-----------------------------|-----------------------------|
| | Sewer Enterprise | Water Enterprise | Total Enterprise |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 1,793,240 | \$ 541,519 | \$ 2,334,759 |
| Cash due from (to) governments | (370,143) | 44,058 | (326,085) |
| Payments to suppliers and employees | (1,437,413) | (205,026) | (1,642,439) |
| Cash received from (to) other funds | (109,691) | 16,551 | (93,140) |
| Net cash provided (used) by operating activities | <u>(124,007)</u> | <u>397,102</u> | <u>273,095</u> |
| Cash flows from noncapital financing activities: | | | |
| Grant revenue | 234,484 | 23,243 | 257,727 |
| Transfers in (out) | 264,341 | (264,341) | - |
| Net cash provided by noncapital financing activities | <u>498,825</u> | <u>(241,098)</u> | <u>257,727</u> |
| Cash flows from capital and related financing activities: | | | |
| Purchases and construction of capital assets | (740,092) | (1,434) | (741,526) |
| Acquisition of capital debt | 486,811 | | 486,811 |
| Principal paid on debt | (41,844) | (52,045) | (93,889) |
| Debt administrative costs | (13,109) | | (13,109) |
| Interest paid on capital debt | (34,389) | (48,204) | (82,593) |
| Net cash used by capital and related financing activities | <u>(342,623)</u> | <u>(101,683)</u> | <u>(444,306)</u> |
| Cash flows from investing activities: | | | |
| Interest and dividends | 8,404 | 4,748 | 13,152 |
| Net cash used by investing activities | <u>8,404</u> | <u>4,748</u> | <u>13,152</u> |
| Net increase in cash and cash equivalents | 40,599 | 59,069 | 99,668 |
| Balances-beginning of the year | <u>49,149</u> | <u>253,123</u> | <u>302,272</u> |
| Balances-end of the year | <u>\$ 89,748</u> | <u>\$ 312,192</u> | <u>\$ 401,940</u> |
| Displayed as: | | | |
| Cash and short-term investments | <u>\$ 89,748</u> | <u>\$ 312,192</u> | <u>\$ 401,940</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2013

| | Business-type Activities - Enterprise Funds | | |
|---|--|-----------------------------|-----------------------------|
| | <u>Sewer Enterprise</u> | <u>Water Enterprise</u> | <u>Total Enterprise</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (391,391) | \$ 331,252 | \$ (60,139) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 345,128 | 179,071 | 524,199 |
| Change in assets and liabilities: | | | |
| (Increase) decrease in user charges receivables, net | (68,580) | (73,179) | (141,759) |
| (Increase) decrease in utility lien and other receivables | 787,105 | 20,815 | 807,920 |
| (Increase) decrease in due from other funds | (379,605) | 19,438 | (360,167) |
| Increase (decrease) in due to other funds | (106,198) | (2,887) | (109,085) |
| Increase (decrease) accounts payable and accrued expenses | (292,641) | (77,408) | (370,049) |
| Increase (decrease) compensated absences | (17,825) | | (17,825) |
| Net cash provided (used) by operating activities | <u>\$ (124,007)</u> | <u>\$ 397,102</u> | <u>\$ 273,095</u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2013

| | <u>Agency Fund - Student Activities</u> |
|------------------------------------|--|
| Assets: | |
| Cash and investments | \$ <u>25,798</u> |
| Total assets | \$ <u><u>25,798</u></u> |
| Liabilities: | |
| Accounts payable | \$ 4,418 |
| Deposits held | <u>21,380</u> |
| Total liabilities | <u>25,798</u> |
| Net Position: | <u>-</u> |
| Total net position | <u>-</u> |
| Total liabilities and net position | \$ <u><u>25,798</u></u> |

The accompanying notes are an integral part of this statement

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements - Government-Wide Statements

The government-wide statement of net position and statement of activities display information about the Town as a whole. They include all funds of the Town except for fiduciary funds and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

C. Basic Financial Statements - Fund Financial Statements

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

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

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

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

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

1. Governmental Funds

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

1. Governmental Funds (Continued)

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

2. Proprietary Funds

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

3. Fiduciary Funds

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

D. Measurement Focus and Basis of Accounting

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts

1. 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 and local ordinance. Taxes levied in July are payable on the 15th day of August. Taxes may be paid in quarterly installments on August 15, November 15, February 15 and May 15.

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

2. 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.

3. 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.

4. 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.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts

5. Investments

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.

6. Interfund transactions

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 custodial credit risk or other risks.

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

7. Farm, Forest and Open Space

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

8. Capital Assets

Government-wide financial statements:

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

8. Capital Assets (Continued)

Government-wide financial statements:

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

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

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

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

Fund financial statements:

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

9. 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.

10. Compensated absences

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

11. Long-term obligations

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

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

12. Fund equity/net position

Government-wide financial statements:

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

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

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

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statements Amounts (Continued)

12. Fund equity/net position (continued)

Fund financial statements

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

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

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.

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

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

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

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

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

NOTE 2: Compliance and Accountability

Budget Requirements, Accounting and Reporting

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

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 3: Deposits and Investments

At June 30, 2013, the carrying amount of the Town's deposits was \$2,670,429, including \$1,555,737 of cash equivalents, and the total bank balance was \$3,076,947. Included in these balances are deposits of agency funds totaling \$25,799.

The Town continues to maintain its collateralization and custodian agreement with the Washington Trust Company whereby certain funds are collateralized and held in the Town's name.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The Town has not experienced any losses of funds in excess of federally insured limits held in any financial institutions. Management feels that the Town is not exposed to any significant credit risk related to cash.

Interest rate risk is the risk that changes in market interest rates will adversely affect that fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

At June 30, 2013, deposits are categorized as follows:

| | Insured/ Collateralized in Town's Name | Maturities | Total Bank Balance | Carrying Amount |
|--------------------------------------|--|-----------------|-----------------------|---------------------|
| Deposits: | | | | |
| Demand deposits | 1,121,779 | | 1,515,938 | 1,107,478 |
| Restricted cash and cash equivalents | 5,379 | | 5,379 | 4,491 |
| Petty cash | | | | 2,723 |
| Certificates of deposit | 741,590 | 7-16-13/8-06-13 | 741,590 | 741,695 |
| Money market | <u>814,041</u> | | <u>814,041</u> | <u>814,042</u> |
| | <u>\$ 2,682,789</u> | | <u>\$ 3,076,947</u> | <u>\$ 2,670,429</u> |

At June 30, 2013, deposits and investment of the component unit are categorized as follows:

| Type | Maturities | Total Bank Balance | Carrying Value |
|---|------------|-----------------------|-------------------|
| Deposits, demand deposits | | <u>\$ 741,519</u> | <u>\$ 739,114</u> |
| Investment, United States Treasury Bill | 7/16/2013 | | <u>\$ 500,002</u> |

NOTE 4: Assets Held In Trust

The Town's library is the beneficiary of the Island Free Library Endowment Fund held by the Rhode Island Foundation. Since the assets are administered at the discretion of the trustee, which has the unilateral power to redirect the use of the assets to another beneficiary, the assets are not included in the accompanying financial statements. The fair value of these assets at June 30, 2013 totaled approximately \$41,433.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 5: Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2013 are as follows:

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------------|---------------------------------|-------------------------------|
| Governmental funds: | | |
| General fund | \$ 532,861 | \$ 431,744 |
| School department | 481,451 | 106,388 |
| Nonmajor governmental funds | <u>9,697</u> | <u>4,349</u> |
| Proprietary funds: | | |
| Water | 32,566 | 676 |
| Sewer | <u>17,815</u> | <u>531,233</u> |
| | <u>\$ 1,074,390</u> | <u>\$ 1,074,390</u> |

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

Interfund transaction:

Interfund transactions at June 30, 2013 were as follows:

| | <u>Other Financing Sources</u> | <u>Other Financing Uses</u> |
|------------------------------|------------------------------------|---------------------------------|
| Governmental Funds | | |
| General Fund | \$ 3,873 | \$ 4,417,861 |
| School Department | 4,437,861 | 20,000 |
| Non-Major governmental Funds | - | 3,873 |
| Proprietary Funds | | |
| Water | | 264,341 |
| Sewer | <u>264,341</u> | <u>-</u> |
| Totals | <u>\$ 4,706,075</u> | <u>\$ 4,706,075</u> |

Funds were transferred from water to sewer in fiscal year 2013 in order to cover operating costs that are more appropriately related to the water fund.

There were \$4,417,861 worth of funds which were transferred from the General fund to the School Department. This transfer of funds was made in accordance with the current year appropriation, therefore, it was anticipated prior to the beginning of the fiscal year by the Town and School.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 6: Capital Assets

| | Balance July 1, 2012 | Restatement | Balance Restated | Increases | Decreases | Balance June 30, 2013 |
|---|---------------------------------|--------------------|-----------------------------|------------------|------------------|----------------------------------|
| <u>Governmental Activities:</u> | | | | | | |
| Not Being Depreciated: | | | | | | |
| Land | \$ 18,909,776 | \$ - | \$ 18,909,776 | \$ - | \$ - | \$ 18,909,776 |
| Construction in progress | 80,957 | | 80,957 | 31,240 | 80,957 | 31,240 |
| Subtotal | 18,990,733 | - | 18,990,733 | 31,240 | 80,957 | 18,941,016 |
| Other Capital Assets: | | | | | | |
| Infrastructure | 1,810,045 | | 1,810,045 | | | 1,810,045 |
| Land improvements | 4,591,560 | | 4,591,560 | 95,999 | | 4,687,559 |
| Buildings and improvements | 20,302,256 | | 20,302,256 | 49,021 | | 20,351,277 |
| Machinery and equipment | 1,072,500 | 45,470 | 1,117,970 | 76,439 | | 1,194,409 |
| Office equipment and furniture | 745,873 | (204,948) | 540,925 | 11,549 | | 552,474 |
| Library books and textbooks | - | 150,378 | 150,378 | 14,557 | | 164,935 |
| Automobiles & Vessels | 1,944,842 | 9,100 | 1,953,942 | 115,037 | 23,055 | 2,045,924 |
| Subtotal | 30,467,076 | - | 30,467,076 | 362,602 | 23,055 | 30,806,623 |
| Accumulated Depreciation: | | | | | | |
| Infrastructure | 275,108 | | 275,108 | 61,807 | | 336,915 |
| Land improvements | 873,384 | | 873,384 | 161,982 | | 1,035,366 |
| Buildings and improvements | 7,404,447 | | 7,404,447 | 682,692 | | 8,087,139 |
| Machinery and equipment | 770,129 | 35,291 | 805,420 | 65,952 | | 871,372 |
| Office equipment and furniture | 519,847 | (162,030) | 357,817 | 28,773 | | 386,590 |
| Library books and textbooks | - | 117,539 | 117,539 | 13,658 | | 131,197 |
| Automobiles & Vessels | 1,568,650 | (13,955) | 1,554,695 | 74,331 | | 1,629,026 |
| Subtotal | 11,411,565 | (23,155) | 11,388,410 | 1,089,195 | - | 12,477,605 |
| Net other capital assets | 19,055,511 | 23,155 | 19,078,666 | (726,593) | 23,055 | 18,329,018 |
| Net capital assets | \$ 38,046,244 | \$ 23,155 | \$ 38,069,399 | \$ (695,353) | \$ 104,012 | \$ 37,270,034 |
| Depreciation was charged to functions as follows: | | | | | | |
| General government | \$ 146,853 | | | | | |
| Public safety | 88,341 | | | | | |
| Public works | 236,954 | | | | | |
| Recreation, library, and other | 195,357 | | | | | |
| Education | 421,690 | | | | | |
| | \$ 1,089,195 | | | | | |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 6: Capital Assets (Continued)

| | <u>Balance July 1, 2012</u> | <u>Restatement</u> | <u>Beginning Balance Restated</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> |
|---|---------------------------------|--------------------|---|---------------------|---------------------|----------------------------------|
| <u>Business-type activities:</u> | | | | | | |
| Not Being Depreciated: | | | | | | |
| Land | \$ 982,190 | \$ - | \$ 982,190 | \$ - | \$ 27,987.00 | \$ 954,203 |
| Construction in progress | 516,217 | - | 516,217 | 740,933 | 1,218,296 | 38,854 |
| Subtotal | <u>1,498,407</u> | <u>-</u> | <u>1,498,407</u> | <u>740,933</u> | <u>1,246,283</u> | <u>993,057</u> |
| Other Capital Assets: | | | | | | |
| Buildings and improvements | 4,969,521 | - | 4,969,521 | - | - | 4,969,521 |
| Equipment | 1,474,206 | - | 1,474,206 | 6,290 | 29,690 | 1,450,806 |
| Underground piping | 10,879,583 | - | 10,879,583 | 1,259,142 | 32,000 | 12,106,725 |
| Wells/reserves osmosis/water supply | 1,194,448 | - | 1,194,448 | - | - | 1,194,448 |
| Subtotal | <u>18,517,758</u> | <u>-</u> | <u>18,517,758</u> | <u>1,265,432</u> | <u>61,690</u> | <u>19,721,500</u> |
| Accumulated Depreciation: | | | | | | |
| Buildings and improvements | 2,307,586 | - | 2,307,586 | 161,714 | - | 2,469,300 |
| Equipment | 1,133,159 | (3,000) | 1,130,159 | 64,421 | 26,690 | 1,167,890 |
| Underground piping | 6,540,360 | 1 | 6,540,361 | 271,521 | 30,400 | 6,781,482 |
| Wells/reserves osmosis/water supply | 313,664 | - | 313,664 | 26,543 | - | 340,207 |
| Subtotal | <u>10,294,769</u> | <u>(2,999)</u> | <u>10,291,770</u> | <u>524,199</u> | <u>57,090</u> | <u>10,758,879</u> |
| Net other capital assets | <u>8,222,989</u> | <u>2,999</u> | <u>8,225,988</u> | <u>741,233</u> | <u>4,600</u> | <u>8,962,621</u> |
| Net capital assets | <u>\$ 9,721,396</u> | <u>\$ 2,999</u> | <u>\$ 9,724,395</u> | <u>\$ 1,482,166</u> | <u>\$ 1,250,883</u> | <u>\$ 9,955,678</u> |

Depreciation was charged to functions as follows:

| | |
|---------------------------|-------------------|
| Business-type activities: | |
| Sewer | \$ 345,128 |
| Water | 179,071 |
| | <u>\$ 524,199</u> |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations

At summary of long-term obligations as of June 30, 2013 is as follows:

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | Block Island Land Trust |
| Bonds and notes | \$ 19,718,231 | \$ 2,817,917 | \$ 22,536,148 | \$ 357,228 |
| Deferred amounts: | | | | |
| On refunding | (274,404) | | (274,404) | |
| On premium | <u>420,075</u> | <u>-</u> | <u>420,075</u> | <u>-</u> |
| | 19,863,902 | 2,817,917 | 22,681,819 | 357,228 |
| Capital leases | 28,707 | | 28,707 | |
| Other post-employment benefit obligation | 77,000 | | 77,000 | |
| Accrued compensated absences | <u>376,735</u> | <u>37,355</u> | <u>414,090</u> | <u>-</u> |
| Total debt outstanding | 20,346,344 | 2,855,272 | 23,201,616 | 357,228 |
| Less portion due within one year | <u>1,596,148</u> | <u>79,710</u> | <u>1,675,858</u> | <u>-</u> |
| Total long term debt outstanding | <u>\$ 18,750,196</u> | <u>\$ 2,775,561</u> | <u>\$ 21,525,758</u> | <u>\$ 357,228</u> |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

Changes in long-term obligations during the year ended June 30, 2013 were as follows:

| | <u>Balance July 1, 2012</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance June 30, 2013</u> | <u>Due within one year</u> |
|---|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| Bonds and notes | \$ 20,851,332 | \$ - | \$ 1,133,101 | \$ 19,718,231 | \$ 1,370,143 |
| Deferred amounts: | | | | | |
| For issuance costs | | | | | |
| On refunding | (255,705) | | (18,699) | (274,404) | 27,851 |
| On premium | <u>448,133</u> | <u>-</u> | <u>(28,058)</u> | <u>420,075</u> | <u>39,548</u> |
| Total bonds payable | 21,043,760 | - | 1,086,344 | 19,863,902 | 1,437,542 |
| Capital Leases | 50,212 | | 21,505 | 28,707 | 22,797 |
| Other port-employment benefit obligation | 81,000 | | 4,000 | 77,000 | 68,000 |
| Accrued compensated absences | <u>449,913</u> | <u>-</u> | <u>(73,178)</u> | <u>523,091</u> | <u>67,809</u> |
| Total long-term obligations | <u>\$ 21,624,885</u> | <u>\$ -</u> | <u>\$ 1,038,671</u> | <u>\$ 20,492,700</u> | <u>\$ 1,596,148</u> |
| Business-type activities: | | | | | |
| Bonds and notes | \$ 2,413,697 | 404,220 | - | 2,817,917 | 62,268 |
| Accrued compensated absences | <u>55,180</u> | <u>-</u> | <u>(17,825)</u> | <u>37,355</u> | <u>17,442</u> |
| Total long-term obligations | <u>\$ 2,468,877</u> | <u>\$ 404,220</u> | <u>\$ (17,825)</u> | <u>\$ 2,855,272</u> | <u>\$ 79,710</u> |
| Total government-wide obligations | <u>\$ 24,093,762</u> | <u>\$ 404,220</u> | <u>\$ 1,020,846</u> | <u>\$ 23,347,972</u> | <u>\$ 1,675,858</u> |
| Component unit: | | | | | |
| Bonds and notes | <u>\$ 57,877</u> | <u>\$ 299,351</u> | <u>\$ -</u> | <u>\$ 357,228</u> | <u>\$ -</u> |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 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, 2012 | New issues | Retirements | Balance, June 30, 2013 |
|-------------------------------------|-----------------------------|-------------------------|---------------|----------------------------|-----------------------------|-------------|----------------------------|-----------------------------|
| Governmental activities: | | | | | | | | |
| 2010 Bond | \$ 3,440,000 | 2010 | 3.0-4.0% | 2030 | \$ 3,215,000 | \$ - | \$ 120,000 | \$ 3,095,000 |
| 2009 Bond | 2,975,000 | 2009 | 2.25-4.5% | 2029 | 2,590,000 | | 150,000 | 2,440,000 |
| Town Hall Construction 2006 | 1,350,000 | 2006 | 4.0-4.75% | 2026 | 930,000 | | 70,000 | 860,000 |
| School Construction 2006 | 1,100,000 | 2006 | 4.0-4.75% | 2026 | 770,000 | | 55,000 | 715,000 |
| School Construction 2005 | 7,160,000 | 2005 | 3.5-4.25% | 2025 | 5,410,000 | | 305,000 | 5,105,000 |
| Hodge Property | 1,000,000 | 2002 | 2.5-5.0% | 2022 | - | | 45,000 | - |
| Hodge Property | 3,500,000 | 2002 | 2.5-5.0% | 2022 | - | | 165,000 | - |
| Thomas Property | 240,000 | 2012 | 5.25% | 2022 | 232,332 | | 19,101 | 213,231 |
| BILT 2012 New Money | 2,364,000 | 2012 | 2.0-4.0% | 2032 | 2,364,000 | | 99,000 | 2,265,000 |
| 1998 BILT (Refunding) | 311,000 | 2012 | 2.0-4.0% | 2022 | 311,000 | | 51,000 | 260,000 |
| Hodge Property (Refunding) | 599,940 | 2012 | 2.0-4.0% | 2022 | 599,940 | | 11,110 | 588,830 |
| Hodge Property (Refunding) | 2,100,060 | 2012 | 2.0-4.0% | 2022 | 2,100,060 | | 38,890 | 2,061,170 |
| Refunding bond - school (Refunding) | 1,140,340 | 2012 | 2.0-4.0% | 2022 | 1,140,340 | | 104,780 | 1,035,560 |
| Town library (Refunding) | 744,120 | 2012 | 2.0-4.0% | 2022 | 744,120 | | 68,373 | 675,747 |
| Town hall (Refunding) | 444,540 | 2012 | 2.0-4.0% | 2022 | 444,540 | - | 40,847 | 403,693 |
| Total | <u>\$ 28,469,000</u> | | | | <u>\$ 20,851,332</u> | \$ - | <u>\$ 1,343,101</u> | <u>\$ 19,718,231</u> |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes:

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

| Purpose | Amount of <u>original issue</u> | Fiscal year <u>of issue</u> | <u>Interest rate</u> | Fiscal year <u>of maturity</u> | Balance, <u>July 1, 2012</u> | <u>New issues</u> | <u>Retirements</u> | Balance, <u>June 30, 2013</u> |
|------------------------|------------------------------------|--------------------------------|----------------------|-----------------------------------|---------------------------------|-------------------|--------------------|----------------------------------|
| Enterprise Funds: | | | | | | | | |
| <i>Wastewater Fund</i> | | | | | | | | |
| Headworks | \$ 349,000 | 2007 | 4.13% | 2047 | \$ 329,627 | \$ - | \$ 4,367 | \$ 325,260 |
| Sewer Improvements | 192,500 | 2006 | 4.375% | 2046 | 180,085 | - | 2,397 | 177,688 |
| Land | 472,175 | 2005 | 4.25% | 2045 | 434,893 | - | 6,270 | 428,623 |
| Sewer Improvements | <u>458,000</u> | 2012 | 2.75% | 2052 | <u>-</u> | <u>458,000</u> | <u>-</u> | <u>458,000</u> |
| Total wastewater | <u>1,471,675</u> | | | | <u>944,605</u> | <u>458,000</u> | <u>13,034</u> | <u>1,389,571</u> |
| <i>Water Fund</i> | | | | | | | | |
| Discharge | 442,000 | 2007 | 4.125% | 2047 | 417,470 | - | 5,541 | 411,929 |
| Water supply | 450,000 | 2011 | 3.25% | 2051 | 444,361 | - | 5,822 | 438,539 |
| Water supply | 179,445 | 2005 | 4.25% | 2045 | 165,274 | - | 2,383 | 162,891 |
| Clean Water GOB | <u>614,287</u> | 2004 | 3.26% | 2024 | <u>442,000</u> | <u>-</u> | <u>27,000</u> | <u>415,000</u> |
| Total water | <u>1,685,732</u> | | | | <u>1,469,105</u> | <u>-</u> | <u>40,746</u> | <u>1,428,359</u> |
| Total enterprise | <u>\$ 3,157,407</u> | | | | <u>\$ 2,413,710</u> | <u>\$ 458,000</u> | <u>\$ 53,780</u> | <u>\$ 2,817,930</u> |
| Component Unit | | | | | | | | |
| Land acquisition | <u>450,000</u> | 2004 | 6.00% | 2013 | <u>57,876</u> | <u>-</u> | <u>57,876</u> | <u>-</u> |
| | <u>\$ 450,000</u> | | | | <u>\$ 57,876</u> | <u>\$ -</u> | <u>\$ 57,876</u> | <u>\$ -</u> |

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TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

At June 30, 2013, 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 |
|----------------------|----------------------|---------------------|----------------------|
| 2014 | \$ 1,370,143 | \$ 715,416 | \$ 2,085,559 |
| 2015 | 1,391,241 | 670,067 | 2,061,308 |
| 2016 | 1,447,377 | 623,556 | 2,070,933 |
| 2017 | 1,488,620 | 574,338 | 2,062,958 |
| 2018 | 1,464,910 | 524,448 | 1,989,358 |
| 2018-2022 | 7,405,940 | 1,833,589 | 9,239,529 |
| 2023-2027 | 3,895,000 | 665,035 | 4,560,035 |
| 2028-2032 | <u>1,255,000</u> | <u>98,600</u> | <u>1,353,600</u> |
| | <u>\$ 19,718,231</u> | <u>\$ 5,705,048</u> | <u>\$ 25,423,280</u> |

Business-type activities:

| Year ending June 30, | Principal | Interest | Total |
|----------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 62,269 | \$ 105,736 | \$ 168,005 |
| 2015 | 64,559 | 103,440 | 167,999 |
| 2016 | 66,899 | 101,037 | 167,935 |
| 2017 | 69,290 | 98,524 | 167,814 |
| 2018 | 71,736 | 95,900 | 167,636 |
| 2019-2023 | 404,401 | 435,531 | 839,932 |
| 2024-2028 | 350,944 | 357,698 | 708,642 |
| 2029-2033 | 323,075 | 299,120 | 622,195 |
| 2034-2038 | 389,859 | 232,336 | 622,195 |
| 2039-2043 | 470,811 | 151,385 | 622,195 |
| 2044-2048 | 399,691 | 58,115 | 457,806 |
| 2049-2053 | <u>144,416</u> | <u>11,067</u> | <u>155,483</u> |
| | <u>\$ 2,817,948</u> | <u>\$ 2,049,888</u> | <u>\$ 4,867,836</u> |

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

Component unit:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2014 | \$ 357,228 | \$ 143,688 | \$ 500,916 |
| 2015 | 352,228 | 133,921 | 486,149 |
| 2016 | 368,895 | 124,304 | 493,199 |
| 2017 | 381,673 | 114,187 | 495,860 |
| 2018 | 354,451 | 103,737 | 458,188 |
| 2019-2023 | 1,536,695 | 371,492 | 1,908,187 |
| 2024-2028 | 630,000 | 198,200 | 828,200 |
| 2029-2032 | <u>605,000</u> | <u>61,800</u> | <u>666,800</u> |
| | <u>\$ 4,586,170</u> | <u>\$ 1,251,330</u> | <u>\$ 5,837,500</u> |

Capital leases:

| <u>Year ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2014 | \$ 22,797 | \$ 1,075 | \$ 23,872 |
| 2015 | <u>5,910</u> | <u>58</u> | <u>5,968</u> |
| | <u>\$ 28,707</u> | <u>\$ 1,133</u> | <u>\$ 29,840</u> |

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

Rhode Island General Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from non-tax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2010 was \$22,681,845, limiting the amount of non-exempted general obligation bonds outstanding to \$52,560,356. At June 30, 2013, general obligation bonds outstanding totaled \$19,718,231, including amounts which are exempt from the cap.

On June 6, 2012, the Town issued \$5,340,000 in general obligation bonds with an average interest rate of 3.0% to advance refund \$5,500,000 of outstanding 2002 various purpose general obligation bonds with an average interest rate of 4.25%. The net proceeds of \$5,594,732, which reflect \$324,872 of bond premium monies used to purchase U.S. Government securities, and the payment of \$31,079 in underwriting fees and \$39,061 in cost of issuance fees were deposited with an escrow agent to provide for all future debt service payments on the 2002 various purpose general obligation bonds. As a result, the 2002 various purpose general obligation bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

General obligation bonds and notes (continued):

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$123,184. The Town completed the advance refunding to reduce its total debt service payments over the next 11 years by \$819,487 and to obtain an economic gain of \$719,827.

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

In 2003, the component unit issued a note to the Town in the amount of \$3,500,000 as its portion of the Town's general obligation bond related to the acquisition of the Hodge Property. The terms and payments required on this note generally coincide with the interest rates, principal installments and maturities of the related general obligation bond of the Town. In 2013, as a result of the refunding and the additional bond, as discussed above, the balance of the note receivable from the component unit at June 30, 2013 was \$4,586,170.

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:

Plan Description

The School Department of New Shoreham Post-Employment benefit is a single employer defined benefit postretirement health insurance plan. The School Department provides health benefits to its public school professional staff with 20 years of accumulated service. A teacher at the Block Island School may continue to receive the same health care coverage as offered to the bargaining unit for five contract years, until Medicare takes over or age 65, whichever occurs first. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 7: Long-Term Obligations (Continued)

Other post-employment benefits (continued):

Annual OPEB and Net OPEB Obligation

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions" (GASB-45). The Town's annual OPEB cost is calculated using an alternative measurement method. As set forth in paragraph 11 of Implementation Guide GASB 45, a sole employer may use the alternative measurement method if the plan (single-employer plan) has fewer than one hundred total plan members and the Town of New Shoreham has a total of 30 plan members. The Town's annual other post-employment benefit (OPEB) cost is calculated using the estimated amounts that will be paid or payable to covered employees based upon their current actual years of service and the current premium cost (without regard to inflation). For the year ended June 30, 2013, covered payroll under the plan amounts to \$1,914,246 and OPEB expense is \$68,000; which is included in the obligation reported by the Town. The estimated undiscounted total liability for post-employment benefits is as follows:

| | 2013 | 2012 |
|------------------------|----------------|------------------|
| Fully vested employees | \$ 766,367 | \$ 814,030 |
| Non-vested employees | 101,072 | 1,024,351 |
| Total liability | \$ 867,439 | \$ 1,838,381 |

NOTE 8: Fund Balance Classification

| | Major Funds | | Non-Major Funds | | Total |
|---|--------------|-------------------|-----------------|-----------------|--------------|
| | General Fund | School Department | Special Revenue | Permanent Trust | |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Corpus of endowment funds | \$ - | \$ - | \$ - | \$ 182,466 | \$ 182,466 |
| In Form | 66,439 | | | | 66,439 |
| Trust fund receivable | 4,586,170 | | | | 4,586,170 |
| Restricted for: | | | | | |
| Bond proceeds for Thomas Property | 101,116 | | | | 101,116 |
| Bond proceeds for Old Harbor Dock | | | 25,225 | | 25,225 |
| School lunch operations | | 1,683 | | | 1,683 |
| Committed to: | | | | | |
| North light purposes | 30,984 | | | | 30,984 |
| Old harbor dock purposes | 46,231 | | | | 46,231 |
| Assigned to: | | | | | |
| Public safety equipment | 93,844 | - | | | 93,844 |
| Educational purposes | | 350,379 | | | 350,379 |
| Recreational, library, and other purposes | | | 417,317 | | 417,317 |
| Unassigned: | 1,011,810 | - | | | 1,011,810 |
| | \$ 5,936,594 | \$ 352,062 | \$ 442,542 | \$ 182,466 | \$ 6,913,664 |

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 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 2013 was \$4,218,959. Total Town payroll was \$5,997,752 for the same period.

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Teacher Employees' Retirement System (ERS) - Defined Benefit Plan

Plan Description:

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) in the Town of New Shoreham's school system must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employee's Retirement System, 50 Service Avenue, 2nd floor, Warwick, RI 02886. Total covered payroll under the Teachers' Plan for the year ended June 30, 2013 was approximately \$1,914,246.

Funding Policy:

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town of New Shoreham and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate 17.87% (7.15% State share and 10.72% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The Town of New Shoreham contributed \$207,768, \$228,330 and \$197,367 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Police and fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 9: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Plan Description:

All full-time Town of New Shoreham (general and police) employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

General Employee Units:

Retirement eligibility and plan benefits – Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Police and Fire units

Retirement eligibility and plan benefits - Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available.

For MERS units electing the Cost of Living Adjustment option

Cost of Living Adjustments – Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

For all MERS units

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

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 9: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) - Defined Benefit Plan (Continued)

Plan Funding Policy:

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21.2-14 and 45-21-52 (which can be amended by the Rhode Island General Assembly).

General Employee Units:

Active non police and fire members must contribute 1% if no COLA or 2% with COLA of his/her compensation.

Police and Fire Units:

Active police and fire members must contribute 7% if no COLA or 8% with COLA of his/her compensation.

The Town of New Shoreham is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for fiscal year 2013 was 10.72%.

Annual Pension Cost:

The Town of New Shoreham's annual pension cost of \$240,513 for MERS was equal to the Town of New Shoreham's required and actual contributions.

General Employee Unit:

| Three Year Trend Information for MERS (amounts in thousands) | | | |
|--|---------------------------|-------------------------------|------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/2013 | \$176,395 | 100% | \$176,395 |
| 6/30/2012 | 259,682 | 100% | 259,682 |
| 6/30/2011 | 259,657 | 100% | 259,657 |

Police Employee Unit:

| Three Year Trend Information for MERS (amounts in thousands) | | | |
|--|---------------------------|-------------------------------|------------------------|
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 6/30/2013 | \$64,118 | 100% | \$64,118 |
| 6/30/2012 | 84,430 | 100% | 84,430 |
| 6/30/2011 | 89,685 | 100% | 89,685 |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 9: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) - Defined Benefit Plan (Continued)

Annual Pension Cost (Continued):

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table:

**Summary of Actuarial Assumptions Used in the MERS
June 30, 2010 and June 30, 2012 Valuations**

| | |
|---|---|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used. |
| Amortization Method | Level Percent of Payroll – Closed |
| Equivalent Single Remaining Amortization Period | 25 years as of June 30, 2010 23 years as of June 30, 2012 |
| Asset Valuation Method | 5 Year Smoothed Market |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.50% |
| | <u>General Employees</u> |
| Projected Salary Increases | 4.00% to 8.00% |
| | <u>Police & Fire Employees</u> |
| | 4.25% to 14.25% |
| Inflation | 2.75% |

Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.

Funded Status and Funding Progress

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

General Employees Unit:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) – Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| June 30, 2012 | \$5,452,977 | \$5,459,677 | \$6,680 | 99.9% | \$2,099,553 | 0.3 % |

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 9: Employee Retirement Systems (Continued)

Municipal Employees' Retirement System (MERS) - Defined Benefit Plan (Continued)

Funded Status and Funding Progress (Continued):

Police Employees Unit:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) – Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|-----------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| June 30, 2012 | \$947,945 | \$1,488,538 | \$540,593 | 63.7% | \$227,275 | 237.9 % |

Defined Contribution Plan

Plan Description:

Employees participating in the defined benefit plan(s), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

Plan Funding Policy:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town of New Shoreham is required to contribute 1%. The plan members and Town of New Shoreham contributed \$95,712 and \$11,485, respectively, during the fiscal year ended June 30, 2013.

NOTE 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. There were no significant reductions in insurance coverage during the year ended June 30, 2013.

Continued

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

NOTE 10: Risk Management (Continued)

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

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

NOTE 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.

NOTE 12: Commitments and Contingencies

During 2007, the component unit acquired a partial interest in a fee title ownership of the Kalba property for approximately \$483,000. The remainder of the ownership was acquired by The Nature Conservancy (TNC) for \$490,000, payable in 10 annual installments of \$49,000 plus interest at 6% commencing January 15, 2008. The component unit and TNC entered into an agreement whereby in the event that the component unit pays any or all of the amounts due under TNC's promissory note, the parties will equitably adjust their respective interests in the ownership. In 2013, the component unit made the fifth installment plus interest totaling \$63,700.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town approximated \$735,000 for the year ended June 30, 2013.

NOTE 13: Subsequent Events

Management has evaluated subsequent events through December 5, 2013, the date the financial statements were available to be issued. No subsequent events were identified.

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

Original Budget

| | <u>Encumbrances Carried to FY 13</u> | <u>Budget As Adopted</u> | <u>Total Available</u> | <u>Actual</u> | <u>Encumbrances Carried To FY 14</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|----------------------------------|----------------------------|---------------------|--|---|
| Revenues: | | | | | | |
| Taxes | \$ - | \$ 8,531,596 | \$ 8,531,596 | \$ 8,551,583 | | \$ 19,987 |
| Intergovernmental | | 841,826 | 841,826 | 992,630 | | 150,804 |
| Licenses, permits, and fees | | 352,750 | 352,750 | 385,139 | | 32,389 |
| Interest and investment | | 4,000 | 4,000 | 2,973 | | (1,027) |
| Other revenues | | 1,529,619 | 1,529,619 | 1,947,350 | | 417,731 |
| Total revenues | | 11,259,791 | 11,259,791 | 11,879,675 | | 619,884 |
| Expenditures : | | | | | | |
| General government | - | 1,003,903 | 1,003,903 | 1,369,977 | | (366,074) |
| Finance administration | | 304,688 | 304,688 | 286,837 | | 17,851 |
| Fire, rescue, and emergency services | | 273,207 | 273,207 | 273,668 | | (461) |
| Police | | 608,430 | 608,430 | 605,147 | | 3,283 |
| Town highways and maintenance | | 434,341 | 434,341 | 393,199 | | 41,142 |
| State roads | | 358,424 | 358,424 | 308,493 | | 49,931 |
| Harbors | | 436,697 | 436,697 | 460,534 | | (23,837) |
| Building official | | 195,343 | 195,343 | 189,906 | | 5,437 |
| Recreation | | 299,382 | 299,382 | 332,224 | | (32,842) |
| Library | | 426,152 | 426,152 | 437,852 | | (11,700) |
| GIS / Technology | | 125,782 | 125,782 | 113,198 | | 12,584 |
| Boards and commissions | | 153,472 | 153,472 | 151,973 | | 1,499 |
| Community support | | 299,602 | 299,602 | 306,856 | | (7,254) |
| Grant support | | - | - | 87,676 | | (87,676) |
| Capital Outlay | 29,249 | 304,505 | 333,754 | 248,793 | 93,844 | (8,883) |
| Debt Service | | 1,881,865 | 1,881,865 | 2,065,302 | | (183,437) |
| Total expenditures | 29,249 | 7,105,793 | 7,135,042 | 7,631,635 | 93,844 | (590,437) |
| Excess (deficiency) of revenues over expenditures | <u>(29,249)</u> | <u>4,153,998</u> | <u>4,124,749</u> | <u>4,248,040</u> | <u>(93,844)</u> | <u>29,447</u> |
| Other financing sources and (uses): | | | | | | |
| Transfer from component unit | | 263,863 | 263,863 | 292,771 | | 28,908 |
| Transfer to other funds | | (4,417,861) | (4,417,861) | (4,417,861) | | - |
| Sale of easement | | | | 21,750 | | 21,750 |
| Transfers from other funds | | | - | 3,873 | | 3,873 |
| | <u>-</u> | <u>(4,153,998)</u> | <u>(4,153,998)</u> | <u>(4,099,467)</u> | | <u>54,531</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis | <u>\$ (29,249)</u> | <u>\$ -</u> | <u>\$ (29,249)</u> | <u>\$ 148,573</u> | <u>\$ (93,844)</u> | <u>\$ 83,978</u> |
| Adjustment of budgetary basis to U.S. GAAP | | | | <u>(7,063)</u> | | |
| Excess of revenue and other financing sources over expenditures and other financing uses, U.S. GAAP basis | | | | <u>141,510</u> | | |
| Fund balance, beginning of year | | | | <u>5,795,084</u> | | |
| Fund balance, end of year | | | | <u>\$ 5,936,594</u> | | |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Notes to the Basic Financial Statements

June 30, 2013

| | <u>General Fund</u> |
|---|--------------------------------|
| Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) | \$ 54,729 |
| Increase (decrease) in 60 day accrual | (7,063) |
| Encumbrances recorded as budgetary expenditures | <u>93,844</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP) | <u>\$ 141,510</u> |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - School Department

For the Year Ended June 30, 2013

| | <u>Original Budget</u> | | | <u>Actual</u> | <u>Encumbrances Carried to FY 14</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--|------------------------------|--------------|---------------|--|---|
| | <u>Encumbrances Carried to FY 13</u> | <u>Budget as Adopted</u> | <u>Total</u> | | | |
| Revenues: | | | | | | |
| Federal and State governments | \$ - | \$ 167,292 | \$ 167,292 | \$ 170,890 | \$ - | \$ 3,598 |
| Other revenues | - | - | - | 2,957 | - | 2,957 |
| Total revenues | - | 167,292 | 167,292 | 173,847 | - | 6,555 |
| Expenditures: | | | | | | |
| Salaries | | 2,741,990 | 2,741,990 | 2,714,090 | | 27,900 |
| Employee benefits | | 983,538 | 983,538 | 1,002,134 | | (18,596) |
| Purchased services | 3,366 | 558,504 | 561,870 | 548,915 | | 12,955 |
| Supplies and materials | | 290,890 | 290,890 | 278,980 | 196 | 11,714 |
| Capital outlay | - | 39,000 | 39,000 | 33,646 | - | 5,354 |
| Total expenditures | 3,366 | 4,613,922 | 4,617,288 | 4,577,765 | 196 | 39,523 |
| Excess of expenditures over revenues, budgetary basis | (3,366) | (4,446,630) | (4,449,996) | (4,403,918) | (196) | 46,078 |
| Other financing sources (uses): | | | | | | |
| Transfer from Town of New Shoreham | - | 4,446,630 | 4,446,630 | 4,437,861 | | (8,769) |
| Appropriations of Unrestricted Fund Balance | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 4,446,630 | 4,446,630 | 4,437,861 | - | (8,769) |
| Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis | \$ (3,366) | \$ - | \$ (3,366) | 33,943 | \$ (196) | \$ 37,309 |
| Adjustment of budgetary basis to U.S. GAAP basis | | | | 49,314 | | |
| Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis | | | | 83,257 | | |
| Fund balance, beginning of year | | | | 267,122 | | |
| Fund balance, end of year | | | | \$ 350,379 | | |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Budgetary Comparison Schedule - School Department

For the Year Ended June 30, 2013

| | <u>School Unrestricted</u> |
|--|--------------------------------|
| Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) (Non-GAAP Budgetary Basis) | \$ 33,943 |
| Budgeted OPEB not included on governmental funds statement | 68,000 |
| State contribution to teachers' pension plan revenue on behalf | 136,869 |
| State contribution to teacher's pension plan expense on behalf | (136,869) |
| Budgeted restricted revenue | (89,131) |
| Budgeted restricted expenses | <u>70,445</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP) | <u>\$ 83,257</u> |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenses - Budget and Actual
(Non-GAAP Budgetary Basis) - Sewer Enterprises

For the Year Ended June 30, 2013

| | Original Budget Budget As Adopted | Additional Appropriations and Transfers | Total Available | Actual | Variance Favorable (Unfavorable) |
|---|--|--|----------------------------|---------------------|---|
| Revenue: | | | | | |
| Charges for services | \$ 941,733 | | \$ 941,733 | \$ 992,278 | \$ 50,545 |
| Investment income | 8,000 | | 8,000 | 8,404 | 404 |
| Water contract | 264,341 | | 264,341 | 264,341 | - |
| State and Federal revenue | - | | - | 234,484 | 234,484 |
| Miscellaneous | <u>32,700</u> | <u>-</u> | <u>32,700</u> | <u>82,437</u> | <u>49,737</u> |
| Total revenue | <u>1,246,774</u> | <u>-</u> | <u>1,246,774</u> | <u>1,581,944</u> | <u>335,170</u> |
| Expenses: | | | | | |
| Personnel services | 644,437 | | 644,437 | 644,996 | (559) |
| Purchase of services | 227,161 | | 227,161 | 213,349 | 13,812 |
| Supplies | 123,745 | | 123,745 | 115,305 | 8,440 |
| Intergovernmental | - | | - | - | - |
| Other charges and expenditures | 20,650 | | 20,650 | 141,924 | (121,274) |
| Capital outlay | 40,000 | | 40,000 | 5,404 | 34,596 |
| Debt service | 68,333 | | 68,333 | 54,953 | 13,380 |
| Depreciation | <u>361,000</u> | <u>-</u> | <u>361,000</u> | <u>345,128</u> | <u>15,872</u> |
| Total expenses | <u>1,485,326</u> | <u>-</u> | <u>1,485,326</u> | <u>1,521,059</u> | <u>(35,733)</u> |
| Excess(deficiency) of revenues over expenses | <u>(238,552)</u> | <u>-</u> | <u>(238,552)</u> | <u>60,885</u> | <u>299,437</u> |
| Other financing sources (uses): | | | | | |
| Transfers from retained earnings | 313,552 | | 313,552 | | (313,552) |
| Transfers between funds | <u>(75,000)</u> | <u>-</u> | <u>(75,000)</u> | <u>-</u> | <u>75,000</u> |
| Excess (deficiency) of revenues and other sources over expenses and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>60,885</u> | <u>\$ 60,885</u> |
| Adjustments of budgetary basis for US GAAP basis | | | | <u>-</u> | |
| Excess of revenues and other source over expenditures and other financing uses, US GAAP basis | | | | <u>60,885</u> | |
| Fund balance, beginning of year | | | | <u>3,899,886</u> | |
| Fund balance, end of year | | | | <u>\$ 3,960,771</u> | |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Schedule of Revenues and Expenses - Budget and Actual
(Non-GAAP Budgetary Basis) - Water Enterprises

For the Year Ended June 30, 2013

| | <u>Original Budget</u> | | | | |
|--|------------------------|-------------------|------------------|---------------------|----------------------|
| | <u>Budget</u> | | | | |
| | <u>As</u> | <u>Additional</u> | <u>Total</u> | | <u>Variance</u> |
| | <u>Adopted</u> | <u>Transfers</u> | <u>Available</u> | <u>Actual</u> | <u>Favorable</u> |
| | | | | | <u>(Unfavorable)</u> |
| Revenue: | | | | | |
| Charges for services | \$ 528,608 | | \$ 528,608 | \$ 608,256 | \$ 79,648 |
| Investment income | 10,000 | | 10,000 | 4,748 | (5,252) |
| Miscellaneous | <u>8,000</u> | <u>-</u> | <u>8,000</u> | <u>52,928</u> | <u>44,928</u> |
| Total revenues | <u>546,608</u> | <u>-</u> | <u>546,608</u> | <u>665,932</u> | <u>119,324</u> |
| Expenditures: | | | | | |
| Personnel services | 264,341 | | 264,341 | 264,341 | - |
| Purchase of services | 119,181 | | 119,181 | 90,934 | 28,247 |
| Supplies | 30,000 | | 30,000 | 24,646 | 5,354 |
| Other charges and expenditures | 21,500 | | 21,500 | 12,038 | 9,462 |
| Depreciation | 185,000 | | 185,000 | 179,071 | 5,929 |
| Debt service | <u>97,383</u> | <u>-</u> | <u>97,383</u> | <u>66,189</u> | <u>31,194</u> |
| Total expenditures | <u>717,405</u> | <u>-</u> | <u>717,405</u> | <u>637,219</u> | <u>80,186</u> |
| Excess(deficiency) of revenues over expenses | (170,797) | - | (170,797) | 28,713 | 199,510 |
| Other financing sources (uses): | | | | | |
| Contributions from Reserves | 170,797 | | 170,797 | | (170,797) |
| Transfers between funds | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues and other sources over expenses and other uses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | 28,713 | <u>\$ 28,713</u> |
| Adjustments of budgetary basis for US GAAP basis | | | | <u>-</u> | |
| Excess of revenue and other source over expenditures and other financing uses, US GAAP basis | | | | <u>3,506,562</u> | |
| Fund balance, beginning of year | | | | <u>3,506,562</u> | |
| Fund balance, end of year | | | | <u>\$ 3,535,275</u> | |

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

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

Notes to Required Supplementary Information - Budgetary Comparison Schedules

June 30, 2013

Budget preparation and budgetary basis of accounting:

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

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States of America (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include 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.

Budget compliance:

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

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

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Required Supplementary Information

For the Year Ended June 30, 2013

Schedules of Funding Progress

| <u>Actuarial Valuation</u> | <u>Actuarial Valuation of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as % of Covered Payroll</u> |
|--|--------------------------------------|--|--|---------------------|------------------------|-------------------------------------|
| <i>Municipal Employees Retirement System, Police</i> | | | | | | |
| June 30, 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 | 907,407 | 1,397,245 | 489,838 | 64.94% | 262,941 | 186.29% |
| June 30, 2012 | 947,945 | 1,488,538 | 540,593 | 63.68% | 227,275 | 237.86% |
| June 30, 2013 | N/A | N/A | N/A | N/A | 247,557 | N/A |
| <i>Municipal Employees Retirement System, Other</i> | | | | | | |
| 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 | 5,031,517 | 5,176,585 | 145,068 | 97.20% | 2,094,541 | 6.93% |
| June 30, 2012 | 5,452,997 | 5,459,677 | 6,680 | 99.88% | 2,099,553 | 0.32% |
| June 30, 2013 | N/A | N/A | N/A | N/A | 2,057,156 | N/A |

(1) N/A not available

(2) The latest actuarial valuation for the plan is as of June 30, 2012

Schedules of Employer Contributions

General Employee Unit:

| <u>Fiscal Year Ending</u> | <u>Three Year Trend Information for MERS (amounts in thousands)</u> | | <u>Net Pension Obligation</u> |
|---------------------------|---|--------------------------------------|-------------------------------|
| | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | |
| 6/30/2013 | \$176,395 | 100% | \$176,395 |
| 6/30/2012 | 259,682 | 100% | 259,682 |
| 6/30/2011 | 259,657 | 100% | 259,657 |

Police Employee Unit:

| <u>Fiscal Year Ending</u> | <u>Three Year Trend Information for MERS (amounts in thousands)</u> | | <u>Net Pension Obligation</u> |
|---------------------------|---|--------------------------------------|-------------------------------|
| | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | |
| 6/30/2013 | \$64,118 | 100% | \$64,118 |
| 6/30/2012 | 84,430 | 100% | 84,430 |
| 6/30/2011 | 89,685 | 100% | 89,685 |

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is included above.

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Tax Collector's Annual Report

For the Year Ended June 30, 2013

Real estate and personal property tax receivable:

| <u>Tax Roll Year</u> | <u>Balance July 1, 2012</u> | <u>Assessment</u> | <u>Abatements Refunds</u> | <u>Transfers</u> | <u>Amount to be collected</u> | <u>Collections</u> | <u>Balance June 30, 2013</u> |
|----------------------|---------------------------------|---------------------|-------------------------------|------------------|-----------------------------------|--------------------------------------|----------------------------------|
| 2012 | \$ - | \$ 8,406,128 | \$ 18,809 | \$ 514 | \$ 8,425,451 | \$ 8,204,306 | \$ 221,145 |
| 2011 | 221,115 | | (7) | (503) | 220,605 | 219,017 | 1,588 |
| 2010 | 47,939 | | | | 47,939 | 47,378 | 561 |
| 2009 | 563 | | | | 563 | 10 | 553 |
| 2008 | 3,641 | | | | 3,641 | 203 | 3,438 |
| 2007 | 512 | | | | 512 | 17 | 495 |
| 2006 | 1,301 | | | | 1,301 | 70 | 1,231 |
| 2005 | 487 | | | | 487 | 59 | 428 |
| 2004 | 809 | | (175) | | 634 | | 634 |
| 2003 | 976 | | (789) | | 187 | 21 | 166 |
| 2002 | 1,272 | | | | 1,272 | 20 | 1,252 |
| 2001 | 1,188 | | (90) | | 1,098 | 19 | 1,079 |
| 2000 and prior | <u>4,771</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,771</u> | <u>-</u> | <u>4,771</u> |
| | <u>\$ 284,574</u> | <u>\$ 8,406,128</u> | <u>\$ 17,748</u> | <u>\$ 11</u> | <u>\$ 8,708,461</u> | <u>\$ 8,471,120</u> | <u>\$ 237,341</u> |
| | | | | | | Less allowance for doubtful accounts | <u>(40,000)</u> |
| | | | | | | | <u>\$ 197,341</u> |

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Tax Collector's Annual Report

For the Year Ended June 30, 2013

Schedule of most recent net assessed property value by category:

| <u>Description of property</u> | <u>Valuations</u> | <u>Levy</u> |
|--------------------------------|-------------------------|---------------------|
| Real property | \$ 1,735,703,024 | \$ 8,291,950 |
| Motor vehicles | 19,727,408 | 89,453 |
| Tangible personal | <u>3,888,858</u> | <u>18,957</u> |
| Total | 1,759,319,290 | 8,400,360 |
| Exemptions | <u>33,040,885</u> | <u>-</u> |
| Current year assessment | <u>\$ 1,726,278,405</u> | <u>\$ 8,400,360</u> |

Reconciliation of current year property tax revenue:

| | |
|---|---------------------|
| Current year collections | \$ 8,435,432 |
| Revenue collected within 60 days subsequent to year ended June 30, 2013 | <u>88,817</u> |
| | 8,524,249 |
| Prior year revenue received in current year | <u>(95,880)</u> |
| Current year real estate and personal property tax revenue | <u>\$ 8,428,369</u> |

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Non Major Governmental Funds

Combining Balance Sheet

June 30, 2013

| | <u>Special Revenue</u> | <u>Permanent Trust Funds</u> | <u>Total Non-Major Governmental Funds</u> |
|--|----------------------------|----------------------------------|---|
| Assets: | | | |
| Cash and investments | \$ 445,444 | \$ 174,216 | \$ 619,660 |
| Due from other funds | 1,447 | 8,250 | 9,697 |
| Total assets | <u>446,891</u> | <u>182,466</u> | <u>629,357</u> |
| Deferred outflows of resources: | | | |
| None | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 446,891</u> | <u>\$ 182,466</u> | <u>\$ 629,357</u> |
| Liabilities: | | | |
| Due to other funds | <u>\$ 4,349</u> | <u>\$ -</u> | <u>\$ 4,349</u> |
| Total liabilities | <u>4,349</u> | <u>-</u> | <u>4,349</u> |
| Deferred inflows of resources: | | | |
| None | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance : | | | |
| Nonspendable | - | 182,466 | 182,466 |
| Restricted | 25,225 | | 25,225 |
| Committed | - | - | - |
| Assigned | 417,317 | - | 417,317 |
| Unassigned | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balance | <u>442,542</u> | <u>182,466</u> | <u>625,008</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 446,891</u> | <u>\$ 182,466</u> | <u>\$ 629,357</u> |

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Non Major Governmental Funds

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Year Ended June 30, 2013

| | <u>Special Revenue</u> | <u>Permanent Trust Funds</u> | <u>Total Non-Major Governmental Funds</u> |
|---|----------------------------|----------------------------------|---|
| Revenues: | | | |
| Federal and state grant income | \$ 20,331 | \$ - | \$ 20,331 |
| Other revenue | 157,234 | 4,950 | 162,184 |
| Investment income | 395 | 265 | 660 |
| | <hr/> | <hr/> | <hr/> |
| Total revenue | 177,960 | 5,215 | 183,175 |
| | <hr/> | <hr/> | <hr/> |
| Expenditures : | | | |
| Recreation, library, and other | 82,374 | | 82,374 |
| | <hr/> | | <hr/> |
| Total Expenditures | 82,374 | - | 82,374 |
| | <hr/> | <hr/> | <hr/> |
| Excess (deficiency) of revenues over expenditures | 95,586 | 5,215 | 100,801 |
| Other financing sources (uses): | | | |
| Transfers out | (3,873) | - | (3,873) |
| | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses): | (3,873) | - | (3,873) |
| | <hr/> | <hr/> | <hr/> |
| Excess of revenue and other sources over expenditures and other uses | 91,713 | 5,215 | 96,928 |
| Fund balance, July 1, 2012 | 350,829 | 177,251 | 528,080 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance, June 30, 2013 | <u>\$ 442,542</u> | <u>\$ 182,466</u> | <u>\$ 625,008</u> |

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Non Major Governmental Funds

Combining Balance Sheet

June 30, 2013

| | <u>School Unrestricted</u> | <u>School Special Revenue</u> | <u>School Lunch</u> | <u>Major Fund Total School Department Funds</u> |
|--|--------------------------------|---------------------------------------|-------------------------|---|
| Assets: | | | | |
| Cash and investments | \$ 414,278 | \$ - | \$ 10,110 | \$ 424,388 |
| Receivables, other | 1,844 | | | 1,844 |
| Due from state and federal government | 1,269 | 29,978 | 1,223 | 32,470 |
| Due from Town of New Shoreham | 296,258 | 77,571 | 1,234 | 375,063 |
| Due from other funds | <u>106,388</u> | | | <u>106,388</u> |
| Total assets | <u>820,037</u> | <u>107,549</u> | <u>12,567</u> | <u>940,153</u> |
| Deferred outflows of resources: | | | | |
| None | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>\$ 820,037</u> | <u>\$ 107,549</u> | <u>\$ 12,567</u> | <u>\$ 940,153</u> |
| Liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 469,658 | \$ 234 | \$ - | \$ 469,892 |
| Due to state or federal government | | 4,481 | 7,330 | 11,811 |
| Due to other funds | | <u>102,834</u> | <u>3,554</u> | <u>106,388</u> |
| Total liabilities | <u>469,658</u> | <u>107,549</u> | <u>10,884</u> | <u>588,091</u> |
| Deferred inflows of resources: | | | | |
| None | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance : | | | | |
| Nonspendable | | | | - |
| Restricted | | | 1,683 | 1,683 |
| Committed | | | | - |
| Assigned | 350,379 | | | 350,379 |
| Unassigned | | | | <u>-</u> |
| Total fund balance | <u>350,379</u> | <u>-</u> | <u>1,683</u> | <u>352,062</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 820,037</u> | <u>\$ 107,549</u> | <u>\$ 12,567</u> | <u>\$ 940,153</u> |

See independent auditors' report

TOWN OF NEW SHOREHAM, RHODE ISLAND

Supplementary Information

Non Major Governmental Funds

Combining Statement of Revenue, Expenditures
and Changes in Fund Balance

For the Year Ended June 30, 2013

| | <u>School Unrestricted</u> | <u>School Special Revenue</u> | <u>School Lunch</u> | <u>Major Fund Total School Department Funds</u> |
|---|--------------------------------|---------------------------------------|-------------------------|---|
| Revenues: | | | | |
| Federal and state grant income | \$ 124,716 | \$ 137,632 | \$ 10,235 | \$ 272,583 |
| Other revenue | | | 38,896 | 38,896 |
| State contribution to teachers' pension plan | <u>136,869</u> | | | <u>136,869</u> |
| Total revenue | <u>261,585</u> | <u>137,632</u> | <u>49,131</u> | <u>448,348</u> |
| Expenditures : | | | | |
| Education | <u>4,576,189</u> | <u>133,531</u> | <u>70,443</u> | <u>4,780,163</u> |
| Total Expenditures | <u>4,576,189</u> | <u>133,531</u> | <u>70,443</u> | <u>4,780,163</u> |
| Excess (deficiency) of revenues over expenditures | (4,314,604) | 4,101 | (21,312) | (4,331,815) |
| Other financing sources (uses): | | | | |
| Transfers in | 4,417,861 | | 20,000 | 4,437,861 |
| Transfers out | <u>(20,000)</u> | | <u>-</u> | <u>(20,000)</u> |
| Total other financing sources (uses): | <u>4,397,861</u> | <u>-</u> | <u>20,000</u> | <u>4,417,861</u> |
| Excess of revenue and other sources over expenditures and other uses | 83,257 | 4,101 | (1,312) | 86,046 |
| Fund balance, July 1, 2012 | <u>267,122</u> | <u>(4,101)</u> | <u>2,995</u> | <u>266,016</u> |
| Fund balance, June 30, 2013 | <u>\$ 350,379</u> | <u>\$ -</u> | <u>\$ 1,683</u> | <u>\$ 352,062</u> |

See independent auditors' report

