

**THE TOWN OF PORTSMOUTH, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2009**

**TOWN OF PORTSMOUTH**  
**YEAR ENDED JUNE 30, 2009**

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# **FINANCIAL SECTION**

This Section contains the Following Subsections:

Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Members of the Town Council  
Portsmouth, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Portsmouth, Rhode Island, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Portsmouth, Rhode Island's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2010 on our consideration of the Town of Portsmouth, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other post employment benefits information on pages 3 through 11 and 59 through 66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Portsmouth, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Providence, Rhode Island  
January 26, 2010

*Blair, PC*

## **Management's Discussion and Analysis**

As management of the Town of Portsmouth, Rhode Island (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements that follow this section.

### **Financial Highlights**

The Town of Portsmouth's total net assets for the fiscal year ended June 30, 2009 were \$12,818,381 which is a decrease of \$803,373 over the fiscal year ended June 30, 2008. Net assets at June 30, 2009 included \$12,326,000 invested in capital assets, net of related debt, an increase of \$1,792,743 over June 30, 2008; \$720,126 of restricted net assets at June 30, 2009, a decrease of \$1,605,104 over June 30, 2008 and (\$227,745) of unrestricted net assets that may be used to meet the government's ongoing obligations to citizens and creditors, a decrease of \$991,012 over June 30, 2008.

- Total assets at June 30, 2009 were \$38,151,343, which is an increase of \$3,058,921 or 8.7% over June 30, 2008.
- Total liabilities at June 30, 2009 were \$25,332,963, which is an increase of \$3,738,039 or 17.3% over June 30, 2008.
- The governments total net assets decreased by \$803,373.
- As of the close of the current fiscal year, the Town of Portsmouth's governmental funds reported combined ending fund balances of \$4,025,894 which is a decrease of \$1,954,037 over June 30, 2008. Approximately 91 percent of this total amount or \$3,620,413 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, fund balance for the general fund was \$2,448,855 or 4.5 percent of the Fiscal Year 2008-09 Adopted General Fund Expenditure Budget of \$54,211,330. This represents a decrease of \$176,729 over June 30, 2008.
- The Town of Portsmouth's total long-term and short-term obligations (i.e., general obligation bonds, capital leases, notes payable, compensated absences, and OPEB liabilities) increased by \$4,685,173 (25.6 percent) during the current fiscal year. The key factors in this increase were the issuance of \$7,057,500 in general obligation bonds, the retirement of \$6,630,236 in general obligation bonds, the addition of \$3,000,000 of debt related to the Wind Turbine Generator fund and the recognition of OPEB liabilities in the amount of \$1,318,517.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

It is important to note that the Town implemented the new reporting requirements outlined in GASB 34 effective July 1, 2002. The reporting of general infrastructure assets of government activities was included in the financial statements for the year ended June 30, 2007.

**Government-wide financial statements** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of a government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, education and community services. The Town has three business-type activities. These include the School Lunch Fund, Wind Turbine Generator Fund and the Transfer Station Fund.

The government-wide financial statements include only the activities of the Town of Portsmouth. There are no component units within the Town's jurisdiction.

The government-wide financial statements can be found on pages 12-13 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 legal requirements. All of the funds of the Town can be divided into three categories, governmental funds, fiduciary funds and proprietary funds.

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

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 funds with similar 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 of Portsmouth maintains eighty seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the school unrestricted funds, which are considered to be major funds. Data from the other eighty five governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

**Fiduciary funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

**Notes to the financial statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-58 of this report.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. It presents schedules detailing certain pension and OPEB information, as well as budgetary comparison schedules for the General Fund and the School Department to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 59-66 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Portsmouth, assets exceeded liabilities by \$12,818,381 at the close of the most recent fiscal year, as compared to assets exceeding liabilities by \$13,621,754 at the close of the previous fiscal year.

A portion of the Town's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire these assets that is still outstanding. The current year's figure for invested in capital assets, net of related debt is \$12,326,000.

An additional portion of Portsmouth's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining deficit in the unrestricted net assets, \$227,745, is the result of the recognition for the first time in these financials of the OPEB liability.

**Town of Portsmouth Net Assets**  
**June 30, 2009**

	Governmental activities		Business-type Activities		Total		S Change	% Change
	2009	2008	2009	2008	2009	2008		
Current and other assets	\$ 7,868,609	\$ 10,240,662	\$ 39,366	\$ 19,323	\$ 7,907,975	\$ 10,259,985	\$ (2,352,010)	-23.0%
Capital Assets	27,251,194	24,917,169	2,992,174	39,524	30,243,368	24,956,693	5,286,675	21.2%
<b>Total Assets</b>	<b>35,119,803</b>	<b>35,157,831</b>	<b>3,031,540</b>	<b>58,847</b>	<b>38,151,343</b>	<b>35,216,678</b>	<b>2,934,665</b>	<b>8.3%</b>
Long-term liabilities outstanding	17,826,386	16,353,706	2,622,667		20,449,053	16,353,706	\$ 4,095,347	25.0%
Other Liabilities	4,560,557	5,241,218	323,353		4,883,910	5,241,218	(357,308)	-6.8%
<b>Total Liabilities</b>	<b>22,386,943</b>	<b>21,594,924</b>	<b>2,946,020</b>	<b>-</b>	<b>25,332,963</b>	<b>21,594,924</b>	<b>3,738,039</b>	<b>17.3%</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt	12,160,493	10,493,733	165,507	39,524	12,326,000	10,533,257	1,792,743	17.1%
Restricted	714,727	2,325,230	5,399		720,126	2,325,230	(1,605,104)	-69.0%
Unrestricted	(142,360)	619,688	(85,385)	19,323	(227,745)	639,011	(866,756)	-139.9%
<b>Total net assets</b>	<b>\$12,732,860</b>	<b>\$13,438,651</b>	<b>\$85,521</b>	<b>\$58,847</b>	<b>\$12,818,381</b>	<b>\$13,497,498</b>	<b>(\$679,117)</b>	<b>-5.1%</b>
	\$ 35,119,803	\$ 35,033,575	\$ 3,031,541	\$ 58,847	\$ 38,151,344	\$ 35,092,422	\$ 3,058,922	8.7%

**Governmental activities** Governmental activities decreased Portsmouth's net assets by (\$830,047).

**Town of Portsmouth Changes in Net Assets**  
**June 30, 2009**

	Governmental Activities		Business-type Activities		Total		2008	\$ Change	% Change
	2009	2008	2009	2008	2009	2008			
Revenues:									
Program revenues:									
Charges for services	\$2,597,550	\$4,884,448	\$1,097,214	\$525,336	\$3,694,764	\$5,409,784	(\$1,715,020)	-31.7%	
Operating grants and contributions	3,508,986	7,947,968	182,147	131,922	3,691,133	8,079,890	(4,388,757)	-54.3%	
Capital grants and contributions	89,015	53,993			89,015	53,993	35,022	64.9%	
General revenues:									
Property taxes and payments in lieu of tax	41,791,630	40,184,494			41,791,630	40,184,494	1,607,136	4.0%	
State Aid, unrestricted	7,426,530	2,901,839			7,426,530	2,901,839	4,524,691	155.9%	
Investment and interest income	41,839	156,895	343		41,839	157,238	(115,399)	-73.4%	
Other revenues	1,250,718	416,446			1,250,718	416,446	834,272	200.3%	
Transfers	(284,225)	-	284,225		-	-			
Total revenues	56,422,043	56,546,083	1,563,586	657,601	57,985,629	57,203,684	781,945	1.4%	
Expenses:									
General government	5,064,984	4,956,102			5,064,984	4,956,102	108,882	2.2%	
Public safety	8,441,333	7,798,115			8,441,333	7,798,115	643,218	8.2%	
Public works	2,916,519	2,531,625			2,916,519	2,531,625	384,894	15.2%	
Community services	1,477,988	1,428,005			1,477,988	1,428,005	49,983	3.5%	
Education	38,467,906	35,706,487			38,467,906	35,706,487	2,761,419	7.7%	
Interest on long-term debt	756,738	791,135			756,738	791,135	(34,397)	-4.3%	
Capital outlay	46,059	1,625,111			46,059	1,625,111	(1,579,052)	-97.2%	
Amortization expense	43,313				43,313	-	43,313		
Non-operating expense	37,250				37,250	-	37,250		
School lunch fund			650,200	640,606	650,200	640,606	9,594	1.5%	
Transfer station fund			726,962		726,962	-	726,962		
Wind turbine generator fund			159,750		159,750	-	159,750		
Total expenses	57,252,090	54,836,580	1,536,912	640,606	58,789,002	55,477,186	3,311,816	6.0%	
Increase (decrease) in net assets	(830,047)	1,709,503	26,674	16,995	(803,373)	1,726,498	(2,529,871)	-148.0%	
Net assets - beginning of year, as restated	13,562,907	11,729,148	58,847	41,852	13,621,754	11,771,000	1,850,754	15.8%	
Net assets - ending	\$12,732,860	\$13,438,651	\$85,521	\$58,847	\$12,818,381	\$13,497,498	(\$679,117)	-5.1%	

## **Financial Analysis of the Government's Funds**

As noted earlier, Portsmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** The focus of Portsmouth's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Portsmouth's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, Portsmouth's governmental fund reported a combined ending fund balance of \$4,025,894, a decrease of \$1,954,037 in comparison with the prior year's fund balance. Most of this total amount, \$3,620,413 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed, primarily to liquidate contracts and purchase orders of the prior period.

The General Fund is the operating fund of the Town of Portsmouth. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,388,721, while total fund balance reached \$2,448,855. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance represent 4.4 and 4.5 percent of total general fund budgeted expenditures, respectively, which includes funds transferred to the School Department.

The fund balance of Portsmouth's General Fund decreased by \$176,729 during the current fiscal year.

### **General Fund Budgetary Highlights**

Actual revenues at June 30, 2009 were less than budgeted amounts by \$1,009,474. The principal reasons for this were poor economic conditions which resulted in mid-year cuts in State aid and lower than budgeted revenues for taxes, real estate related transactions and investment income.

Actual expenditures were less than budgeted amounts by \$647,523. The primary reasons for this result were lower than budgeted expenditures resulting from spending and hiring freezes due to the loss of anticipated revenues.

### **Special Revenue Fund Budgetary Highlights (School Department)**

In the 2008-2009 fiscal year, school department net revenues were less than budgeted amounts by \$894,613. This shortfall was primarily due to mid-year cuts in State aid to Education.

Actual expenditures were less than budgeted amounts by \$620,514. The principal reasons for this were a reduction in required contributions to the Employees Retirement System due to a change in plan benefits enacted by the General Assembly, and less special education tuition payments than anticipated.

## **Capital Asset and Debt Administration**

**Capital Assets** The Town of Portsmouth's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$30,243,368 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, construction in progress, buildings, building improvements, furniture and equipment, construction equipment and vehicles. Current year additions for general infrastructure assets are also included. The total increase in the Town's investment in governmental activity capital assets for the current fiscal year was \$5,286,674.

**Long-term Debt** At the end of the current fiscal year, the Town of Portsmouth had total bonded debt outstanding of \$16,770,700, entirely backed by the full faith and credit of the Town. This includes \$7,057,500 incurred in Fiscal Year 2008-09.

State statutes limit the amount of general obligation bonded debt a town can issue to 3 percent of the net assessed property values. However, all bonds approved through State enabling legislation and voter referendums are exempt from the limit. At June 30, 2009 the Town had a debt limit of \$109,844,248, which significantly exceeds the Town's outstanding general debt.

The Town of Portsmouth maintains an "A1" rating from Moody's Investors Service on its general obligation debt.

Additional information on the Town of Portsmouth's long-term debt can be found in Note #5 on pages 38-41 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

New economic development in Portsmouth will be a mix of growth of existing businesses and capitalizing on significant potential new development. Current initiatives provide opportunities for a variety of new development.

The Town continues to focus on objectives of the West Side Master Plan (WSMP) developed by the Aquidneck Island Planning Commission (AIPC). The WSMP is the result of ten years of regional planning efforts across the community lines of Aquidneck Island. The focus for much of this plan is the potential reuse of over 275 acres of former Navy tank farms along the Eastern shore of Narragansett Bay. The possible release of the Navy land has been a key planning topic for several years. In the spring of 2008, the Navy made it official that the former tank farms will be made available. The land is ideally situated along the West coast of Aquidneck Island, adjacent to Rt. 138, the existing cluster of Melville marine businesses and the large Raytheon Company campus. There is much planning and analysis that must be accomplished to take advantage of the valuable land. The government procedures for selecting a recipient of the land are extensive and very rigorous.

To be in the best position to facilitate the transfer of the land, the Portsmouth Town Council created the Portsmouth Redevelopment Agency (PRA). The PRA is empowered with creating a formal plan for the reuse of the excess federal land and to manage and control redevelopment projects. With this formal body in position, the Town is following the federally approved mechanism for the transfer of the unused land to the Town. The PRA is empowered to own, sell and lease land on behalf of the Town. Initial ideas for reuse of the Navy land envision a future business park focused on expansion of the marine trades industry, defense and homeland security businesses, municipal facilities, improved transportation facilities and open space.

Creating a business park for marine trades and defense work will complement the existing concentration of similar businesses. The marine trades in the Melville area are in need of expansion space and inquiries have been received from marine ventures outside the area wishing to locate here. A similar attraction is possible with smaller defense contractors desiring to be located near Raytheon and the Naval Undersea Warfare Center. Marine trades and defense and homeland security are two of the key economic growth clusters identified by the State. These industries receive very active support from State agencies to attract new and grow existing businesses.

More immediate economic activity is underway on the Bay adjacent to the focus of the WSMP. Just south of the cluster of marine businesses in the Melville area is the site for the new Weaver Cove marina. Critical DEM and CRMC permits have been approved for a 1,495 slip marina and related facilities. On shore construction has been slowed due to portions of the land being contaminated from prior government uses. This marina is drawing much attention, as it will ease the critical shortage of marina slips in Rhode Island and act as a business growth generator. The developer also plans to include facilities for on-shore support services and housing units in a village setting. By including significant public access to the shoreline, the planned project is gaining wide support. The completion of all phases of the project will involve over \$80 million.

All of the planned development along the West Side is being encouraged through the actions of the Town Planning Department. The Town adopted changes to the Zoning Ordinance for the creation of Planned Marina Village Developments and Planned Resort Developments. The zoning ordinances fully support the incorporation of "smart growth" principles. The zoning ordinances include enforceable performance and preservation standards that will ensure site development of benefit to the Town.

Portsmouth continues to be a leader in the marine trades industry. Having three top of the line yacht companies in Portsmouth has attracted a large community of smaller marine support businesses that handle a wide range of specialized services for the boating industry and individual customers. The Town, existing marine businesses, the Rhode Island Economic Development Corporation and the federal government continue work on the transfer of 30 acres of waterfront land in Melville from the Navy to a partnership of existing marine businesses. When the transfer is completed, Portsmouth Marine Partners is poised for expansion. The expansion will accommodate much needed space for the boat builders and create new facilities for smaller marine support contractors. The transfer of the 30 acres will serve as a model for the future transfer of the large tank farm acreage. There is very high demand for space in the area.

The largest employer in Portsmouth, Raytheon Company, continues to grow and recover from a downturn in the 1990's. The Portsmouth Seapower Capability Center is the global leader for naval and marine integrated systems for the defense industry and the civilian marine community. The company continues with major work in underwater detection and weapons systems as well as Navy missile systems. It has developed new uses for many of its systems in the field of homeland security for both government projects and private industry. It recently received new contracts from the Department of Homeland Security for the further development of harbor and port protection systems. Working with a \$1.2 million congressional appropriation, it is developing and testing harbor and undersea detection systems to protect critical infrastructure. It's job expansion is projected to continue with the award of a new Navy contract to develop systems for all-weather carrier landings.

The Newport Dinner Train (located in Portsmouth) has received grant funding for the upgrade of the existing rail line located along the West Side shoreline. The line currently is used for tourist activity and a dinner train. Riding traffic continues to grow. In addition to reconstructing the tracks, the train purchased new rolling stock to upgrade the service offering.

Vacant parcels in the Town Center area are attracting developer interest for a mixed use project. Changes to East Main Road to create a pedestrian friendly corridor are progressing. The RI DOT has fully endorsed the conversion of the road from four narrow lanes to a series of three roundabouts. Public feedback at hearings is very supportive. A new medical diagnostic services building was opened in the Town center adjacent to a new medical office building. The new facilities eliminate the need to travel to Newport and Fall River for medical attention.

On West Main Road/Rt. 114, the first two buildings of Clocktower Square are open and 90% full. When completed, the \$15 million, multi-phased project will consist of 8 buildings on 9 acres. The very attractive facilities have small local retail and medical groups.

In the nearby Portsmouth Business Park, land has been sold for development of a new building to house an electronic device company moving from New Hampshire. Occupancy in the Business Park is holding steady at above 90%.

Building on the interest generated by the wind generator at the Portsmouth Abbey School, a second wind generator in Portsmouth became a reality in March, 2009. The new 1.5 Mw wind generator, valued at \$3 million, is located at the high school and will create a positive cash flow in its first full year of operation and contribute to decreasing electrical energy costs.

Work continues on new construction at the exclusive "Carnegie Abbey Club". The additional Carnegie developments include high-end vacation homes and condos which impact town services much less than conventional residential development. The new marina opened this year. The centerpiece of the project is the new 14 story tower consisting of exclusive condominiums and penthouses. Occupancy of the Tower is scheduled for January 2009. O'Neill Properties, the developer of the Carnegie projects, has also acquired 73 acres of waterfront property just north of the Carnegie facilities and has begun permitting for construction of a second resort development. The project will include 152 vacation homes, a small marina and other club amenities.

Portsmouth is fortunate to have a large portion of the town in a State designated Enterprise Zone. The Enterprise Zone program offers incentives through property tax relief for new development and State income tax credits for adding to existing employment levels. As one of eleven areas in the State where special economic incentives are available, it serves as an additional attraction to locate and expand in Portsmouth. The past three years have seen an increase in participation by new and existing Portsmouth businesses.

The unemployment rate as of June 30, 2009 is 5.7% (not seasonally adjusted). This compares favorably with an unemployment rate of 7.5% for the State of Rhode Island and matches the national unemployment rate of 5.7%.

All of these factors were considered in preparing the Town of Portsmouth's budget for the Fiscal Year 2009-10.

### **Requests for Information**

This report is designed to provide a general overview of the Town of Portsmouth's financial results. Questions concerning any of the information provided in this report for requests for additional financial information should be addressed to the Finance Director, Portsmouth Town Hall, 2200 East Main Road, Portsmouth, RI 02871.

**TOWN OF PORTMOUTH****Statement of Net Assets  
June 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 3,784,396	\$ 5,074	\$ 3,789,470
Real estate and personal property tax receivable, net	1,558,088		1,558,088
Ambulance receivables	236,274		236,274
Due from federal and state governments	706,191	11,314	717,505
Internal balances	59,561	(59,561)	0
Inventories	29,956	14,204	44,160
Prepaid expenditures	43,328		43,328
Other receivables, net	832,204	38,199	870,403
<b>Total Current Assets</b>	<b>7,249,998</b>	<b>9,230</b>	<b>7,259,228</b>
<b>Noncurrent Assets:</b>			
Capital assets (non-depreciable)	4,130,886		4,130,886
Capital assets (net of depreciation)	23,120,308	2,992,174	26,112,482
Debt issuance costs, net	280,297	30,136	310,433
Deferred gain on refunding	338,314		338,314
<b>Total Non-Current Assets</b>	<b>27,869,805</b>	<b>3,022,310</b>	<b>30,892,115</b>
<b>TOTAL ASSETS</b>	<b>35,119,803</b>	<b>3,031,540</b>	<b>38,151,343</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	1,333,486	118,105	1,451,591
Accrued interest payable	139,704	1,248	140,952
Accrued expenses	285,555		285,555
Due to external parties	233,712		233,712
Current portion of long-term debt	2,568,100	204,000	2,772,100
<b>Total Current Liabilities</b>	<b>4,560,557</b>	<b>323,353</b>	<b>4,883,910</b>
<b>Noncurrent Liabilities:</b>			
Unearned revenue	215,235		215,235
Accrued compensated absences	1,954,045		1,954,045
Net OPEB obligation	1,318,517		1,318,517
Long-term liabilities (net)	14,338,589	2,622,667	16,961,256
<b>Total Noncurrent Liabilities</b>	<b>17,826,386</b>	<b>2,622,667</b>	<b>20,449,053</b>
<b>TOTAL LIABILITIES</b>	<b>22,386,943</b>	<b>2,946,020</b>	<b>25,332,963</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,160,493	165,507	12,326,000
Restricted for specific programs	714,727	5,399	720,126
Unrestricted	(142,360)	(85,385)	(227,745)
<b>TOTAL NET ASSETS</b>	<b>\$ 12,732,860</b>	<b>\$ 85,521</b>	<b>\$ 12,818,381</b>

**TOWN OF PORTSMOUTH**

**Statement of Activities  
For the year ended June 30, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Governmental Activities:</b>							
General government	\$ 5,064,984	\$ 1,220,039	\$ 66,528	\$ 23,710	\$ (3,778,417)	\$	\$ (3,778,417)
Public safety	8,441,333	598,341	155,777		(7,663,505)		(7,663,505)
Public services	2,916,519				(2,916,519)		(2,916,519)
Education	38,467,906	779,170	3,075,236	65,305	(34,548,195)		(34,548,195)
Community service	1,477,988		211,445		(1,266,543)		(1,266,543)
Capital outlay	46,059				(46,059)		(46,059)
Interest on long-term debt	756,738				(756,738)		(756,738)
Amortization expense	43,313				(43,313)		(43,313)
Non-operating expense	37,250				(37,250)		(37,250)
<b>Total governmental activities</b>	<b>57,252,090</b>	<b>2,597,550</b>	<b>3,508,986</b>	<b>89,015</b>	<b>(51,056,539)</b>		<b>(51,056,539)</b>
<b>Business-type Activity:</b>							
School lunch fund	650,200	495,299	119,897			\$ (35,004)	(35,004)
Transfer station	726,982	461,766	37,250			(227,946)	(227,946)
Wind turbine generator fund	159,750	140,149	25,000			5,399	5,399
<b>Total business type activity</b>	<b>1,536,912</b>	<b>1,097,214</b>	<b>182,147</b>			<b>(257,551)</b>	<b>(257,551)</b>
<b>Totals</b>	<b>\$ 58,789,002</b>	<b>\$ 3,694,764</b>	<b>\$ 3,691,133</b>	<b>\$ 89,015</b>	<b>(51,056,539)</b>	<b>(257,551)</b>	<b>(51,314,090)</b>
General revenues:							
Taxes:							
Property taxes and payments in lieu of taxes					41,791,630		41,791,630
State aid, unrestricted					7,426,530		7,426,530
Investment and interest income					41,839		41,839
Other revenues					1,250,718		1,250,718
Transfers					(284,225)	284,225	-
<b>Total general revenues</b>					<b>50,226,492</b>	<b>284,225</b>	<b>50,510,717</b>
<b>Change in Net Assets</b>					<b>(830,047)</b>	<b>26,674</b>	<b>(803,373)</b>
<b>Net Assets - beginning of year, as restated</b>					<b>13,562,907</b>	<b>58,847</b>	<b>13,621,754</b>
<b>Net Assets - ending of year</b>					<b>\$ 12,732,860</b>	<b>\$ 85,521</b>	<b>\$ 12,818,381</b>

See Notes to Basic Financial Statements

**TOWN OF PORTSMOUTH****Balance Sheet  
Governmental Funds  
June 30, 2009**

	Major Funds			Total Governmental Funds
	General Fund	School Unrestricted Fund	Other Governmental Funds	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 1,883,618	\$ 664,175	\$ 1,236,603	\$ 3,784,396
Real estate and personal property tax receivable (net)	1,558,088			1,558,088
Due from federal and state governments		378,710	327,481	706,191
Due from other funds	509,985	1,179,243	1,134,374	2,823,602
Ambulance receivable	319,284			319,284
Other receivables	275,892	241,757	314,555	832,204
Inventory	29,956			29,956
Prepaid expenditures		43,328		43,328
<b>TOTAL ASSETS</b>	<b>\$ 4,576,823</b>	<b>\$ 2,507,213</b>	<b>\$ 3,013,013</b>	<b>\$ 10,097,049</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	172,717	584,277	324,629	1,081,623
Accrued expenses	199,558	85,997		285,555
Due to other funds	30,992	979,448	1,753,601	2,764,041
Due to agency funds	233,712			233,712
Deferred revenue	1,239,126		215,235	1,454,361
Other liabilities	251,863			251,863
<b>TOTAL LIABILITIES</b>	<b>2,127,968</b>	<b>1,649,722</b>	<b>2,293,465</b>	<b>6,071,155</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Inventory	29,956			29,956
Encumbrances	30,178	242,395		272,573
Prepaid expenditures		43,328		43,328
Perpetual care and other			4,821	4,821
Advances to other funds		54,803		54,803
Unreserved:				
Designated for subsequent year's expenditures	481,547	200,000		681,547
Unreserved undesignated	1,907,174	316,965		2,224,139
Reported in:				
Special revenue funds			(17,042)	(17,042)
Capital project funds			594,123	594,123
Permanent funds			137,646	137,646
<b>TOTAL FUND BALANCES</b>	<b>2,448,855</b>	<b>857,491</b>	<b>719,548</b>	<b>4,025,894</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,576,823</b>	<b>\$ 2,507,213</b>	<b>\$ 3,013,013</b>	<b>\$ 10,097,049</b>

(CONTINUED)

**TOWN OF PORTSMOUTH**

**B-1**

**Reconciliation of the Governmental Funds Balance Sheet (B-1)  
to the Government-Wide Statement of Net Assets (A-1)  
June 30, 2009**

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<b>TOTAL FUND BALANCES - Total Governmental Funds (B-1)</b>	<b>\$ 4,025,894</b>
<b>Amounts reported for governmental activities in the statement of net assets differ because:</b>	
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet.	27,251,194
Other long-term assets are recognized as revenue in the period for which they are billed in the Government-Wide Financial Statements, but are reported as deferred revenue (a liability) in Governmental Fund Financial Statements.	1,239,126
Allowance for doubtful accounts for ambulance receivables not recorded in the Governmental Fund Financial Statements because they are offset by deferred revenue.	(83,010)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(139,704)
Debt issuance costs, deferred gain on refunding and premium on bonds are deferred and amortized over the life of the related debt in the Government-Wide Financial Statements, but are reported as an expenditure and other financing source in the year of issuance in the Governmental Fund Financial Statements.	618,611
Long-term liabilities (including bonds payable, compensated absences and leases payable) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.	(18,860,734)
OPEB liability is recorded in the governmental activities, but not recorded in the funds.	(1,318,517)
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 12,732,860</u></b>

(CONCLUDED)

**TOWN OF PORTSMOUTH**

**Statement of Revenues, Other financing sources  
Expenditures, Other financing uses and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2009**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	School Unrestricted Fund		
<b>Revenues</b>				
General property taxes and payments in lieu of taxes	\$ 41,616,382			\$ 41,616,382
State aid and grants	1,223,846	\$ 5,988,997	\$ 1,876,851	9,089,694
State Fiscal Stabilization Funds		213,687		213,687
Licenses, permits and fees	191,176			191,176
Charges for services	502,080	709,493	127,059	1,338,632
Melville Ponds Campgrounds	219,878			219,878
Glen Manor House	329,435			329,435
Rescue wagon income	518,429			518,429
Fines and forfeitures	246,210			246,210
Interest and investment income	39,188		2,651	41,839
Contributions and private grants			21,818	21,818
Other revenues	454,771	348,696	1,349	804,816
Impact aid fees			199,692	199,692
Intergovernmental pension contribution		1,699,332		1,699,332
<b>Total revenues</b>	<b>45,341,395</b>	<b>8,960,205</b>	<b>2,229,420</b>	<b>56,531,020</b>
<b>Expenditures</b>				
<i>Current:</i>				
General government	3,842,018		81,649	3,923,667
Public safety	8,027,469		249,790	8,277,259
Public works	2,248,304		142,250	2,390,554
Education		34,093,848	2,061,499	36,155,347
Community services	1,122,122		231,318	1,353,440
Park & recreation			124,631	124,631
Intergovernmental pension contribution		1,699,332		1,699,332
<i>Debt Service:</i>				
Principal payments	2,355,236			2,355,236
Interest	798,454			798,454
Bond issuance costs	13,297		133,176	146,473
<i>Capital:</i>				
Capital expenditures			3,510,709	3,510,709
<b>Total expenditures</b>	<b>18,406,900</b>	<b>35,793,180</b>	<b>6,535,022</b>	<b>60,735,102</b>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	26,934,495	(26,832,975)	(4,305,602)	(4,204,082)
<b>Other financing sources (uses)</b>				
Transfers in	5,480	26,801,271	800,000	27,606,751
Transfers out	(27,116,704)		(774,272)	(27,890,976)
Transfers to refunding bond trust			(4,615,802)	(4,615,802)
Bond proceeds			7,057,500	7,057,500
Bond premiums			92,572	92,572
<b>Net other financing sources (uses)</b>	<b>(27,111,224)</b>	<b>26,801,271</b>	<b>2,559,998</b>	<b>2,250,045</b>
Net change in fund balances	(176,729)	(31,704)	(1,745,604)	(1,954,037)
<b>Fund balances - beginning of the year</b>	<b>2,625,584</b>	<b>889,195</b>	<b>2,465,152</b>	<b>5,979,931</b>
<b>Fund balances - ending of the year</b>	<b>\$ 2,448,855</b>	<b>\$ 857,491</b>	<b>\$ 719,548</b>	<b>\$ 4,025,894</b>

See Notes to Basic Financial Statements

**TOWN OF PORTSMOUTH**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (B-2) to the Statement of Activities (A-2)  
For the year ended June 30, 2009**

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Net change in fund balances - total governmental funds (B-2)	\$ (1,954,037)
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 of capital assets reported in the period.	4,132,465
Depreciation expense on capital assets is reported in the Government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the Governmental fund statements.	(1,798,440)
Long-term compensated absences is reported in the Government wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, compensated absences is not reported as expenditures in Governmental fund financial statements. This is the change in long-term compensated absences for the year.	(29,364)
Repayment of bond is an expenditure in the Governmental Fund financial Statements but the payments reduce long-term liabilities in the Government-wide statements.	2,355,236
Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in the Governmental fund financial statements. This is the change in accrued interest for the year.	32,506
Bond proceeds are reported as other financing sources in the Governmental fund financial statements. However, in the Government-wide financial statements the proceeds are recorded as long-term liabilities.	(7,150,072)
Transfer to refunding bond trust is recorded as other financing sources in the Governmental fund financial statements. However, in the Government-wide financial statements the transfers are recorded as a reduction of long-term liabilities and the addition of deferred gain on refunding.	4,615,802
Bond issuance costs are reported as an expenditure in the Governmental fund financial statements.	146,473
Amortization of deferred debt issuance costs, premium on bonds and gains on advance refunding are not reflected in Governmental fund financial statements.	(34,103)
Bad debt expense is reported in the Government-wide statement of activities and changes in net assets, but not reported in the Governmental fund financial statements.	(3,244)
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental fund financial statements.	175,248
Increase in OPEB liability. The liability is not recorded in the governmental fund. The change from prior year is reflected in the statement of activities and changes in net assets.	<u>(1,318,517)</u>
<b>Change in net assets of Governmental Activities</b>	<b><u>\$ (830,047)</u></b>

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See Notes to Basic Financial Statements

**TOWN OF PORTSMOUTH****Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

	School Lunch Fund	Transfer Station	Wind Turbine Generator Fund	Total
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 5,074		\$ 5,074	5,074
Due from other governmental units	11,314			11,314
Due from other funds	187,521	\$ 63,696	\$ 51,997	303,214
Accounts receivable		1,459	36,740	38,199
Inventory	14,204			14,204
Debt issuance costs, net			30,136	30,136
<b>Total current assets</b>	<b>218,113</b>	<b>65,155</b>	<b>118,873</b>	<b>402,141</b>
<b>Non-current assets:</b>				
Capital assets:				
Depreciable assets - net	43,251	37,250	2,911,673	2,992,174
<b>Total non-current assets</b>	<b>43,251</b>	<b>37,250</b>	<b>2,911,673</b>	<b>2,992,174</b>
<b>TOTAL ASSETS</b>	<b>261,364</b>	<b>102,405</b>	<b>3,030,546</b>	<b>3,394,315</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Bonds payable			204,000	204,000
Accrued interest payable			1,248	1,248
Due to other funds	218,492		144,283	362,775
Accounts payable		65,155	52,950	118,105
<b>Total current liabilities</b>	<b>218,492</b>	<b>65,155</b>	<b>402,481</b>	<b>686,128</b>
<b>Non-current liabilities:</b>				
Bonds payable, net of current portion			2,622,667	2,622,667
<b>Total non-current liabilities</b>			<b>2,622,667</b>	<b>2,622,667</b>
<b>TOTAL LIABILITIES</b>	<b>218,492</b>	<b>65,155</b>	<b>3,025,148</b>	<b>3,308,795</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	43,251	37,250	85,006	165,507
Reserve for contingencies			3,600	3,600
Reserve for repairs			1,799	1,799
Unrestricted	(379)		(85,006)	(85,385)
<b>TOTAL NET ASSETS</b>	<b>\$ 42,872</b>	<b>\$ 37,250</b>	<b>\$ 5,399</b>	<b>\$ 85,521</b>

See Notes to Financial Statements

**TOWN OF PORTSMOUTH**

**Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the year ended June 30, 2009**

	School Lunch Fund	Transfer Station	Wind Turbine Generator Fund	Total
<b>Operating Revenues:</b>				
Intergovernmental	\$ 119,897		\$ 25,000	\$ 144,897
Other revenues	495,299		140,149	635,448
Charges for services		\$ 461,766		461,766
<b>Total Operating Revenues</b>	<b>615,196</b>	<b>461,766</b>	<b>165,149</b>	<b>\$ 1,242,111</b>
<b>Operating Expenses:</b>				
Cafeteria operations	647,434			647,434
Transfer Station operations		726,962		726,962
Wind Turbine Generator operations			30,001	30,001
Depreciation and amortization	2,766		76,552	79,318
<b>Total Operating Expenses</b>	<b>650,200</b>	<b>726,962</b>	<b>106,553</b>	<b>1,483,715</b>
<b>Income from operations</b>	<b>(35,004)</b>	<b>(265,196)</b>	<b>58,596</b>	<b>(241,604)</b>
<b>Non-operating Revenues (Expenses):</b>				
Interest expense			(22,607)	(22,607)
Other expenses				-
Capital contributions		37,250		37,250
Distribution to Town General Fund			(21,107)	(21,107)
Distribution to School General Fund			(9,483)	(9,483)
<b>Net Non-operating Revenues</b>	<b>0</b>	<b>37,250</b>	<b>(53,197)</b>	<b>(15,947)</b>
<b>Net income (loss) before transfers</b>	<b>(35,004)</b>	<b>(227,946)</b>	<b>5,399</b>	<b>(257,551)</b>
Transfers in (out)	19,029	265,196		284,225
<b>Change in net assets</b>	<b>(15,975)</b>	<b>37,250</b>	<b>5,399</b>	<b>26,674</b>
<b>Net assets - beginning of the year</b>	<b>58,847</b>			<b>58,847</b>
<b>Net assets - ending of the year</b>	<b>\$ 42,872</b>	<b>\$ 37,250</b>	<b>\$ 5,399</b>	<b>\$ 85,521</b>

TOWN OF PORTSMOUTH

**Statement of Cash Flows  
Proprietary Funds  
For the year ended June 30, 2009**

	School Lunch Fund	Transfer Station	Wind Turbine Generator	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 495,299	\$ 460,307	\$ 103,409	\$ 1,059,015
Intergovernmental	122,148		25,000	147,148
Cash payments to suppliers for goods and services	(647,434)	(661,807)	(11,401)	(1,320,642)
<b>Net cash provided (used) by operating activities</b>	<b>(29,987)</b>	<b>(201,500)</b>	<b>117,008</b>	<b>(114,479)</b>
<b>Cash flows from non-capital financing activities:</b>				
Operating transfers (to) from other funds	19,029	265,196	(30,590)	253,635
Interfund borrowings	21,509	(63,696)	92,286	50,099
<b>Net cash provided by non-capital financing activities</b>	<b>40,538</b>	<b>201,500</b>	<b>61,696</b>	<b>303,734</b>
<b>Cash flows from capital-related financing activities:</b>				
Acquisition and construction of capital assets	(6,493)		(2,951,981)	(2,958,474)
Proceeds from issuance of bonds			3,000,000	3,000,000
Principal paid on bonds			(173,334)	(173,334)
Bond issuance costs			(32,030)	(32,030)
Interest paid on bonds			(21,359)	(21,359)
<b>Net cash used for capital-related financing activities</b>	<b>(6,493)</b>		<b>(178,704)</b>	<b>(185,197)</b>
<b>Net increase in cash</b>	<b>4,058</b>	<b>0</b>	<b>0</b>	<b>4,058</b>
<b>Cash and cash equivalents, beginning of the year</b>	<b>1,016</b>	<b>0</b>	<b>0</b>	<b>1,016</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 5,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,074</b>
<b>Reconciliation of net income to net cash provided by operating activities:</b>				
Income (loss) from operations	(35,004)	(265,196)	58,596	(241,604)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	2,766		76,552	79,318
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	2,251	(1,459)	(36,740)	(35,948)
Increase in accounts payable		65,155	18,600	83,755
Total adjustments	5,017	63,696	58,412	127,125
<b>Net cash provided by (used for) operating activities</b>	<b>\$ (29,987)</b>	<b>\$ (201,500)</b>	<b>\$ 117,008</b>	<b>\$ (114,479)</b>

See Notes to Financial Statements

**TOWN OF PORTSMOUTH****Statement of Net Assets  
Fiduciary Funds  
June 30, 2009**


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	<b>Pension Trust Funds</b>	<b>Defined Contribution Pension Plan</b>	<b>Agency Funds</b>
	<hr/>	<hr/>	<hr/>
<b><u>ASSETS</u></b>			
Cash equivalents	\$ 401,067		\$ 257,332
Investments, at fair value	23,291,958	\$ 2,221,607	
Prepaid expenses	138,823		
Due from other other funds			233,712
Letter of credit			9,100
<b><u>TOTAL ASSETS</u></b>	<hr/> 23,831,848 <hr/>	<hr/> 2,221,607 <hr/>	<hr/> 500,144 <hr/>
<b><u>LIABILITIES</u></b>			
Deposits held in custody for others			500,144
<b><u>Total liabilities</u></b>			<hr/> 500,144 <hr/>
<b><u>NET ASSETS</u></b>			
Held in trust for pension benefits	23,831,848	2,221,607	
<b><u>Total net assets</u></b>	<hr/> 23,831,848 <hr/>	<hr/> 2,221,607 <hr/>	
<b><u>Total liabilities and net assets</u></b>	<hr/> \$ 23,831,848 <hr/>	<hr/> \$ 2,221,607 <hr/>	<hr/> \$ 500,144 <hr/>

TOWN OF PORTSMOUTH

**Statement of Changes in Net Assets  
Fiduciary Funds  
For the year ended June 30, 2009**

	<b>Pension Trust Fund</b>	<b>Defined Contribution Pension Plan</b>
<b>Additions:</b>		
Contributions:		
Employer	\$ 2,346,316	\$ 36,171
Plan member	504,873	99,701
Total contributions	<u>2,851,189</u>	<u>135,872</u>
Investment income:		
Net gain or (loss) on value of investments	<u>(4,324,622)</u>	66,251
Net investment income (loss)	<u>(4,324,622)</u>	<u>66,251</u>
<b>Total additions</b>	<u>(1,473,433)</u>	<u>202,123</u>
<b>Deductions:</b>		
Benefits paid	1,725,749	46,604
Administrative and other	88,471	75
<b>Total deductions</b>	<u>1,814,220</u>	<u>46,679</u>
<b>Changes in net assets</b>	<u>(3,287,653)</u>	<u>155,444</u>
<b>Net assets - beginning of year, as restated</b>	<u>27,119,501</u>	<u>2,066,163</u>
<b>Net assets - ending of the year</b>	<u>\$ 23,831,848</u>	<u>\$ 2,221,607</u>

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Portsmouth was established in 1638 and incorporated as a Town in 1640. The Town of Portsmouth is governed largely under the 1958 Home Rule Charter, which provides for a Council-Administrator form of government. The Town provides various services including education, solid waste disposal, public safety (police and fire), public works, (engineering, highway, recycling, public buildings, parks and recreation), social services and general government services.

The Town complies with generally accepted accounting principles (GAAP). Generally accepted accounting principles (GAAP) includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

As a general rule, the effect of Inter-fund activity has been eliminated from the government-wide financial statements.

*Reporting Entity*

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14. Under GASB Statement No. 14, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

Test 1 - The primary government appoints the voting majority of the board of the potential component unit and:

- \* is able to impose its will on the potential component unit and/or
- \* is in a relationship of financial benefit or burden with the potential component unit;

Test 2 - The potential component unit is fiscally dependent upon the primary government; or

Test 3 - The financial statements would be misleading if data from the potential component unit were not included.

The following entities were considered for classification as component units for fiscal year 2009:

- \* Portsmouth School Department
- \* Portsmouth Water and Fire District

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Reporting Entity (Continued)***

Although the Portsmouth School Department met certain criteria of the tests listed above, it is not deemed to have separate legal status apart from the Town. As a result, the financial data of the Portsmouth School Department has been included as a major special revenue fund within the Town's financial statements.

The Portsmouth Water and Fire District is a separate legal entity that appoints its own board members, sets its own billing rates and is not fiscally dependent upon the Town of Portsmouth. As a result, the Portsmouth Water and Fire District has not been included as a component unit.

The Town of Portsmouth does not have any component units.

***Recently Issued Accounting Standards***

The Town has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, effective for the Town's fiscal year ending June 30, 2009. This pronouncement requires the Town to recognize the accrual of net OPEB obligations at June 30, 2009.

The Town has implemented GASB Statement No. 49 – Accounting and Financial Reporting for Pollution Remediation Obligations, effective for the Town's fiscal year ending June 30, 2009. The adoption of this Statement did not have an effect on the Town's financial statements or results of operations.

The Town will adopt the following new accounting pronouncements in the future years:

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.

The impact of these pronouncements on the Town's financial statements has not been determined.

***Basis of Presentation***

The accounting of the Town is organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

Government-Wide Financial Statements

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

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions.

***Fund Financial Statements***

Fund financial statements of the reporting entity 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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (Continued)***

All governmental funds are accounted for using the spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The funds of the financial reporting entity are described below:

***Major Governmental Funds***

General Fund

The General Fund is used to account for resources devoted to financing the general services the Town performs for its citizens.

School Unrestricted Fund

The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating revenues are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (Continued)***

Proprietary Fund Financial Statements (Continued)

The Town has three Enterprise Funds as follows:

Wind Turbine Generator Fund

The Wind Turbine Generator Fund is used to account for the operations of the Town's wind turbine generator.

Transfer Station Fund

The Transfer Station Fund is used to account for the Town's transfer station operations. This fund did not meet the criteria for reporting as a major fund. However, management elected to present the fund as a major fund.

School Lunch Fund

The School Lunch Fund is used to account for the School's cafeteria operations. This fund did not meet the criteria for reporting as a major fund. However, management elected to present the fund as a major fund.

Fiduciary Fund Financial Statements (Not included in governmental wide statements)

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The Town's Fiduciary Funds include Pension Trust Funds and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve the measurement of results of operations.

Pension Trust Funds

These funds account for resources held in trust for members and beneficiaries of the Town administered defined benefit pension plan and defined contribution pension plan.

Agency Funds

These funds account for assets held by the Town and the School as agent for various student groups and individuals: Town Activity Funds and Student Activity Funds.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements (Continued)***

***Non-Major Governmental Funds***

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The Town's only major special revenue fund is the School Unrestricted Fund, which provides education to the Town's children. The non-major funds include the following: CDBG, AIPC/Shoreline Gateway, Bulletproof Vest Grant, COPS that Care, Mini-Grant, EDC Gateway Project, EMC WMD, EMP Grant, Byrne/JAG ARRA "Stimulus" Grant, PPD Homeland, PPD/PFD Homeland, Commemorative Bench Program, Island Park Skate Park, Sandy Point Trail Grant, Click it or Ticket, Tobacco Control Program, Town Center Grant, Town Commons Grant, EMPG Shelter Generator, Alcohol Survey, Cops Care Bike, CPR Certification Program, Dare Program, EMA Mitigation Planning, EMA OPS Plan, Explorer Program, Fire Alarm Maintenance, Fire Plan Review, Historic Records Fund, John Haskins Memorial Fund, Lower Glen Farm Preservation, Fed Equitable Sharing Drug, Melville Recreation Committee, NARC Forfeiture SEC, Pollution Abatement Waste, Pollution Abatement Storm, Proud Grant, Blue Riptide Impaired/Drunk, Blue Riptide Speed Management, Ruth Earle Memorial Fund, Senior Center Grant, State Fire Incentive, State Police Incentive, Substance Abuse, Tech Upgrade & Doc Preservation, Tobacco Survey, Miscellaneous Grant/Donation, Fire Smoke Detector Inspection, Waste Water Facilities Plan, Byrne Grant, EMA Meds Pods, Low Income Spay/Neuter, Shelter Spay/Neuter, Child Passenger Safety Grant, Conserv Commons, Mobil Data Printer Project, Mobil Data Computer Terminal, Friends of Glen Park, VIS Grant, Gate Receipts, IDEA, Title, Prior AP, Perkins, Misc Transfer, Insurance Vandalism, Literacy Dropout, RI NET, Technology, Parent Study Task Force, Summer School, Interschool Athletics, Professional Development, Student Equity Investment, Gym Fundraising, RITTI, Concord Consortium, Early Childhood, United Way Melville Playground Building Use Utilities, Benefit Appropriation Fund, Restricted Donation, Restricted Hathaway, Stimulus ARRA, Uniform Chart of Accounts, and Feinstein Grant.

Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition or construction of specific capital projects or items: Glen Manor, 05-06 Warrants, 06-07 Warrants, 07-08 Warrants, 08-09 Warrants, 09-10 Warrants, Various Equipment and Capital Fund.

Permanent Funds

These funds are used to account for assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund: Sherman Trust Fund and Cemetery Fund.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities and Fund Equity***

***Cash and Cash Equivalents***

Cash and cash equivalents are carried at cost. For the purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Under Rhode Island laws, depository institutions holding deposits of the State, its agencies or governmental subdivision of the State, shall at a minimum, insure or pledge eligible collateral equal to 100% of the deposits which are time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure pledged collateral equal to 100% of the deposits, regardless of maturities.

***Investments***

Investments are recorded at fair value. Unrealized gains and losses from changes in fair value are recognized as investment income.

***Accounts Receivable and Taxes Receivable***

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables. The allowance for uncollectible property taxes in the governmental and government wide statements amounted to \$489,547 at June 30, 2009. Property taxes which were levied on July 1 of the current year and other delinquent balances are recorded as receivables.

***Short-Term Interfund Receivables/Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

***Inventory***

Inventory is maintained on a perpetual system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.

***Revenues***

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. In applying GASB No. 33 to grant revenue, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Program revenues generally consist of contributions, grants and charges for services (i.e., licenses, fees, etc.).

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities and Fund Equity (Continued)***

***Expenditures***

Expenditures are recognized when the related fund liability is incurred.

***Capital Assets and Depreciation***

Capital assets are reported in the Government-Wide Statement of Net Assets but are not reported in the Governmental Fund Financial Statements.

All capital assets are capitalized at historical cost or estimated historical cost. Donated capital assets are recorded at the fair market value as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year. Net interest costs related to construction projects are capitalized during the construction period. Such costs were not incurred during fiscal 2009.

The cost of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not included in capital assets.

Depreciation is calculated on the straight-line basis over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Infrastructure	20 – 30 years
Buildings and improvements	10 – 50 years
Equipment, furniture and fixtures	4 – 20 years
Motor Vehicles	6 – 30 years

***Deferred Revenue***

In the Governmental Fund Financial Statements, deferred revenue represents 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 revenues relate to uncollected property taxes levied on the 1<sup>st</sup> of July to be payable on July 31 (with provisions to be paid quarterly), plus delinquent balances less property tax amounts due as of June 30 and received 60 days thereafter.

***Property Taxes***

Property taxes are recognized as revenue in the year they are levied and become available. To be considered available, property taxes must be then due and collected during the year or within 60 days subsequent to year-end. Property taxes not considered available are reported as deferred revenues.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities and Fund Equity (Continued)***

***Property Taxes (Continued)***

The Town is permitted by State Law to levy property taxes. Current tax collections for the Town were approximately 95.7% of the total 2008 levy.

The Town's fiscal 2008-2009 property taxes were levied on July 1, 2008 on assessed valuations as of December 31, 2007. Upon levy taxes are due September 1 or may be paid quarterly by September 1, December 1, March 1, and June 1. Failure to make payments by due dates will result in a lien on the taxpayer's property.

Rhode Island general laws restricts the Town's ability to increase either its total tax levy or its tax rates by more than 5.0% over those of the preceding year. Total taxes of \$40,361,114 resulting from tax rates of \$22.50, and \$10.84 per \$1,000 of assessed valuation for motor vehicles, real estate and tangible property, and business inventory, respectively, were levied on July 1, 2008.

***Intergovernmental***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

***Interfund Transactions***

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds.

Interfund activity within and among the funds of the Town have been classified and reported as follows:

Reciprocal interfund activities:

Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.

Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities and Fund Equity (Continued)***

***Interfund Transactions (Continued)***

Non-reciprocal interfund activities:

Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

***Compensated Absences***

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2009.

The entire compensated absence liability is reported on the Government-Wide financial statements. For the Governmental Fund financial statements, accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability not paid with expendable available financial resources is not recorded in the Governmental Fund financial statements.

***Accrued Liabilities and Long-Term Debt***

All accrued liabilities and long-term debt are reported in the Government-Wide financial statements.

For Governmental Fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the Fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Fund financial statements until due. For other long-term obligations, only that portion expected to be financed from expendable available financial sources is reported as a fund liability of the governmental fund. The face amount of debt issued is reported as other financial sources.

***Bond Premiums and Issuance Costs***

In the Governmental Fund financial statements, bond premiums and issuance costs are treated as period costs in the year issued. Bond issuance costs are included in debt service expenditures and bond premiums are reflected as other financing sources.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities and Fund Equity (Continued)***

***Bond Premiums and Issuance Costs (Continued)***

In the Government-Wide Statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an addition to the face amount of the bonds payable whereas issuance costs are presented as other assets. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance.

***Claims and Judgments***

The Town is exposed with respect to risks including, but not limited to, property damages, personal injury and workers' compensation. In the governmental fund financial statements, expenditures for claims and judgments are recorded on the basis of whether the liability has matured in the current period. The Town and the School Department are members of the Rhode Island Interlocal Risk Management Trust. The Trust was established to offer a viable alternative to commercial insurance for public entities through intergovernmental pooling of risk. The Trust is a protected, self-insurance plan. The Town pays annual premium for its liability, property and worker's compensation coverage. The membership participation agreement provides that, in return for the payment of the annual premium, the Trust member transfers the financial responsibility for loss, but only according to the conditions of coverage and up to the stated maximum amount of insurance purchased by the Town or School Department. In the Government-Wide financial statements, the estimated liability for all claims and judgments is recorded as a liability and as an expense.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**2. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 as follows:

	<b>BEGINNING BALANCE As Restated</b>	<b>ADDITIONS</b>	<b>RETIREMENTS AND TRANSFERS</b>	<b>ENDING BALANCE at 6/30/09</b>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 3,825,173	\$ 250,000	\$ 37,251	\$ 4,037,922
Construction in Progress	-	92,964	-	92,964
Total Capital assets not being depreciated	<u>3,825,173</u>	<u>342,964</u>	<u>37,251</u>	<u>4,130,886</u>
Depreciable assets:				
Land improvements	513,508	115,647	-	629,155
Buildings	21,701,762	-	-	21,701,762
Buildings and improvements	2,294,454	2,832,136	-	5,126,590
Machinery & equipment	3,355,210	596,783	33,186	3,918,807
Construction equipment	291,982	104,927	-	396,909
Infrastructure	18,336,611	-	-	18,336,611
Vehicles	3,708,773	205,559	77,274	3,837,058
Total Capital assets being depreciated	<u>50,202,300</u>	<u>3,855,052</u>	<u>110,460</u>	<u>53,946,892</u>
Less: accumulated depreciation for:				
Land improvements	175,440	22,301	-	197,741
Buildings	13,007,564	416,881	-	13,424,445
Buildings and improvements	383,449	172,913	-	556,362
Machinery and equipment	1,776,724	520,029	33,186	2,263,567
Construction equipment	286,563	5,884	-	292,447
Infrastructure	11,816,532	410,966	-	12,227,498
Vehicles	1,664,032	249,466	48,974	1,864,524
Total accumulated depreciation	<u>29,110,304</u>	<u>1,798,440</u>	<u>82,160</u>	<u>30,826,584</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 24,917,169</u>	<u>\$ 2,399,576</u>	<u>\$ 65,551</u>	<u>\$ 27,251,194</u>
	<b>BEGINNING BALANCE As Restated</b>	<b>ADDITIONS</b>	<b>RETIREMENTS AND TRANSFERS</b>	<b>ENDING BALANCE at 6/30/09</b>
<b>Business-type activities</b>				
Nondepreciable assets:				
Land	\$ -	\$ 37,251	\$ -	\$ 37,251
Total Capital assets not being depreciated	<u>-</u>	<u>37,251</u>	<u>-</u>	<u>37,251</u>
Depreciable assets:				
Machinery, equipment & vehicles	42,369	2,992,824	-	3,035,193
<b>TOTAL CAPITAL ASSETS</b>	<u>42,369</u>	<u>2,992,824</u>	<u>-</u>	<u>3,035,193</u>
Less accumulated depreciation for:				
Machinery, equipment & vehicles	2,845	75,308	-	78,153
Total accumulated depreciation	<u>2,845</u>	<u>75,308</u>	<u>-</u>	<u>78,153</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 39,524</u>	<u>\$ 2,954,767</u>	<u>\$ -</u>	<u>\$ 2,994,291</u>

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**2. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

General government .....	\$ 56,519
Public safety .....	325,573
Public works .....	525,965
Education.....	795,120
Community service.....	<u>95,263</u>
<b>Total depreciation expense .....</b>	<b><u>\$1,798,440</u></b>

Depreciation expense was charged to business-type activities as follows:

School lunch .....	650
Wind Turbine Generator .....	<u>74,658</u>
<b>Total depreciation expense .....</b>	<b><u>\$75,308</u></b>

**3. BUDGETARY AND LEGAL COMPLIANCE**

The General Fund and the Public School Operations Fund 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 by the Town Council.

Actual revenue and expenditures in the Budgetary Basis Statements of Revenues and Expenditures for the General Fund and the Public School Operations Fund are presented on the budgetary basis which includes the net effect of non-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 of America.

The following individual funds reported deficits in the unreserved fund balances in the fund financial statements at June 30, 2009.

Wastewater Facility Plan.....	\$ (239,250)
09-10 Warrants.....	(351,280)
Title I .....	(878)
Title II .....	(295)
Title IV.....	(243)
Prior AP .....	(5,618)
Perkins.....	(1,875)
Insurance Vandalism.....	(4,103)
Summer School.....	(54,803)
Professional Development.....	(63,713)
Building Use Facilities .....	(1,880)

These deficits will be funded through loan proceeds, grant funds or transfers from other funds.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**3. BUDGETARY AND LEGAL COMPLIANCE (Continued)**

**Legal Debt Margin**

The Town's legal debt margin as set forth by State Statute is limited to three percent of the total taxable assessed value which approximates \$109,844,247. As of June 30, 2009, the Town was in compliance with this Statute. The debt subject to the debt limitation is based on the type of debt that is used.

**4. CASH DEPOSITS and INVESTMENTS**

**Deposits**

Deposits are in various financial institutions and are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "Cash" and included \$1,450 of petty cash.

At year-end, the Town's carrying amount of deposits was \$3,788,019 and the bank balance was \$4,084,469. Of the bank balance, \$2,806,942 was covered by Federal Depository Insurance. The remaining balance of \$1,277,527 was collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the Town's name.

Total deposits .....	\$2,509,330
Add: Petty Cash .....	1,450
Add: U. S. Government money market funds .....	1,278,690
Less: Fiduciary funds cash, including time deposits (not included in the Government-wide statement).....	<u>(257,332)</u>
<b>Total cash and cash equivalents reported in the financial statements</b>	<b><u>\$3,789,470</u></b>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town has a formal deposit policy for custodial credit risk, which follows State Laws as described below.

Under Rhode Island General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity.

**Investments**

Investments are stated at fair value for investment pools and historical cost for all other investments.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**4. DEPOSITS and INVESTMENTS (CONTINUED)**

***Concentration of Credit Risk***

At June 30, 2009, the Town had a diversified portfolio in its Pension Trust Funds and was not deemed to be concentrated in any one investments category. Although all the investments were held in mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

***Interest Rate Risk***

The Town's investments are held in mutual funds. These investments do not specify an interest rate. The rate of return is dependent on operating results and economic conditions.

***Concentration of Credit Risk***

Custodial credit risk is the risk that in the event of financial institution failure, the Town's investments may not be returned. The Town does not believe that it has a significant custodial credit risk as all the investments are registered and held in the name of the Town.

<u>Investment</u>	<u>Pension Funds</u>		
	<u>Percentage</u>	<u>Fair Value</u>	<u>Rating (Moody/S&amp;P)</u>
Mutual Funds			
DFA Emerging Markets – Core	3.82%	\$ 974,115	N/A
DFA Emerging Markets – Value	2.25%	573,280	N/A
DFA 5 Year Global-Fixed Income	9.36%	2,389,213	N/A
DFA International-Equity	7.21%	1,838,620	N/A
DFA International RE - Securities	2.43%	618,923	N/A
DFA International Small Cap - Portfolio	3.61%	921,843	N/A
DFA International Small Com - Portfolio	1.21%	306,313	N/A
DFA 1 Year Fixed-Income Portfolio	15.55%	3,967,826	N/A
DFA RE – Securities	3.68%	938,950	N/A
DFA 2 Year Global-Fixed Income Portfolio	6.22%	1,587,121	N/A
DFA US Core Equity 2-Portfolio	16.47%	4,202,230	N/A
DFA US Large Cap Value-Portfolio	7.95%	2,028,889	N/A
DFA US Vector Equity-Portfolio	11.54%	2,944,635	N/A
PLUS Fund-91 Day T-Bills	8.27%	2,109,199	N/A
Bond Funds	0.01%	3,318	N/A
Balanced Funds	0.22%	56,640	N/A
U.S. Stock	0.16%	41,846	N/A
International Stock	0.04%	10,604	
Pension Trust Fund Total		<u>\$ 25,513,565</u>	
Total Investments	<u>100 %</u>		

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**5. LONG-TERM AND SHORT-TERM OBLIGATIONS**

The Town issues general obligation bonds to provide funds for the acquisition of equipment, as well as construction and improvements to capital facilities. General obligation bonds have been issued for both general governmental and school department activities. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

Rhode Island general laws cap the amount of each municipality's general bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2007 was \$3,661,474,928, limiting the amount of nonexcepted general obligation bonds outstanding to \$109,844,247. At June 30, 2009, bonds outstanding totaled \$19,597,367.

In June 2009, the Town issued \$4,665,000 of general obligation refunding bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$4,275,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. This advance refunding was undertaken to reduce total debt service payment over the next 12 years by \$340,802 and resulted in an economic gain of \$201,035. As of June 30, 2009, the in-substance defeased bonds, which remain outstanding was \$4,275,000. Accordingly, the trust accounts and the defeased bonds are not included in the accompanying basic financial statements.

During 1996, general obligation bonds totaling \$7,564,998 were defeased by replacing from the issuance of new general obligation bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the accompanying basic financial statements.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**5. LONG-TERM AND SHORT-TERM OBLIGATIONS (Continued)**

The following is a summary of changes in long-term debt for the year ended June, 30, 2009.

Description of Purpose	Amount of Original Issue	Date of Issue	Rates	Date of Maturity	Balance, 6/30/2008	Additions	Retirements	Balance, 6/30/2009	Interest Paid	Amounts
										Due Within One Year
<b>General Long-Term Debt</b>										
<b>General obligation and revenue bonds:</b>										
Town and School refunding bond	\$7,695,000	4/1/1996	4.60-5.30%	9/15/2009	\$980,000		\$495,000	\$485,000	\$38,575	\$485,000
School improvements	9,240,000	12/7/2000	5.00-5.40%	11/1/2020	6,175,000		4,750,000	1,425,000	305,306	475,000
School improvements & computers	700,000	6/15/2004	4.09%	6/15/2009	140,000		140,000	-	4,295	-
Tax settlement bond	2,200,000	2/17/2004	2.25%-4.75%	2/15/2019	1,650,000		150,000	1,500,000	55,088	150,000
School improvements & computers	700,000	6/15/2005	4.20%	6/15/2010	280,000		140,000	140,000	10,290	140,000
Library land	450,000	9/27/2005	4.35%	9/15/2010	270,000		90,000	180,000	11,745	90,000
School computers	350,000	6/1/2006	4.35%	6/15/2011	210,000		70,000	140,000	8,566	70,000
Fire alarm system & dump trucks	124,000	6/1/2006	4.35%	6/15/2011	72,000		24,000	48,000	2,937	24,000
School improvements	350,000	6/27/2006	4.00-5.00%	4/1/2011	210,000		70,000	140,000	9,100	70,000
School gymnasium	3,500,000	6/27/2006	4.00-5.00%	4/1/2026	3,150,000		175,000	2,975,000	143,500	175,000
Road resurfacing	227,261	1/24/2007	4.40%	1/15/2012	181,600		45,400	136,200	7,661	45,400
School information technology	350,000	1/24/2007	4.50%	1/15/2012	280,000		70,000	210,000	11,812	70,000
Portsmouth Middle School sprinklers	1,900,000	5/16/2007	4.00-5.50%	4/1/2022	1,770,000		130,000	1,640,000	79,075	130,000
School improvements	350,000	5/17/2007	4.00-5.50%	4/1/2012	280,000		70,000	210,000	11,200	70,000
School improvements	350,000	5/17/2008	3.98%	3/17/2013	350,000		70,000	280,000	13,234	70,000
School improvements	344,836	5/17/2008	3.98%	3/17/2013	344,836		70,836	274,000	13,011	70,000
Town improvements	242,500	2/13/2009	3.51%	2/13/2014		\$242,500		242,500		50,500
Student Information Technology	350,000	2/13/2009	3.51%	2/13/2014		350,000		350,000		70,000
Town Building Repairs	350,000	8/7/2008	3.75-4.00%	5/15/2013		350,000	70,000	280,000	10,406	70,000
Town Building Repairs	350,000	8/7/2008	3.75-4.00%	5/15/2014		350,000		350,000	10,406	70,000
Portsmouth High School Sprinklers	1,100,000	8/7/2008	3.75-6.00%	5/15/2024		1,100,000		1,100,000	38,775	75,000
School Improvements	4,655,000	6/4/2009	2.00-5.00%	11/1/2020		4,665,000		4,665,000		75,000
Total governmental activity					16,343,436.00	7,057,500	6,630,236	16,770,700	784,982	2,544,900
Deferred amount for issuance premiums					52,627	92,571	9,210	135,988	-	23,200
<b>Total general long-term debt</b>					16,396,063	7,150,071	6,639,446	16,906,688	784,982	2,568,100

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**5. LONG-TERM AND SHORT-TERM OBLIGATIONS (Continued)**

Description of Purpose	Amount of Original Issue	Date of Issue	Rates	Date of Maturity	Balance, 6/30/2008	Additions	Retirements	Balance, 6/30/2009	Interest Paid	Amounts Due Within One Year
<b>Enterprise Funds Long-Term Debt</b>										
<b>General obligation bonds:</b>										
Wind Turbine Construction Project	2,600,000	11/4/2008	1.15%	12/15/2022		2,600,000	173,333	2,426,667	17,359	173,333
Wind Turbine Construction Project	400,000	9/4/2008	2.00%	7/15/2023		400,000		400,000	4,000	30,667
<b>Total enterprise fund long-term debt</b>						3,000,000	173,333	2,826,667	21,359	204,000
Compensated absences					1,924,681	33,889	4,525	1,954,045	-	-
Net OPEB Obligation					1,318,517	1,318,517		1,318,517		
<b>Total long-term obligations</b>					<b>\$18,320,744</b>	<b>\$11,502,477</b>	<b>\$6,817,304</b>	<b>\$23,005,917</b>	<b>\$806,341</b>	<b>\$2,772,100</b>

At June 30, 2009 the annual debt service requirements to maturity for general obligation and revenue bonds for general long-term debt are as follows:

FISCAL YEAR ENDING June 30,	GENERAL OBLIGATION	
	PRINCIPAL	INTEREST TOTAL
2010	\$ 2,544,900	\$ 624,298
2011	1,905,400	539,301
2012	1,651,400	462,009
2013	1,456,000	402,455
2014	1,238,000	355,244
2015	1,040,000	313,213
2016	1,025,000	277,938
2017	1,020,000	239,713
2018	1,010,000	200,455
2019	1,000,000	158,763
2020-2024	2,530,000	324,425
2025-2027	350,000	23,625
	<b>\$16,770,700</b>	<b>\$3,921,439</b>
		<b>\$ 20,692,139</b>

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**5. LONG-TERM AND SHORT-TERM OBLIGATIONS (Continued)**

At June 30, 2009 the annual debt service requirements to maturity for general obligation and revenue bonds for enterprise fund long-term debt are as follows:

<b>FISCAL YEAR ENDING June 30,</b>	<b>GENERAL OBLIGATION</b>		
	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2010	\$ 204,000	\$ 34,603	\$ 238,603
2011	199,714	32,039	231,753
2012	199,714	29,520	229,234
2013	199,714	26,998	226,712
2014	199,714	24,476	224,190
2015	199,714	21,956	221,670
2016	199,714	19,434	219,148
2017	199,714	16,913	216,627
2018	199,714	14,394	214,108
2019	199,714	11,872	211,586
2020-2024	825,241	22,541	847,782
	<u>\$2,826,667</u>	<u>\$254,746</u>	<u>\$ 3,081,413</u>

**6. LEASE REVENUE**

The Town receives lease rental payments for a communication tower. Future minimum rental payments to be received for the lease are as follow

<b>Fiscal Year Ending June 30,</b>	<b>Governmental Activities</b>
2010.....	\$65,845
2011.....	69,137
2012.....	72,594
2013.....	76,224
2014.....	<u>40,744</u>
Total.....	<u>\$324,544</u>

**7. RISK MANAGEMENT**

Through their operations, the Town and the School Department are exposed to various risks of loss related, but not limited to, torts, general liability, errors and omissions, property losses due to theft, damage, or destruction, and employee injuries, each of which is insured through a public entity risk pool. The Town and the School Department are also exposed to risk loss related to claims for unemployment, for which the Town and the School Department retain the risk of loss.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**7. RISK MANAGEMENT (Continued)**

The Town and the School Department are members of the Rhode Island Interlocal Risk Management Trust (the Trust), a nonprofit public entity risk pool which provides insurance coverage to participants in exchange for an annual premium and a pro-rata share of certain administrative expenses. Coverage is provided in accordance with each member's policy, subject to maximum insurable limits and deductibles, through a pooling of risks among participants, supplemented by commercial reinsurance for excess losses. Management believes the Trust's reserves to be adequate to meet all reported claims, as well as an estimate of potential claims for losses incurred but not reported. Accordingly, no accrual has been made for potential liabilities arising from risks once they have been transferred to the Trust. The Town and the School Department are members of the Governmental Health Group of Rhode Island, a joint purchasing group which provides health and dental insurance coverage to participants in exchange for a premium. There have been no significant reductions in insurance coverage during the year ended June 30, 2009.

**8. INTERFUND BALANCES**

The Town reports interfund balances between many of its funds. The totals of all balances agree with the sum of interfund balances presented in the fund statements.

Interfund receivables and payables are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
<b>General Fund</b>	\$ 509,985	\$ 30,992
<b>School Unrestricted Fund</b>	1,179,243	979,448
<b>Non-Major Governmental Funds</b>	1,134,374	1,753,601
<b>Proprietary School Lunch Fund</b>	187,521	218,492
<b>Proprietary Transfer Station Fund</b>	63,696	-
<b>Proprietary Wind Turbine Generator Fund</b>	51,997	144,283
<b>Total</b>	\$ <u>3,126,816</u>	\$ <u>3,126,816</u>

**9. NET ASSETS/FUND BALANCES**

The Government-Wide Financial Statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, restricted, and unrestricted.

***Invested in Capital Assets, Net of Related Debt***

This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**9. NET ASSETS/FUND BALANCES (Continued)**

***Restricted Net Assets***

This category presents external restrictions imposed by grantors or laws and regulations.

***Unrestricted Net Assets***

This category represents net assets of the Town, not restricted for any project or other purpose.

***Reserved for Encumbrances***

This category is intended to reserve the encumbrances outstanding at June 30, 2009.

**10. POST EMPLOYMENT HEALTH CARE BENEFITS**

**Other Post-Employment Benefits (OPEB) – Town Employees**

**Plan Description**

The Town maintains and administers a single-employer OPEB benefit plan that covers all Town employees. The plan provides health benefits to eligible retired Town employees and their beneficiaries. The plans provisions may be amended by the Town and the Trustees of the plan.

**Summary of Significant Accounting Policies and Plan Asset Matters**

**a. Basis of Accounting**

The OPEB activity is accounted for on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan. Administrating costs are generally financed through the Town's General Fund.

**b. Classes of Employees Covered**

As of July 1, 2008 (date of the last actuarial valuation) membership data was as follows:

Active employees	107
Inactive employees:	
Retirees	<u>32</u>
Total plan members	<u><u>139</u></u>

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – Town Employees (Continued)**

**Funding Policy**

The Town has not yet established a Trust to pre-fund OPEB liabilities. The amounts due for these benefits are funded on a pay as you go basis. The Town pays 100% of the cost of the individual health care and dental insurance for all retired eligible employees except for Public Works employees who contribute 20% of the medical and dental premiums. The Town pays the cost of the health care and dental insurance until the retired employee is eligible for Medicare benefits. Expenditures for the benefits described above for the year ended June 30, 2009 were \$462,590.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 1,569,039
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	1,569,039
Contributions made	<u>462,590</u>
Increase in net OPEB obligation	1,106,449
Net OPEB obligation - July 1, 2008	<u>0</u>
Net OPEB obligation - June 30, 2009	<u>\$ 1,106,449</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Asset/(Obligation)</u></b>
6/30/2009	\$1,569,039	30%	\$(1,106,449)

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – Town Employees (Continued)**

**Funded Status and Funding Progress**

The required supplementary information, which follows the notes to the financial statements, presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB – Town Employees with a valuation date of July 1, 2008, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ 13,026,759
Actuarial value of plan assets	<u>n/a</u>
Unfunded actuarial accrued liability (UAAL)	13,026,759
Funded ratio (actuarial value of plan assets/AAL)	n/a
Covered payroll (active plan members)	5,510,188
UAAL as a percentage of covered payroll	236.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

**Actuarial Methods and Assumptions**

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the July 1, 2008 actuarial valuation. Actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses). Only assets that have been contributed are considered available for liabilities for purposes of the valuation. The Town does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for healthcare cost trend is growth of 9.5% for 2008 and declining by .5% per year until 5% is reached for health care and 5% for 2008 and declining by .25% per year until 4% is reached for dental. The 5% and 4% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – School Department Employees**

**Plan Description**

The Town maintains and administers a single-employer OPEB benefit plan that covers all School Department employees with fifteen years of service. The plan provides health benefits and dental insurance benefits to eligible retired employees and their beneficiaries. The plan's provisions may be amended by the Portsmouth School Committee and the Trustees of the plan. The OPEB activity is accounted for in the School Unrestricted Fund in the Town's financial statements.

**Summary of Significant Accounting Policies and Plan Asset Matters**

**a. Basis of Accounting**

The OPEB activity is accounted for on the accrual basis of accounting. Contributions are recognized when they are due, pursuant to formal commitments and contractual requirements. Investment income is recognized when earned. Expenses (benefits and administration) are recognized when they are due and payable in accordance with terms of the plan. Administrative costs are generally financed through the School Unrestricted Fund.

**b. Classes of Employees Covered**

As of July 1, 2007 (date of the last actuarial valuation) membership data was as follows:

Active Employees	235
Inactive employees:	
Retirees	<u>70</u>
Total plan members	<u><u>305</u></u>

**Funding Policy**

The School Department has not yet established a Trust to pre-fund OPEB liabilities. The amounts due for these benefits are funded on a pay as you go basis. The School Department pays 100% of the cost of individual health care insurance and dental insurance benefits for all retired eligible employees for six years and an additional three years for qualifying certified teachers or until the employee reaches the age of 65.

The School Department funds post retirement benefits on a pay as you go basis. Expenditures for the benefits described above for the year ended June 30, 2009 were \$332,506.

If a retiree chooses to not participate in the medical plan, the retiree will receive a 50% reimbursement of the cost of a single coverage for a six year period. If a certified teacher qualifies for retirement under the Employment Retirement System of Rhode Island and chooses not to participate in the medical plan, the teacher will receive a one time benefit of \$4,500 in lieu of the three additional years of coverage.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – School Department Employees (Continued)**

**Summary of Significant Accounting Policies and Plan Asset Matters (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The Board of Education's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Annual required contribution	\$ 511,670
Interest on net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost (expense)	511,670
Contributions made	<u>299,602</u>
Increase in net OPEB obligation	212,068
Net OPEB obligation - July 1, 2008	<u>0</u>
Net OPEB obligation - June 30, 2009	<u>\$ 212,068</u>

The School Department's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

<b><u>Fiscal Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of Annual OPEB Cost Contributed</u></b>	<b><u>Net OPEB Asset/(Obligation)</u></b>
6/30/2009	\$511,670	59%	\$(212,068)

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – School Department Employees (Continued)**

**Funded Status and Funding Progress**

The required supplementary information, which follows 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. Listed below are the details of the funding progress of the OPEB with a valuation date of July 1, 2007, which is the most recent report available.

Actuarial accrued liability (AAL)	\$ 4,514,458
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>4,514,458</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	n/a
UAAL as a percentage of covered payroll	n/a

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

**Actuarial Methods and Assumptions**

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit cost method was used in the July 1, 2007 actuarial valuation. Only assets that have been contributed are considered available for liabilities for purposes of the valuation. The School does use other assets to pay the liabilities on a pay-as-you-go basis at the present time. The actuarial assumptions for healthcare cost trend is growth of 9.5% for 2009 and declining by .5% per year until 5% is reached for health care costs and 6.5% and declining .5% per year until 4% is reached for dental costs. The 5% growth is used on a go-forward basis. The UAAL will be amortized over a closed thirty year period.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**10. POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)**

**Other Post-Employment Benefits (OPEB) – School Department Employees (Continued)**

**Actuarial Methods and Assumptions (Continued)**

Medical costs are adjusted to reflect expected cost increases related to age. The increase in the net costs is assumed to be as follows:

Age	Annual Increase Retiree
45-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	.5%
90 and over	0.0%

**11. JOINT VENTURE**

The Town of Portsmouth and Portsmouth School Department participate in a joint venture entitled the Governmental Health Group of Rhode Island, Inc. (Group). The Group is a not-for-profit organization formed on July 1, 2005 to provide programs of health insurance coverage to Rhode Island cities, towns, and other governmental units. The Group is governed by a Board of Directors.

Upon joining the Group, members execute a member agreement. That document, pursuant to which the Group was established and operates, outlines the rights and responsibilities of both the members and the Group. Members of the Group participated in the Group's health insurance plan administered by Blue Cross Blue Shield of Rhode Island (BCBSRI).

Using the rate calculations prepared by BCBSRI, the Group sets annual contribution rates for the subscribers of each member for each program offered. The Group agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Group. The contributions of each member are deposited in the general fund, and are used to pay for claims, reinsurance and all administrative expenses. The Group agreement provides for an annual independent audit of its financial statements.

The Group agreement provides the Group's Board of Directors a discretionary, fully allocable assessment feature with respect to specified circumstances. After it has been a member of the Group for an initial three year period, a member may withdraw from the Group by providing the Group's Board of Directors with 90 days notice.

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**11. JOINT VENTURE (Continued)**

The Group generated \$89,514,236 in revenues, and net expenses of \$289,538 for the period ending June 30, 2009. The Group had \$13,869,273 in total assets, and \$5,731,174 in total equity as of June 30, 2009. The Group retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$450,000. As of June 30, 2009, the Group's membership consists of 15 cities and towns, 12 school districts and 3 other governmental unit. Separately audited financial statements are available at Governmental Health Group of Rhode Island, Inc. c/o Rhode Island Interlocal Risk Management Trust, 501 Wampanoag trail, Suite 301, East Providence, RI 02915.

**12. CONTINGENT LIABILITIES AND COMMITMENTS**

Pending or threatened lawsuits against municipal governments arise in the ordinary course of operations. Generally, in the opinion of the administration, the ultimate resolution of any legal actions will not result in a material loss to the Town. However, at June 30, 2009, there are several claims against the Town for which the Town's legal counsel is unable to determine the likelihood of an unfavorable outcome or the amount or range of potential loss.

Under the terms of federal and state grants, periodic compliance audits by the grantors or their representatives are required and, consequently, certain costs may be questioned as not being appropriate, and result in reimbursement to the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies could not be determined at this time. Town officials believe that such disallowances, if any would not be material.

State and federal laws and regulations required that the Town place a final cover on its landfill on Prudence Island and perform certain maintenance and monitoring functions at the site on an ongoing basis. The Rhode Island Department of Environmental Management (DEM) has issued notice that the Town, along with certain private parties, is a potential Responsible party to perform remediation of private land in Island Park that was the site of a town dump/landfill from the 1950s until the early 1970s, when it was closed pursuant to environmental regulations then applicable. The DEM has issued a notice of intent to enforce arising out of the alleged nonperformance of a remediation plan proposed, and to be performed, by the current owner of the property. Potential expenditures or contributions by the Town for remediation of the site are undetermined.

The School Department participates as part of the East Bay Collaborative for the school lunch program administered by the Compass Group, USA, Inc through its Chartwells Division under a contract which expired on June 30, 2009.

The School Department has as agreement with First Student to provide busing for the School Department based on the rate schedule specified in the agreement. The agreement expires June 30, 2010. Busing costs associated with this agreement totaled approximately \$1,528,139 for the year ended June 30, 2009.

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**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**13. PENSION PLANS**

**Town Retirement Plan**

***Plan Description***

The Town Retirement Plan is a single employer, contributory defined benefit pension plan which provides retirements, disability and death benefits to all full-time employees of the Town except School Department personnel certified by the Rhode Island Department of Education (Certified Employees) who are eligible to participate in the Employees' Retirements System of the State of Rhode Island. The Plan was established in accordance with the Town Charter and State statutes. The plan is reported as a Pension Trust Fund in the Town's financial statements. As of July 1, 2009, employee membership data for the Town Retirement Plan is as follows:

Active members.....	190
Retired members.....	80
Terminated with vesting.....	15
Disabled members.....	7
Beneficiaries of deceased members.....	<u>2</u>
Total.....	<u>294</u>

***Benefit Provisions and Contributions***

The following benefit provision and contribution requirements were established and may be amended by Town ordinance.

- Plan participation commences on the first day of month coinciding with or following the date of hire, if the employee chooses to participate in the Plan. Elected officials and certified employees of the School Department are not eligible to participate in the Plan.
- The normal retirement date for Police and Fire employees is upon completion of twenty years of credited service. The normal retirement date for Town Hall, School and Public Works employees is the later of age 60 or the completion of ten years of service.

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**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**13. PENSION PLANS (Continued)**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

- Any participant, who has attained his or her normal retirement date, as defined in the plan, is eligible for a normal retirement benefit. The monthly benefit payable upon normal retirement is based on average monthly salary multiplied by credited service as follows:

Police Employees	60% of average monthly earnings reduced prorated for service less than 20 years plus 2% for 5 additional years beyond 20 years to a maximum of 70%.
Fire Employees	60% of average monthly earnings prorated for service less than 20 years plus 2% for 7 additional years beyond 20 years to a maximum of 74%.
Town Hall Employees	60% of average monthly earnings prorated for service less than 20 years plus 2% for additional years beyond 20 years to a maximum of 74% except for PMEA employees whose normal benefit is 2.5% of average monthly earnings times years of credited services (maximum 27 years)
School Employees	2.5% of average monthly earnings multiplied by years of credited service and further prorated for service less than 20 years of service.
Public Works Employees	50% of average monthly earnings reduced prorated for less than 20 years of service. Employees who are age 60 with 20 years of services receive an additional 2.5% for each additional year beyond 20 and age 60 (maximum 67.5%) of average monthly salary multiplied by credited service.

Pension benefits are determined using the annual earnings averaged over the last three years for Town Hall union employees, the highest of the last three years earnings for Town Hall (non-union), Fire, Police and Public Works employees, and the average of the highest three years earnings for School employees.

School and Public Works employees who have reached age 55, have 20 years of service and are within 5 years of their normal retirement date may elect to retire early. The retirement benefit is the benefit accrued to the early retirement date reduced by the ratio of credited service at the early retirement divided by the number of years the employee would have had at the normal retirement date. Working beyond the normal retirement age is allowed by the applicable collective bargaining agreement if applicable fitness standards are met.

The Plan includes disability benefits for members who are totally disabled for 6 months. The benefit equals the benefit accrued to the date of disability reduced by the ratio of credited service at disability divided by the number of years the employee would have had at the normal retirement date. Police and Fire have a work-related disability pension which provides 72% of annual earnings for the date of the disability retirement. Police and Fire have an ordinary disability retirement at 50% of the average of the highest two consecutive years for police and three consecutive years for fire.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**13. PENSION PLANS (Continued)**

**Town Retirement Plan (Continued)**

***Benefit Provisions and Contributions (Continued)***

The pre-retirement death benefits are as follows:

Police, Fire, Public Works and Town Hall	30% of the final five year average earnings payable to the unmarried spouse plus 10% of the final five year average earnings payable to each minor child under 21 (maximum 50% of the final five year average earnings).
School	100% of Joint & Survivor benefit is payable to the spouse.

All employees with 10 years of credited service have a nonforfeitable right to the accrued benefit as of the date of termination of employment payable at their normal retirement date. Employees who do not meet the vesting requirements are paid their contributions plus 5% interest at termination.

Employees are required to contribute to the Plan as follows:

Fire employees	9% of earnings; Exception-the Fire Chiefs and the two Deputy Fire Chiefs contribute 5.5% of earnings.
Police employees	8% of earnings.
School employees	Employees hired on or after July 1, 1991 contribute 6% of earnings. Employees hired prior to July 1, 1991 contribute 2% of earnings.
Town Hall employees	No contributions required from employees hired prior to July 1, 1991. Employees hired on or after July 1, 1991 contribute 5% of earnings.
Public Works employees	Union employees are not required to make contributions. Management and nonunion employees contribute 5% of earnings.
Town Hall management	For employees hired on or after July 1, 2004 the 5.5% contributions will cease once the employee earns the maximum benefit.

The Town is required to contribute an amount determined in accordance with the actuarial valuation.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**13. PENSION PLANS (Continued)**

**Town Retirement Plan (Continued)**

***Actuarial methods and significant assumptions***

Basis of Accounting – The Town Retirement Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Method Used to Value Investments – Investments are reportable at fair value.

The Town's annual pension cost and net pension obligation to the Town Retirement Plan over the preceding three years are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual pension costs	\$ 2,346,316	\$ 2,088,317	\$ 1,671,713
Actual contribution	2,346,316	2,088,317	1,671,713
Net pension obligation	NONE	NONE	NONE
% of annual pensions costs contributed	100%	100%	100%

The annual required contribution was determined as part of an actuarial valuation as of July 1, 2007. Significant actuarial methods and assumptions are as follows:

***Actuarial Cost Method***

The entry age normal actuarial cost method has been used to determine both the actuarial accrued liabilities and annual required contributions to the Plan. Under this method, the normal cost is the amount calculated to be the level percentage of pay necessary to fund the prospective benefits from each employee's entry age to retirement age. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the valuation assets.

***Asset Valuation Method***

Pension assets are valued at their fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets and annual requirement contributions for the Plan were performed annually through June 30, 2007.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**13. PENSION PLANS (Continued)**

**Town Retirement Plan (Continued)**

***Assumptions***

1. Mortality	RP2000 Combined Healthy Table
2. Interest Rate	8.00% per annum
3. Salary increases	Projected 4% increase per year
4. Disability	100 % (school, public works and town) and 160% (fire and police)
5. Cost of Living Adjustments	1.7%~3.0%

***Funded Status of Plan***

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing and decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of with a valuation dated of July 1, 2009 which is the most recent report available from the State who administers this plan:

Actuarial Value of Asset	\$	31,609,237
Actuarial Accrued Liability (AAL)	\$	51,284,315
Unfunded AAL (UAAL)	\$	(19,675,078)
Funded Ratio		61.6%
Covered Payroll	\$	8,596,994
UAAL as a percentage of covered payroll		228.9%

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employees and management) and include the type of benefit provided at the time of each valuation. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**13. PENSION PLANS (Continued)**

**Employees' Retirement System of the State of Rhode Island ('ERS')**

***Plan Description***

All full-time teachers, including superintendents, principals, school nurses and certain other school officials in the School Department are considered Certified Employees and are eligible to participate in the ERS, a cost-sharing multiple-employer public retirement system. ERS provides retirement, death and disability and health care benefits, all of which are established by State Statute. ERS issues a publicly available financial statement that includes the financial statements and required supplementary information for ERS. That report may be obtained from the Employees' Retirement System of Rhode Island, 40 Fountain Street, Providence, RI 02903, or by accessing their website at [www.ersri.org](http://www.ersri.org).

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

**Schedule A Benefits:** Classified employees who retire at or after age 60 with 10 years of credited service on or before July 1, 2005, or at any age with 28 years of credited service are entitled to a retirement benefit payable for life. The retirement benefit is a percentage of the final average salary per year of credited service with a maximum benefit of 80% of "final average" salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pays. The retirement benefit is equal to 1.7 percent of their final average salary for each year of credited service up to 10 years, plus 1.9 percent of their final average salary in excess of 10 years through 20 years, plus 3.0 percent of their final average salary in excess of 20 years up to the 34<sup>th</sup> year of service, plus 2.0 percent of their final average salary for the 35<sup>th</sup> year. The percentage accrual a Schedule A member has earned as of September 30, 2009 will be frozen. Future accruals will be earned under Schedule B. The members' benefit will be based on the sum of credits, multiplied by his/her Final Average Salary.

**Schedule B Benefits:** Classified employees who were hired after July 1, 2005, or current employees with less than 10 years of contributory services on or before July 1, 2005, who attain at least 10 years of credited service, will become entitled to a retirement benefit payable monthly for life. The retirement benefit is a percentage of the final average salary per year of credited service with a maximum benefit of 75% of "final average" salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pays. The unreduced retirement benefit becomes available at age 65 and 10 years of service; actuarially reduced retirement benefits become available at age 55 and 20 years of service. The retirement benefit is equal to 1.6 percent of their final average salary for each year of credited service up to 10 years, plus 1.8 percent of their final average salary in excess of 10 years through 20 years, plus 2.0 percent of their final average salary in excess of 20 years through 25 year of service, plus 2.25 percent of their final average salary in excess of 26 years through 30 years of service, plus 2.5% of their final average salary of 31 years of service through the 37<sup>th</sup> year. The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefit and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2008 which can be found at [www.ersri.org](http://www.ersri.org).

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**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**13. PENSION PLANS (Continued)**

**Employees' Retirement System of the State of Rhode Island (Continued)**

Rhode General Laws set the contribution rates for participating State employees at 9.5% of salary. Annual contributions by both employees and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. Plan members are required by State statute to contribute 9.5% of their salary. The School Department contributions are based on a percentage of annual compensation of active members, half of which is payable by the State of Rhode Island. The School Departments contributions made for the years ended June 30, 2009, 2008, 2007 are listed under contributions below and were equal to the required contributions for each year. The employer contribution rates for ERS are determined actuarially. Separate rates are determined for State Employees and for Teachers. Due to the adoption of Article 7 SUB A, the rates from this valuation will be effective for the three year period beginning July 1, 2008 and ending June 30, 2011. The rate consists of two pieces: the normal cost rate and the amortized rate. The normal cost rate is the Employer's Entry Age normal cost, expressed as a percentage of pay.

The amortized rate is the contribution required to amortize the unfunded actuarial liability over 21 years as a level percent of pay. For the Teachers, the State of Rhode Island pay 40% of the rate, adjusted so that the State pays the entire amortization charge for the 1990/91 and 1991/92 deferrals, and the town employing the Teacher pays the balance. The School Department was required to contribute 14.86%, 13.04% and 11.62% for all full-time employees for the fiscal years 2009, 2008 and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability.

A variety of significant actuarial assumptions are used and these assumptions are summarized below:

- A. Mortality - 1994 Group Annuity Mortality Table with mortality for disabled persons set equal to the age 65 under the PBGC Table.
- B. Investment return - 8.25%, compounded annually.
- C. Salary increase – Salaries will increase at a rate of 4.25% – 13.25%, compounded annually
- D. Retirement age - Teachers are assumed to retire at the later of age 61 or completion of the service requirements. Article 7 establishes a minimum retirement age of 62 for all future hires, but this age must not be less than under prior law.
- E. Cost of living adjustments – 3.0% compounded annually beginning on the January 1st following a participant's third anniversary of retirement.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2009, actuarial required contributions were 25.03% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 10.17% of non-federally reimbursable payrolls totaling \$16,765,705 for the year ended June 30, 2009, which has been included as revenues and expenditures in the School Department's unrestricted fund. The School Department contributed the remaining 14.86% of the required 25.03%.

(CONTINUED)

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**13. PENSION PLANS (Continued)**

**Employees' Retirement System of the State of Rhode Island (Continued)**

The School Department does not have any investments or related party investments with the State Plan.

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the Town has determined that there is and has been no net pension obligation related to the Plan.

**Contributions**

The School Department's required contributions and actual contributions made for the years ended June 30, 2009, 2008, and 2007 were as follows:

<u>FISCAL YEAR ENDED</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>	<u>ACTUAL CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTION</u>
6/30/2007	\$ 1,894,000	\$ 1,894,000	100%
6/30/2008	2,218,021	2,218,021	100%
6/30/2009	1,707,253	1,707,253	100%

**Defined Contribution Pension Plan**

The Town of Portsmouth has adopted a defined contribution money purchase plan for all full time NAGE local 280, PMEA local 871 members and non-union employees. The required contribution for the Town and participants are 1.75% earnings and 3.00% earnings, respectively. During fiscal year 2009, contributions made under this plan by participants and employer were \$99,701 and \$36,062, respectively.

**Plan Description**

The defined contribution money purchase plan provides funds to its participants' retirement, and to provide funds for their Beneficiaries in the event of death. The benefits provided in this Plan shall be paid from the Trust. For purposes of determining an Employee's initial or continued eligibility to participate in the Plan or the Nonforfeitable interest in the Participant's Account balance derived from employer contributions, an employee will receive credit for the aggregate of all time period(s) commencing with the employee's first day of employment or reemployment and ending on a break in service. The first day of employment or reemployment is the first day the employee performs an hour of service. An employee will also receive credit for any period of severance of less than twelve consecutive months.

- A. Plan Administrator – The ICMA Retirement Corporation
- B. Plan Year- The twelve consecutive month period designated by the Town
- C. Trust- The Trust created under Article VI of the Plan which shall consist of all of the assets of the Plan derived from Employer and Participant contributions under the Plan, plus any income and gains thereon, less any losses, expenses and distribution to Participants and Beneficiaries.

**14. RESTATEMENT**

Net Assets for Governmental activities at June 30, 2008 have been restated for the prior year omission of capital assets which increase net assets by \$124,256.

(CONCLUDED)

# Required Supplementary Information

**TOWN OF PORTSMOUTH, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUE AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)  
BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2009**

	Original Budget	Appropriation Transfers and Additions	Final Budget	Actual	Encumbrances Carried Over	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Property taxes	\$ 40,033,228	\$ -	\$ 40,033,228	\$ 40,056,964	\$ -	\$ 23,736
Intergovernmental revenue	3,053,514	-	3,053,514	2,783,263	-	(270,251)
Licenses, permits and fees	1,284,000	-	1,284,000	693,257	-	(590,743)
Fines & forfeitures	191,200	-	191,200	246,211	-	55,011
Earnings on investments	100,000	-	100,000	39,188	-	(60,812)
Other revenues	1,368,155	-	1,368,155	1,505,738	-	137,583
<b>Total revenues</b>	<b>46,030,097</b>	<b>-</b>	<b>46,030,097</b>	<b>45,324,621</b>	<b>-</b>	<b>(705,476)</b>
<b>Expenditures</b>						
Current:						
General government	4,209,143	(71,421)	4,137,722	3,842,015	26,434	269,273
Public safety	8,193,866	29,000	8,222,866	8,027,469	2,701	192,696
Public works	2,292,709	13,893	2,306,602	2,248,303	-	58,299
Community services:						
Recreation, parks and grounds	605,367	5,309	610,676	557,598	1,043	52,035
Public and social services	575,520	(5,307)	570,213	564,522	-	5,691
Debt Service	3,247,986	(11,471)	3,236,515	3,166,986	-	69,529
<b>Total expenditures</b>	<b>19,124,591</b>	<b>(39,997)</b>	<b>19,084,594</b>	<b>18,406,893</b>	<b>30,178</b>	<b>647,523</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>26,905,506</b>	<b>39,997</b>	<b>26,945,503</b>	<b>26,917,728</b>	<b>(30,178)</b>	<b>(57,953)</b>
<b>Other financing sources (uses) transfer between funds</b>	<b>(26,905,506)</b>	<b>(39,997)</b>	<b>(26,945,503)</b>	<b>(27,094,457)</b>		<b>(148,954)</b>
<b>Total other financing sources (uses)</b>	<b>(26,905,506)</b>	<b>(39,997)</b>	<b>(26,945,503)</b>	<b>(27,094,457)</b>	<b>-</b>	<b>(148,954)</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(176,729)</b>	<b>(30,178)</b>	<b>(206,907)</b>

TOWN OF PORTSMOUTH, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUE AND EXPENDITURES (NON-GAAP BUDGETARY BASIS)  
 BUDGET AND ACTUAL - SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual	Encumbrances Carried Over	Variance Favorable (Unfavorable)
<b>Revenues</b>					
Intergovernmental revenue	\$ 6,691,225	\$ 6,691,225	\$ 5,988,997	\$ -	\$ (702,228)
State Fiscal Stabilization Funds	213,687	213,687	213,687	-	-
Other revenues	1,250,574	1,250,574	1,058,189	-	(192,385)
<b>Total revenues</b>	<b>8,155,486</b>	<b>8,155,486</b>	<b>7,260,873</b>	<b>-</b>	<b>(894,613)</b>
<b>Expenditures</b>					
Education	34,956,757	34,956,757	34,093,848	242,395	620,514
<b>Total expenditures</b>	<b>34,956,757</b>	<b>34,956,757</b>	<b>34,093,848</b>	<b>242,395</b>	<b>620,514</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(26,801,271)</b>	<b>(26,801,271)</b>	<b>(26,832,975)</b>	<b>(242,395)</b>	<b>(274,099)</b>
<b>Other financing sources (uses):</b>					
Transfer from General Fund	26,801,271	26,801,271	26,801,271	-	-
Transfer to school restricted funds	-	-	-	-	-
Transfer from school restricted funds	-	-	-	-	-
Transfer from prior year encumbrance	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>26,801,271</b>	<b>26,801,271</b>	<b>26,801,271</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (31,704)</b>	<b>\$ (242,395)</b>	<b>\$ (274,099)</b>

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Notes to Combining Statement of Revenues and Expenditures-Budget  
(Non-GAAP Budgetary Basis) Actual**

**Year Ended June 30, 2009**

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***Budgetary-GAAP Reporting Reconciliation***

In accordance with Town's Home Rule Charter, the Town Administrator must present to the Town Council a recommended annual budget for the operations of all municipal departments no later than 90 days prior to the commencement of each fiscal year. The recommended budget must include the School Department's annual budget as approved by the School Committee. A final budget must be adopted by the Town Council by June 30<sup>th</sup>.

Budgets are adopted for the General Fund and the School Department's unrestricted fund (a special revenue fund) on a legally enacted budgetary basis which differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis of accounting, except that budgetary expenditures include encumbrances in the year incurring the commitment to purchase, and budgetary revenues include subsidies from fund balance previously recognized under U.S. GAAP.

Encumbrances are not liabilities and, therefore, are not recognized as expenditures under U.S. GAAP until receipt of materials or services. For budgetary purposes, unencumbered and unexpended appropriations lapse at year end and outstanding encumbrances are included in the budgetary expenditures in the year committed. The Town reserves a portion of fund balance in the governmental fund financial statements equal to outstanding encumbrances at year end.

***Budgetary Compliance:***

Municipal budgetary control is legally enforceable at the department level. An appropriation transfer between departments and intra-departmental transfers of municipal appropriations require approval of the Town Council. School Department budgetary control is legally enforced only at the Unrestricted Fund Level; inter-departmental transfers may be made without School Committee approval. In addition to limits enforced by the budget, the Town's Home Rule Charter further restricts municipal expenditures relative to budgeted revenues.

There were no municipal department expenditures that exceeded appropriations (after approved transfers) for the year ended June 30, 2009.

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(CONCLUDED)

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Contributory Pension Plan**

**Schedule of Funding Progress**

**Year Ended June 30, 2009**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability -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)
1/1/1999	\$11,604,444	\$ 14,874,442	\$ 3,269,998	78.0%	\$ 5,431,775	60.2%
1/1/2000	13,366,941	16,682,652	3,315,711	80.1%	5,656,718	58.6%
1/1/2001	14,764,504	20,772,711	6,008,207	71.1%	6,121,015	98.2%
1/1/2002	15,775,149	22,798,424	7,023,275	69.2%	6,347,972	110.6%
1/1/2003	15,770,989	24,582,923	8,811,934	64.2%	6,619,388	133.1%
1/1/2004	19,407,779	28,684,523	9,276,744	67.7%	6,696,215	138.5%
1/1/2005	22,451,034	33,089,944	10,638,910	67.8%	6,732,372	158.0%
7/1/2006	25,129,703	38,459,122	13,329,419	65.3%	7,767,018	171.6%
7/1/2007	27,628,308	43,087,640	15,459,332	64.1%	7,958,303	194.3%
7/1/2008	30,441,304	47,736,361	17,295,057	63.8%	8,221,692	210.4%
7/1/2009	31,609,237	51,284,315	19,675,078	61.6%	8,596,994	228.9%

(CONTINUED)

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Contributory Pension Plan**

**Schedule of Funding Progress**

***Year Ended June 30, 2009***

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**Schedule of Employer Contribution**

Actuarial Valuation Date	Required Contribution	Actual Contribution	Percent of ARC Contributed
1/1/1999	\$ 802,090	\$ 831,195	103.63%
1/1/2000	799,190	801,401	101.53%
1/1/2001	1,088,547	1,088,547	100.00%
1/1/2002	1,162,063	1,162,063	100.00%
1/1/2003	1,292,432	1,292,432	100.00%
1/1/2004	1,370,682	1,370,682	100.00%
1/1/2005	1,552,168	1,552,168	100.00%
7/1/2006	1,671,713	1,671,713	100.00%
7/1/2007	2,088,317	2,088,317	100.00%
7/1/2008	2,346,316	2,346,316	100.00%

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(CONTINUED)

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Contributory Pension Plan**

**Schedule of Funding Progress**

***Year Ended June 30, 2009***

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The information presented in the required supplementary schedule was determined as part of the annual actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Valuation date	July 1, 2009
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage-closed
Remaining amortization period	21 years
Asset valuation method	Market with gain/loss recognition over five years
Actuarial assumptions:	
Investment rate of return	8.0% per annum
Projected salary increase	4.0% per annum
Cost-of- living adjustments	Public works employees -2.0% Fire employees (retired before 6/30/2007) - 2.0% Fire employees (retired after 6/30/2007) - 3.0% Police employees - 3.0% Town hall employees - 2.0% School management and Non-Certified employees - 1.7 % Town management (retired before 7/1/2004) - 2.0% Town management (retired after 7/1/2004) - 3.0%
Assumed Retirement Age	Employees are assumed to retire as follows: Fire - 100% at 27 years of service Police - 50% at 25 years of service and the remainder at 27 years of service Town and Public Works - 100% at the later of age 60 or 10 years of service School (Council #94) - 50% on completion of age 55 and 20 years of services, 100% at age 60 with 10 years and 5% between age 56-59 School (Non-Council #94) - 100% on completion of age 60 with 10 years of services Any employee who has already passed the Assumed Retirement Age is assumed to retire immediately

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(CONTINUED)

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Other Post Employment Benefits**

**Schedule of Funding Progress**

***Year Ended June 30, 2009***

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a percentage Of Covered Payroll ((b-a)/c)</u>
Municipal employees 7/1/2008	N/A	\$13,026,759	\$13,026,759	N/A	\$5,510,188	236.4%
School employees 7/1/2007	0	4,514,458	4,514,458	N/A	N/A	N/A

(CONTINUED)

**TOWN OF PORTSMOUTH**

**Required Supplementary Information**

**Other Post Employment Benefits**

**Schedule of Funding Progress**

***Year Ended June 30, 2009***

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<u>Actuarial Valuation Date</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent of ARC Contributed</u>
Municipal employees 6/30/2009	\$1,569,039	\$462,590	29.5%
School employees	511,670	299,602	58.5%

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## Other Supplementary Information

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**TOWN OF PORTSMOUTH**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2009**

<b>ASSETS</b>	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
Cash, cash equivalents and investments	\$ -	\$ 1,094,136	\$ 142,467	\$ 1,236,603
Accounts receivable	311,421	-	-	311,421
Other receivables	3,134	-	-	3,134
Due from federal and state governments	327,481	-	-	327,481
Due from other funds	903,035	231,339	-	1,134,374
<b>TOTAL ASSETS</b>	<b>\$ 1,545,071</b>	<b>\$ 1,325,475</b>	<b>\$ 142,467</b>	<b>\$ 3,013,013</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 37,149	\$ 287,480	\$ -	\$ 324,629
Due to other funds	1,309,729	443,872	-	1,753,601
Deferred revenue	215,235	-	-	215,235
<b>TOTAL LIABILITIES</b>	<b>1,562,113</b>	<b>731,352</b>	<b>-</b>	<b>2,293,465</b>
<b>FUND BALANCE</b>				
<b>Reserved for:</b>				
Perpetual care and other	-	-	4,821	4,821
<b>Unreserved for:</b>				
Special revenue funds	(82,855)	-	-	(82,855)
School restricted funds	65,813	-	-	65,813
Capital project funds	-	594,123	-	594,123
Permanent funds	-	-	137,646	137,646
<b>TOTAL FUND BALANCE</b>	<b>(17,042)</b>	<b>594,123</b>	<b>142,467</b>	<b>719,548</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,545,071</b>	<b>\$ 1,325,475</b>	<b>\$ 142,467</b>	<b>\$ 3,013,013</b>

**Combining Statment of Revenues other Financing Sources, Expenditures and other Financing Uses and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended June 30, 2009**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Permanent Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES:</b>				
State aid and grants (Intergovernmental)	\$ 1,876,851	\$ -	\$ -	\$ 1,876,851
Charges for services	127,059	-	-	127,059
Impact aid	199,692	-	-	199,692
Investment and interest income	-	106	2,545	2,651
Contributions and private grants	21,818	-	-	21,818
Other revenue	1,349	-	-	1,349
<b>TOTAL REVENUES</b>	<u>2,226,769</u>	<u>106</u>	<u>2,545</u>	<u>2,229,420</u>
<b>EXPENDITURES:</b>				
Current:				
General government	81,649	-	-	81,649
Public safety	249,790	-	-	249,790
Public works	142,250	-	-	142,250
Education	2,061,499	-	-	2,061,499
Community services	231,318	-	-	231,318
Capital expenditures	-	3,510,709	-	3,510,709
Debt issuance costs	-	133,176	-	133,176
Park & recreation	1,325	123,306	-	124,631
<b>TOTAL EXPENDITURES</b>	<u>2,767,831</u>	<u>3,767,191</u>	<u>-</u>	<u>6,535,022</u>
<b>Excess of revenue over(under) expenditures before transfers</b>	<u>(541,062)</u>	<u>(3,767,085)</u>	<u>2,545</u>	<u>(4,305,602)</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	-	800,000	-	800,000
Transfers to other funds	-	(774,272)	-	(774,272)
Transfers to refunding bond trust	-	(4,615,802)	-	(4,615,802)
Bond Proceeds	-	7,057,500	-	7,057,500
Bond premiums	-	92,572	-	92,572
<b>Net other financing sources (uses)</b>	<u>-</u>	<u>2,559,998</u>	<u>-</u>	<u>2,559,998</u>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<u>(541,062)</u>	<u>(1,207,087)</u>	<u>2,545</u>	<u>(1,745,604)</u>
<b>FUND BALANCES, BEGINING OF YEAR</b>	524,020	1,801,210	139,922	2,465,152
<b>FUND BALANCES, ENDING OF YEAR</b>	<u>\$ (17,042)</u>	<u>\$ 594,123</u>	<u>\$ 142,467</u>	<u>\$ 719,548</u>

**TOWN OF PORTSMOUTH**  
**Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended June 30, 2009**

Town Activity Funds	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Soil Agency Fund</u></b>				
<b>ASSET</b>				
Account Receivable	\$ 8,450	\$ -	\$ 8,450	\$ -
Letters of Credit	-	9,100	-	9,100
Due from other funds	291,915	52,357	130,960	213,312
<b>ASSET</b>	<b>\$ 300,365</b>	<b>\$ 61,457</b>	<b>\$ 139,410</b>	<b>\$ 222,412</b>
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 300,365	\$ 61,457	\$ 139,410	\$ 222,412
<b><u>Library State Aid</u></b>				
<b>ASSET</b>				
Due from other fund	\$ -	\$ 103,587	\$ 103,587	\$ -
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ -	\$ 103,587	\$ 103,587	\$ -
<b><u>GMH Deposit Agency Fund</u></b>				
<b>ASSET</b>				
Account receivable	\$ 2,000	\$ -	\$ 2,000	\$ -
Due from other funds	24,000	36,116	40,616	19,500
<b>ASSET</b>	<b>\$ 26,000</b>	<b>\$ 36,116</b>	<b>\$ 42,616</b>	<b>\$ 19,500</b>
<b>LIABILITY</b>				
Account payable	\$ -	\$ -	\$ -	\$ -
Deposits Held in Custody for Others	26,000	36,116	42,616	19,500
<b>LIABILITY</b>	<b>\$ 26,000</b>	<b>\$ 36,116</b>	<b>\$ 42,616</b>	<b>\$ 19,500</b>
<b><u>Drago Road Bond Agency Fund</u></b>				
<b>ASSET</b>				
Cash and cash equivalents	\$ 3,596	\$ 5	\$ -	\$ 3,601
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 3,596	\$ 5	\$ -	\$ 3,601
<b><u>Glen Park Damage Deposit</u></b>				
<b>ASSET</b>				
Due from other funds	\$ 1,150	\$ 2,350	\$ 2,600	\$ 900
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 1,150	\$ 2,350	\$ 2,600	\$ 900
<b>ASSET</b>				
Cash	\$ 3,596	\$ 5	\$ -	\$ 3,601
Account receivables	10,450	-	10,450	-
Letters of Credit	-	9,100	-	9,100
Due from other funds	317,065	194,410	277,763	233,712
<b>TOTAL ASSETS</b>	<b>\$ 331,111</b>	<b>\$ 203,515</b>	<b>\$ 288,213</b>	<b>\$ 246,413</b>
<b>LIABILITY</b>				
Deposits Held in Custody for Others	\$ 331,111	\$ 203,515	\$ 288,213	\$ 246,413
<b>TOTAL LIABILITIES</b>	<b>\$ 331,111</b>	<b>\$ 203,515</b>	<b>\$ 288,213</b>	<b>\$ 246,413</b>

**TOWN OF PORTSMOUTH**

**Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2009**

**School Activity Funds**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b><u>Elmhurst</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 14,323	\$ 26,041	\$ 27,277	\$ 13,087
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 14,323	\$ 26,041	\$ 27,277	\$ 13,087
<b><u>Hathaway</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 6,396	\$ 8,391	\$ 13,824	\$ 963
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 6,396	\$ 8,285	\$ 13,718	\$ 963
<b><u>Melville</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 7,490	\$ 15,163	\$ 15,690	\$ 6,963
Citizens Bank Savings	2,891	-	-	2,891
	<u>\$ 10,381</u>	<u>\$ 15,163</u>	<u>\$ 15,690</u>	<u>\$ 9,854</u>
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 10,381	\$ 15,163	\$ 15,690	\$ 9,854
<b><u>PMS</u></b>				
<b><u>ASSETS</u></b>				
Citizens Bank Checking	\$ 33,846	\$ 106,881	\$ 117,817	\$ 22,910
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 33,846	\$ 106,881	\$ 117,817	\$ 22,910
<b><u>PHS</u></b>				
<b><u>ASSETS</u></b>				
PHS CD	\$ -	\$ 50,000		\$ 50,000
Citizens Bank Checking	137,895	459,015	\$ 443,958	152,952
Citizens Bank Savings	3,961	4	-	3,965
	<u>\$ 141,856</u>	<u>\$ 509,019</u>	<u>\$ 443,958</u>	<u>\$ 206,917</u>
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 141,856	\$ 509,019	\$ 443,958	\$ 206,917

**TOWN OF PORTSMOUTH**

**Statement of Changes in Assets and Liabilities  
Agency Funds  
For the year ended June 30, 2009**

**School Activity Funds**

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>TOTAL SCHOOL ACTIVITY AGENCY FUNDS</u></b>				
<b><u>ASSET</u></b>				
Cash	\$ 206,802	\$ 665,495	\$ 618,566	\$ 253,731
<b>TOTAL ASSETS</b>	<b>\$ 206,802</b>	<b>\$ 665,495</b>	<b>\$ 618,566</b>	<b>\$ 253,731</b>
<b><u>LIABILITIES</u></b>				
Deposits Held in Custody for Others	\$ 206,802	\$ 665,495	\$ 618,566	\$ 253,731
<b>TOTAL LIABILITIES</b>	<b>\$ 206,802</b>	<b>\$ 665,495</b>	<b>\$ 618,566</b>	<b>\$ 253,731</b>

Town of Portsmouth

**SCHEDULE OF PROPERTY TAXES RECEIVABLE  
YEAR ENDED JUNE 30, 2009**

Tax Roll Year	Balance Uncollected July 1, 2008	2009 Assessment	Additions	Abate-ments & Adjust-ments	Current Year Collections	Refunds	Balance June 30, 2009
2008	-	40,361,114	72,662	80,328	38,685,261	42,885	\$ 1,711,072
2007	1,120,326	-	1,126	1,225	1,044,950	703	75,980
2006	72,784	-	1,138	1,133	47,533	210	25,466
2005	27,087	-	1,160	1,158	5,205	309	22,193
2004	18,036	-	850	850	3,406	-	14,630
2003	18,194	-	1,073	1,072	2,101	210	16,304
2002	16,779	-	376	526	2,008	-	14,621
2001	52,749	-	-	(2)	1,668	-	51,083
2000	39,749	-	-	0	1,611	-	38,138
1999	30,835	-	-	2	1,645	-	29,188
1998	50,668	-	-	(2)	1,709	-	48,961
1997	47,633	-	-	47,446	187	-	-
<b>Total</b>	<b>\$ 1,494,840</b>	<b>\$ 40,361,114</b>	<b>\$ 78,385</b>	<b>\$ 133,736</b>	<b>\$ 39,797,284</b>	<b>\$ 44,317</b>	<b>\$ 2,047,636</b>
Less: Allowance for Uncollectible accounts	(460,470)						(489,548)
<b>Net</b>	<b>\$ 1,034,370</b>						<b>\$ 1,558,088</b>

**Schedule of property valuation assessed as of December 31, 2007:**

	Valuation	Levy
Real property	\$ 3,679,594,000	\$ 40,380,382
Motor vehicles	148,314,618	1,075,565
Tangible personal property	64,407,673	819,934
<b>Total</b>	<b>3,892,316,291</b>	<b>42,275,881</b>
Less: Exemptions and motor vehicle phase out		
Real property	(140,042,275)	-
Motor vehicles	(90,797,611)	-
Tangible personal property	(1,476)	-
<b>Total</b>	<b>\$ 3,661,474,929</b>	<b>\$ 42,275,881</b>