

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

*For the Year Ended June 30, 2021*

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# Introduction Section

Transmittal Letter

Organization Chart

Elected Official

Prior Year Certificate of Achievement  
for Excellence in Financial Report



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Portsmouth  
Rhode Island**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morill*

Executive Director/CEO

*There are 2 auditors reports included in the Town's annual comprehensive financial report:*

- On page 10 – is our independent auditors' report – here we opine that your financial statements present fairly in all material respects the financial position of the town.
- On page 187– we report on the Town's internal controls over financial reporting as well as compliance with laws & regulations.

*In both reports the Town received an unmodified report*

*and received no findings*

# Independent Auditors' Report

## ***Independent Auditors' Report (Beginning on page 10)***

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

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

# Independent Auditors' Report

## *Auditors' Responsibility*

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

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

# Independent Auditors' Report

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Portsmouth, Rhode Island, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

During the year ended June 30, 2021, the Town adopted Government Accounting Standards Board (GASB) Statement No. 84 "Fiduciary Activities." As discussed in Note 17 to the financial statements, net position as of June 30, 2020 for the fiduciary activities was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

# Independent Auditors' Report

## *Other Information*

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 supplementary Combining Financial Statements, Tax Collector's Annual Report and Annual Supplemental Transparency Report (MTP2) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary Combining Financial Statements, Tax Collector's Annual Report, and Annual Supplemental Transparency Report (MTP2) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion Combining Financial Statements, Tax Collector's Annual Report and Annual Supplemental Transparency Report (MTP2) are fairly stated in all material respects in relation to the basic financial statements as a whole.

# Independent Auditors' Report

*The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.*

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2021, 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 solely 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 effectiveness of the Town of Portsmouth, Rhode Island's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Portsmouth, Rhode Island's internal control over financial reporting and compliance.

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

***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (Included on page 187)***

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

We have audited, in accordance with the 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, the financial statements of the Town of Portsmouth, Rhode Island (Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 31, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

## Management's Discussion (Starts on page 13)

As management of the Town offers the readers of the Town's financial statements the narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2021 referred to as the Management Discussion and Analysis. (MD&A).

We encourage the everyone to consider the information presented here in the MD&A with the letter of transmittal on pages 2-4 of the financial report as well as the Town's basic financial statements.

The MD&A in addition to the overview, contains condense financial information, capital and debt administration as well as economic factors that may affect future years.

# Government -Wide Financial Statements

Pages 17 & 19

## Financial Highlights

***These statements are presented on the Accrual Basis of Accounting and are reconciled to the governmental fund statements on pages 26 and 28 of the financial statements:***

Net position serves over time as a useful indicator of a government's financial position. In the case of the Town, the net position is \$(54,780,097) as of June 30, 2021, consisting of \$(55,145,499) from governmental activities and \$365,402 from business-type activities.

For the fiscal year ended June 30, 2021, \$(85,843,448) of the total \$(54,780,097) in the net position is unrestricted.

Net investment in capital assets comprises \$27,776,769 of net position at June 30, 2021, respectively. This category reflects the total net investment in capital assets (vehicles, equipment, etc.) net of any related debt used to acquire capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources since the capital asset cannot be used to liquidate these liabilities.

The second category of net position, restricted net position, represents net position that is subject to external restriction on how it may be used (i.e., special revenue funds, capital project funds and recycling). Restricted net position as of June 30, 2021, totaled \$3,286,582.

### **Government-wide Financial Analysis (continued)**

The current and other assets are \$20,761,713 at June 30, 2021. Of that balance \$20,398,248 is from governmental activities and \$363,465 is from business-type activities.

The current liabilities are \$4,775,519 at the end of fiscal year 2021. Of that balance, \$4,518,882 is from governmental activities and \$256,637 is from business-type activities. The total current liabilities consist of \$1,873,281 of accounts and other short-term payables, \$2,423,571 of related to the portion of the borrowings due in the next year, and \$478,667 of other liabilities.

The long-term liabilities are \$112,489,689 at June 30, 2021. Of that balance \$112,168,831 is from governmental activities and \$320,858 is from business-type activities. The total long-term liabilities consist of \$2,278,079 of accrued compensated absences, \$24,217,521 of net OPEB liability, \$68,445,396 of net pension liability and \$17,548,693 of net long-term obligations for bonds, notes and capital leases.

## Government-wide Financial Analysis (continued)

General revenues include all revenues not required to be reported as program revenues. The totals of general revenues in the governmental activities for the fiscal year 2021 and 2020 were \$59,517,256 and \$57,793,618, respectively. Included in these totals were \$57,221,898 and \$56,053,578 of property taxes for the years ended June 30, 2021, and 2020, respectively.

Expenses are presented by function and total \$76,190,572 and \$76,500,255 for the years ended June 30, 2021, and 2020, respectively. In fiscal years 2021 and 2020, expenses in the governmental activities were \$74,652,676 and \$75,060,365, respectively. The primary difference was expenses were down in all categories expense education.

Business-type revenues from charges for services was \$778,237 and \$1,103,798 in fiscal years 2021 and 2020. The decrease was primarily from the school cafeteria fund and operating grants and contributions was \$1,319,430 and \$214,438 in fiscal years 2021 and 2020 respectively. This increase was reflected in both the wind turbine generator fund as well as the Glen Manor House fund.

In fiscal years 2021 and 2020, the business-type activities, expenses were \$1,537,896 and \$1,439,890, respectively.

Changes in governmental activities net position were a decrease of \$179,339 and a decrease of \$3,326,622 in fiscal years 2021 and 2020, respectively. Changes in the business type net position were an increase of \$420,961 and a decrease of \$78,176 in fiscal years 2021 and 2020, respectively.

# Governmental Fund Statements

Pages 31 & 32

Comprise both the Major Funds (the General Fund, School Unrestricted Fund, the Town Capital Project Fund, and the Warrant 12-13 Special Fund) as well as the Combined Non-Major Governmental Funds.

- At the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$13,518,910. Approximately 59.9% or \$8,096,091 is available from the Town's fund balance for spending at the government's discretion. The remaining fund balance of \$5,422,819 includes \$865,141 non-spendable for prepaid items, inventory and permanent funds, \$3,123,848 restricted to specific programs and \$1,433,830 committed and assigned.
- The General Fund is the chief operation fund of the Town of Portsmouth. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,342,401, while the total fund balance of the General Fund was \$9,782,670. Unassigned fund balance represents 15.1% of the FY 2021 Adopted General Fund Expenditure Budget. Total fund balance represents 14.3% of the same budget.

## Financial Analysis of the Town of Portsmouth's Governmental Funds (continued)

- The School Unrestricted fund had ending fund balance of \$1,349,899, which includes a committed fund balance of \$931,571 at June 30, 2021. The committed fund balance represents 2.2% of total School Department expenditures of \$41,907,012. The School Unrestricted fund balance decreased by \$(318,303) during the fiscal year ended June 30, 2021. The change in fund balance is primarily due to school closure. Distance learning was put in place and the need for daily substitutes teachers decreased dramatically. Additionally, all spring sports were cancelled, and stipend related to that were not spent.
- The Town reported as one of its capital projects funds a major fund in fiscal year 2021. This major fund began in fiscal year 2019. This fund recognized \$1,847,903 of capital outlay expenditures and had other revenues of \$582,311 and transfers in of \$655,340 ultimately reducing fund balance by \$(610,252). This fund reported a fund balance at year-end of \$716,290, all of which is classified as restricted for capital expenditures.

## Financial Analysis of the Town of Portsmouth's Governmental Funds (continued)

- The Town is reporting Special Fund Warrant 12-13 as a major fund in fiscal year 2021. This major fund began fiscal year 2020. This fund recognizes ending fund balance in FY21 of \$(1,343,170). There are no revenue or expenditures related to this fund in the current year. This fund had transfers in of \$349,082 related to prior year surplus offset. Because the Warrant 12-13 has a fund deficit the Town Council directed that 50% of every future General Fund Surplus is applied to the deficit balance until it is liquidated. During FY 21 the General fund had a surplus \$321,816, therefore, a transfer of \$160,908 was transferred to the Warrant 12-13 fund after year end.
- The Other Governmental Funds had a total fund balance of \$3,013,221, which represents a \$232,625 increase in fund balance during the fiscal year ended June 30, 2021. The increase in fund balance is primarily due to the excess of revenues over expenditures in the in the Town Special Revenue funds of \$476,134.

# Town General Fund Budgetary Highlights

*(page 115)*

Overall, the Town of Portsmouth, Rhode Island finished the 2020-2021 fiscal year with a budgetary surplus of \$321,816.

Total revenue have a favorable balance of \$576,789.

Of this balance; positive variances are from:

Current Property Taxes of \$1,017,017,

Fees and licenses of \$245,166,

school housing aid of \$40,252, and

School aid of \$192,703.

Of this balance; shortfalls Included:

Prior Year Taxes of \$(214,797),

Hotel and Meals of \$(55,171) ,

Public Service Corporation of \$(217,617), and

MV Excise of \$(437,942).

Total expenditures have a favorable balance of \$558,777.

Of this balance; positive variances are from:

Lower than budgeted fire of \$237,078.

Lower than budgeted legal of \$182,091.

Lower than budgeted public works, snow & road of \$115,145.

Lower than budgeted police expenditures of \$479,356.

# Proprietary Funds

Pages 34-38

Proprietary funds are used to account for business-like activities provided to the general public (enterprise 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. Of the Town's eight enterprise funds, the School's Cafeteria and the Transfer Station Funds are major funds. The Town's management has elected to present the remaining non-major enterprise funds as major funds. The Town has no internal service funds.

**Proprietary funds.** The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position of the School Cafeteria Fund at June 30, 2021, amounted to \$147,876, of which \$32,261 is unrestricted.

Transfer Station Fund net position amounted to \$(3,642), of which \$(250,392) is unrestricted.

Wind Turbine Generator Fund net position amounted to \$0.

Summer School net position amounted to \$0.

Septic System Loan Program Fund net position amounted to \$162,734, of which \$(162,734) is restricted.

Glen Farm Equestrian Fund net position amounted to \$58,434, of which \$58,434 is unrestricted.

Both Arthur Daniel House and Glen Manor House have net position amounted to \$0, and had no change in its net position.

The total growth in net position for each of the other six funds was \$(78,244), \$55,292, \$387,418, \$234, \$42,761 and \$13,500, respectively.

# Fiduciary Funds

Pages 39 and 40

OPEB Net Position  
\$2,215,297

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the Government-wide Financial Statements because the resources of these funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the economic resources measurement focus and accrual basis of accounting.

## ***Pension & OPEB trusts:***

Pension trust funds account for contributions made by the Town and its participating employees to provide retirement benefits to participating employees. Pension Net Position \$71,509,342

The OPEB Trust fund accounts for contributions made by the Town and its participating employees to provide postemployment benefits (health insurance) to participating employees. OPEB Net Position \$2,215,297

## ***Custodial funds:***

Custodial funds are established when the Town holds assets in custody for others in a custodial capacity. The reporting entity includes eleven custodial funds (Soil Fund, Glen Manor House Deposit Fund, Road Bond, Glen Park Damage Deposit Fund, Probate Court Fund, Prescott Point Fund, Library Aid Pass Through and four Student Activities funds).

Other fund included in this section is the Custodial Funds (Formally agency funds, name changed to custodial funds due to GASB 84)

# Notes to financial statements

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Includes – and can be found on pages 28 to 86



- a summary of significant accounting policies,
- details presented on various balance sheets accounts,
- pension & OPEB details,
- risk management,
- commitments & contingencies
- the Town's response to the State of Emergency as it relates to the pandemic



Management's Discussion (shown at the start of the financial statements as discussed earlier)



General Fund and School Unrestricted Fund Budgetary Comparison Information, Pension related disclosures, and Other Post-Employment Benefit (presented after the notes starting on page 87)

## Required Supplementary Information

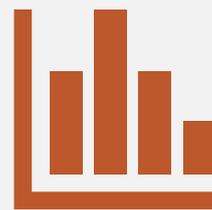
## Supplementary information.

In addition to the basic financial statements, accompanying notes, and required supplementary information the financial statements also presents certain *supplementary information including*, combining financial statement information for all non-major funds, tax collector's annual report and the annual supplemental transparency report (MTP2).

Supplementary information can be found starting on page 141.



The Statistical Schedules differ from other financial statement presentations as it discloses more than one fiscal year and may present non-accounting data such as social and economic data and financial trends of the Town.



## Statistical Section

# Statistical Section

Pages 190 to 205

## ***Financial Trends***

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

- ❑ Net Position by Component
- ❑ Changes in Net Position by Component
- ❑ Fund Balances, Governmental Funds  
Changes in Fund Balances, Governmental Funds

## ***Revenue Capacity***

These schedules contain information to help the reader assess Town's most significant revenue sources.

- ❑ Assessed Values and Estimated Actual Values of Taxable Property
- ❑ Principal Taxpayers
- ❑ Property Tax Levies and Collections

## ***Debt Capacity***

These schedules contain information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

- ❑ Ratio of Outstanding Debt
- ❑ Legal Debt Margin Information

## ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

- ❑ Demographic and Economic Statistics

ANY  
Questions  
QUESTIONS?

