

Town of Narragansett, Rhode Island



Comprehensive Annual Financial Report For the Year Ended June 30, 2010



Prepared by: Finance Department
Finance Director: Donald W. Goodrich

TOWN OF NARRAGANSETT, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

CONTENTS

	Page
Introductory Section:	
Letter of Transmittal	i
Organizational Chart	x
List of Town Officials	xi
Financial Section:	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-14
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	15
Statement of activities	16
Fund financial statements:	
Balance sheet – governmental funds	17
Reconciliation of the governmental funds balance sheet to the statement of net assets	18
Statement of revenues, expenditures and changes in fund balances – governmental funds	19
Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balances to the statement of activities	20
Statement of net assets – proprietary funds	21
Statement of revenues, expenses and changes in net assets – proprietary funds	22
Statement of cash flows – proprietary funds	23-24
Statement of net assets – fiduciary funds	25
Statement of changes in net assets – fiduciary funds	26

TOWN OF NARRAGANSETT, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

CONTENTS (CONTINUED)

	Page
Financial Section (continued):	
Basic financial statements (continued):	
Notes to basic financial statements	27-65
Required supplementary information to basic financial statements:	
Budgetary comparison schedules for the general fund and school unrestricted fund	66-71
Schedule of funding progress for pension and OPEB plans	72
Schedule of employer contributions	73
Notes to required supplementary information	74-75
Other supplementary information:	
Tax collector's annual report	76-77
Nonmajor governmental funds:	
Combining balance sheet – nonmajor governmental funds	78
Combining statement of revenues, expenditures, and changes in fund balances – nonmajor governmental funds	79
Combining balance sheet – Town special revenue funds	80-81
Combining statement of revenues, expenditures, and changes in fund balance – Town special revenue funds	82-83
Combining balance sheet – school restricted fund	84-85
Combining statement of revenues, expenditures, and changes in fund balance – school restricted fund	86-87
Combining balance sheet – capital projects funds	88
Combining statements of revenues, expenditures and changes in fund balances – capital projects funds	89

TOWN OF NARRAGANSETT, RHODE ISLAND

YEAR ENDED JUNE 30, 2010

CONTENTS (CONTINUED)

	Page
Financial Section (continued):	
Other supplementary information (continued):	
Fiduciary funds:	
Combining statement of net assets – pension trust funds	90
Combining statement of changes in net assets – pension trust funds	91
Combining statement of net assets – private purpose trust funds	92
Combining statement of changes in net assets – private purpose trust funds	93
Statistical Section:	
Net assets by component	94
Changes in net assets	95-96
Fund balances, governmental funds	97
Changes in fund balances, governmental funds	98
Assessed and estimated actual value of taxable property	99
Principal property taxpayers	100
Property tax levies and collections	101
Property tax rates	102
Ratio of net general bonded debt to assessed value and net bonded debt per capita	103
Computation of legal debt margin	104
Ratio of annual debt service expenditures for general bonded debt to total general expenditures	105
Principal employers	106
Full-time equivalent Town employees by function	107
Miscellaneous statistics	108

INTRODUCTORY SECTION

This section contains the following subsections:

LETTER OF TRANSMITTAL

TOWN OF NARRAGANSETT ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



Town of Narragansett, Rhode Island
Finance Department
25 Fifth Avenue
Narragansett, RI 02882

December 28, 2010

To the Honorable Members of the Town Council, the Town Manager and Citizens of the Town of Narragansett, Rhode Island:

The Comprehensive Annual Financial Report of the Town of Narragansett for the fiscal year ended **June 30, 2010** is submitted herewith. This report was prepared by the Town's Finance Department. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Lefkowitz, Garfinkel, Champi & DeRienzo P.C., certified public accountants (the Firm), has issued an unqualified (“clean”) opinion on the Town of Narragansett’s financial statements for the year ended June 30, 2010. The Firm’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the Firm’s report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this *Letter of Transmittal* and should be read in conjunction with it.

Profile of the Government

History

The Town of Narragansett comprises a narrow strip of land running along the eastern bank of the Pettaquamscutt River to the shore of Narragansett Bay. The Town was separated from South Kingstown in 1888 and incorporated as the Town of Narragansett in 1901. The early history of Narragansett is shared with the contiguous community of South Kingstown. It was in this area that the rival Narragansett and Niantic Native-Americans hunted, fished, tilled the soil and fought. Narragansett was originally a farming area but rapidly developed into a summer resort and fishing community. Residential development was predominantly single-family dwellings, with a major portion used as seasonal residences. Today, the year-round population is increasing. The parallel pair of stone arches spanning Ocean Road, anchored on either side by curved towers, are a powerful image today of a glorious past now gone. The Towers, all that remains of the famous Casino (burned in a fire in 1900), are a testament to the Golden Victorian resort era. Designed in 1883 by the famous New York architectural firm of McKim, Mead and White, the three-story edifice was built of blocks of granite, with semi-circular ends and topped by conical roofs. The two towers are connected by one long gallery room.

As stated earlier, Narragansett was incorporated as a town on March 28, 1901. It is situated in Washington County, on the southeastern coast of the State of Rhode Island, approximately 30 miles south of Providence. The total area of the community is 18.3 square miles, of which 4.4 square miles is inland water. The year-round population of the Town has continued to increase from 3,444 persons counted in the 1960 census to 15,004 persons counted in the 1990 census and 16,361 persons counted in the 2000 census. The 2010 population was estimated by the R.I. State Department of Administration to be 17,454.

While commercial development has been mainly limited to tourist-oriented businesses, there have been notable developments such as the waterfront living and research activities at the University of Rhode Island's Narragansett Bay Campus, site of the nationally recognized Graduate School of Oceanography. The Port of Galilee is an important facet of the community. The history of Galilee and Point Judith has always been tied to the Point Judith Pond and the breachway that joins it to the sea. In the eighteenth century, the area around Point Judith Pond was mainly inhabited by farmers who used the breachway to transport crops to markets in Providence and Newport in Rhode Island; Boston, Massachusetts and New London, Connecticut. In the nineteenth century, a thriving fishing industry developed. Area farmers often supplemented their income by fishing for bass and alewife, or digging oysters and clams.

As traffic between the busy ports along the east coast increased in the nineteenth century, ships were often wrecked during storms along the rocky coast of Point Judith. In 1806, a wooden lighthouse was constructed on Point Judith to aid navigation. That structure was destroyed in the Great Gale of 1815, and replaced with the existing stone lighthouse in 1816.

In the early 1900s, a series of construction projects allowed Point Judith's Port of Galilee to become one of the largest fishing ports on the east coast. First, the Town of South Kingstown and the State of Rhode Island dredged the current breachway and stabilized it with stone jetties. Then, the U.S. Army Corps of Engineers constructed nearly three miles of stone breakwaters in the open ocean to create the Point Judith Harbor of Refuge. Originally constructed to provide a refuge for ships traveling between Boston and New York during bad weather, the breakwaters also protected the breachway to the Port of Galilee from the full force of the sea.

Then in the 1930s, the State dredged an anchorage basin just inside the breachway and built wharves to provide the Village of Galilee with a harbor for large, ocean-going fishing vessels. Many of these diesel-powered trawlers are capable of traveling hundreds of miles out to sea to fishing grounds in Georges Bank. Each year, more than ten million pounds of fish and shellfish are processed in Galilee and trucked to markets along the east coast.

During World War II, Point Judith became a key installation in the country's shore defense network. Huge sixteen-inch guns were located in the area now known as Fisherman's Memorial State Park to protect the west side of Narragansett Bay. Smaller fortifications were located along the shoreline. Some of these installations, now abandoned, can still be found along the shoreline. Today, Point Judith is home to shops, beaches, charter fishing boats, a fleet of commercial fishing and lobster boats and, of course, seafood restaurants.

Government

Town:

The Town operates under a municipal charter which provides for a five-member elected Town Council, serving concurrent two-year terms. The Town Council is responsible for enacting local legislation and for the appointment of a Town Manager who executes the laws and administers the Town government. The Town Council is granted all powers to enact, amend or repeal ordinances relating to the Town's property, affairs and government. It also authorizes the issuance of bonds or notes by ordinance, except that no bonded indebtedness may be incurred pledging the credit of the Town in excess of 1.5% of the budget in any one fiscal year unless submitted to a vote of the electors at either a general or special election and approved by a majority of the electors voting at said election.

Schools:

The School Department is governed by a five-member School Committee serving concurrent two-year terms. The School Committee determines and controls all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committee appoints a Superintendent as its chief administrative agent; submits a detailed budget of expenditures and revenues to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The School Department provides for an education system for educating Narragansett students from kindergarten through 12th grade. The school system includes three schools: Narragansett Elementary School (K - 4), Narragansett Middle School (5 - 8) and Narragansett High School (9 - 12). Approximately 89% (or \$23.7M) of the School Department budget is funded locally, 6% (or \$1.6M) is funded by the State and 5% (or \$1.2M) is funded by the federal government (2009-10 school year). The following chart shows student enrollment for the past ten years, as well as the projected enrollment for the succeeding two years:

Fiscal Year Ending June 30,	Enrollment
2001	1,801
2002	1,761
2003	1,758
2004	1,685
2005	1,680
2006	1,600
2007	1,532
2008	1,473
2009	1,477
2010	1,454
Projected:	
2011	1,456
2012	1,411

The Town provides major public services, which are detailed as follows:

Wastewater Facilities:

The Town of Narragansett Wastewater Division has 19 sewage-pumping stations and approximately 90 miles of sanitary sewers. Service to the southern portion of the Town, including the commercial fishing port of Galilee, is provided at the Town-owned Scarborough Wastewater Treatment Plant, a 1.4 million-gallon per day (MGD) extended aeration plant. The South Kingstown Regional Treatment Facility provides wastewater treatment for the Pier area and the northern portion of the Town. The Town services 6,368 connections, distributed as follows:

Class	Type	Number of Accounts	Number of Units
01	Residential	5,833	5,974
02	Apartments	331	1,328
05	Hotel / Motel	6	6
07	Public Use	4	4
10	Commercial	194	381
Total		6,368	7,693

The minimum charge for residential users is currently \$345 per unit, with an excess charge applied based upon water consumption. The Wastewater Division operates as an enterprise fund, with all operations funded from user fees and assessments.

Water Facilities:

The Town of Narragansett Water Division (Division) is responsible for the conveyance of potable water for domestic, commercial, industrial and fire protection uses. All water used within the Town's system is purchased from United Water of Rhode Island, a private company, and the Town of North Kingstown. In addition to its operational and maintenance activities related to the Town's water storage, transmission and conveyance systems and infrastructure, the Division provides technical assistance to the Town in reviewing water-related plans or regulations.

The Town of Narragansett owns, operates and maintains three water storage tanks, with a combined capacity of two million gallons, and approximately 71 miles of water mains. Approximately one-half of the Town's populated area (representing 5,206 accounts) is served by the Town water system, while service to the remaining citizens is provided directly by United Water of Rhode Island. The Division operates as an enterprise fund, with all operations funded from user fees and assessments.

Public Works:

The Town of Narragansett Highway and Facilities Maintenance Division provides a full range of services including street construction/maintenance, snow removal, and maintenance of Town property. The Town expended \$2,179,305 for the fiscal year ended June 30, 2010 and budgeted \$2,262,147 for the fiscal year ending June 30, 2011.

Public Safety:

The Town's Public Safety operations provide for fire prevention, emergency medical rescue services, police patrol, investigations, community education, harbor patrol and animal control functions.

The Narragansett Police Department has a force that consists of 52 full-time police officers and other support personnel including dispatch, animal control and harbor patrol. The Police Department expended \$5,444,458 for the fiscal year ended June 30, 2010 and budgeted \$5,496,522 for the fiscal year ending June 30, 2011.

The Narragansett Fire Department has three fire stations staffed by 35 full-time firefighters and a secretary. The Fire Department expended \$4,214,892 for the fiscal year ended June 30, 2010 and budgeted \$4,324,028 for the fiscal year ending June 30, 2011.

The Dispatching Function provides dispatch services for both Fire and Police Operations. This 9 person unit expended \$786,931 for the fiscal year ended June 30, 2010 and is budgeted to spend \$866,145 for the fiscal year ending June 30, 2011.

Employee Relations:

The Town currently employs 185 full-time employees, exclusive of those employed by the School Department. The School Department employs 168 professional employees and 114 full-time and part-time non-professional employees.

The Town has agreements with six collective bargaining units. Due to the economic issues, the ability to negotiate ensuing contracts has become difficult. The Town is committed to obtaining necessary concessions in the form of health insurance co-shares, affordable wage increases and limitations to overtime wages to ensure sustainability of the workforce. The current status of union contracts for municipal and school employees is as follows:

Bargaining Group	Term & Expiration
Fire Department	3 year contract expired June 30, 2008 (in arbitration)
Municipal Middle Management	3 year contract expired June 30, 2008
Police Department	3 year contract expired June 30, 2010
Public Works & Municipal Clerical	4 year contract expired June 30, 2011
School Teachers	3 year contract expired August 31, 2009
School Non-Certified	3 year contract expired June 30, 2008

Local Economy:

The fiscal year began with the State and the country understanding that the country was in the throes of an economic downturn of epic proportions. The downturn was wreaking havoc on governmental operations. During the slide, funding support from the State diminished as the State, facing looming and increasing budget shortfalls, began to withhold revenue from the State's municipalities. The recession has had a modest impact on the property tax collection rate of property taxes as collections have fallen from historical trends of 99% down to 98%. However, when compared with the State's other municipalities, Narragansett has weathered the economic storm somewhat better than many of the other 39 Rhode Island cities and towns. The Town has not laid off any employees, still provides essential government services to its citizens and is making preparations for a long and slow recovery.

Major economic sectors within the Town include retail industries, service industries, fishing and government. The *Rhode Island Economic Development Corporation* (RIEDC) annually issues a listing of the “Major Employers in Rhode Island” with a “major employer” defined as one employing over 100 employees. This report cites the following as “major” employers located in Narragansett as of February 2009:

North American Industrial Classification System	Employer
Ambulatory Health Care Services	VNS Home Health Services
Amusement, Gambling & Recreational Industries	The Dunes Club
Executive, Legislative & General Government	Town of Narragansett
Food & Beverage Stores	The Stop & Shop Co., Inc.
Food Services & Drinking Places	Georges of Galilee Restaurants, Inc.

The VNS Home Health Services is also cited by RIEDC as a “Top 100 Employer in Rhode Island.”

The Rhode Island Department of Labor & Training issues a Quarterly Census of Employment & Wages. For illustrative and comparative purposes, the First Quarter of 2010 and the First Quarter of 2009 are exhibited:

First Quarter, 2010

	Number of Units	Average Employment	Total Wages
Total Private & Government	474	3,701	\$30,727,555
Total Private Only	454	2,679	18,030,643
Agriculture, Forestry, Fishing & Hunting	*	*	*
Construction	46	75	594,604
Manufacturing	18	82	870,136
Wholesale Trade	24	78	1,047,222
Retail Trade	48	582	3,307,403
Transportation & Warehousing	*	*	*
Information	4	9	176,755
Finance & Insurance	16	50	1,043,267
Real Estate, Rental & Listing	27	87	728,063
Professional & Technical Services	51	90	1,361,398
Administrative Support & Waste Services	30	58	541,335
Educational Services	6	9	43,208
Health Care & Social Assistance	43	448	3,651,095
Arts, Entertainment & Recreation	13	51	369,509
Accommodation & Food Services	68	822	2,497,098
Other Services (except Public)	45	164	988,522
Government	20	1,023	12,696,912

First Quarter, 2009

	Number of Units	Average Employment	Total Wages
Total Private & Government	492	3,640	\$29,645,237
Total Private Only	472	2,651	17,520,964
Agriculture, Forestry, Fishing & Hunting	6	12	134,655
Construction	50	66	513,090
Manufacturing	18	80	845,113
Wholesale Trade	27	60	858,989
Retail Trade	52	624	3,379,110
Transportation & Warehousing	*	*	*
Information	3	1	31,945
Finance & Insurance	18	48	1,075,353
Real Estate, Rental & Listing	30	88	718,284
Professional & Technical Services	48	81	1,113,755
Administrative Support & Waste Management	32	55	518,202
Educational Services	7	12	68,755
Health Care & Social Assistance	43	475	3,751,189
Arts, Entertainment & Recreation	12	48	368,732
Accommodation & Food Services	72	784	2,515,736
Other Services (except Public)	44	152	949,332
Government	20	990	12,124,273

*Some data are not shown to avoid revealing data of a specific employer.

The Rhode Island Department of Labor & Training also provides statistics regarding unemployment for both the Town of Narragansett and the State. The following is a comparison of unemployment data as of December 31, 2009:

December 31, 2009	Rhode Island	Narragansett
Labor Force	567,093	9,712
Employed	503,425	9,019
Unemployment	63,668	693
Unemployment Rate	11.2%	7.1%

Long-term Financial Planning

Long-term financial planning is driven by four major concerns that must be addressed in the coming years. First, the partnership between the State and local governments has deteriorated over the past few years. Budget deficits at the State level have caused the flow of financial resources down to the municipalities to be reduced to a trickle. General Revenue sharing was reduced by 50% in 2009 and was eliminated in its entirety for fiscal year 2010 and 2011. A planned phase-out of the motor vehicle personal property tax was enacted in 2000. The plan called for the State to exempt an increasing level of valuation until the entire tax was eliminated, with the loss of tax revenue to be offset by a reimbursement from the State. The reduction to the average retail value of vehicles assessed in the Town has been set at \$6,000 since FY2007. While the Governor had proposed the elimination of 50% of the FY2010 reimbursement, only 13% was withheld (\$1,201,375 was anticipated while \$1,041,634 was received). General Aid for Education was projected to be \$1,031,965 for the School Department during this reporting period, but was reduced to \$879,095, a reduction of \$152,870. All of these reductions in State aid came in the final six months of the fiscal year. These losses, combined with the lack of a codified aid distribution formula for educational assistance, lead to uncertainty when planning the FY2011 budgets.

Second, funding for the Town's obligations to its current and future beneficiaries of the Pension Fund must be increased in a systematic manner to build plan assets and reduce the unfunded liability. The downturn in the economy caused paper losses of 20% of the Fund in the first half of the year; however, the rally in the financial markets in the second half of the year restored most of the losses. The Fund is still only about 70% funded. To address this, the Town increased the rate of the employer's contribution from 11.5% to 12.5% in FY2009, from 12.5% to 13.5% for FY2010 and is planning to raise this rate to 16% for FY2011.

Third, the Town has quantified the Town's "other postemployment benefits" (OPEB) and recognizes that the unfunded liability for these benefits of approximately \$73,000,000 for current and future retirees must be addressed. The FY2010 budget contained a 5% assessment applied to all full-time wages, with these funds flowing to a holding account as a precursor to an OPEB Trust Fund. It is anticipated that approximately \$500,000 will be set aside, a modest amount but a start towards funding the liability. Going forward through FY2011 and beyond, the Town realizes that the employer's pension contribution will have to increase over the next few years to about 22% of applicable wages. At the same time, the OPEB contribution will have to increase to 10%. Therefore, sustaining both the Pension Fund and future retiree health benefits will require a combined contribution rate of over 30% of applicable wages, a rate that will impact future spending considerations. The Town will also have to ask employee groups to help contribute to these unfunded liabilities.

Fourth, the Town's unfunded, undesignated fund balance must be increased. The Town has had a policy of maintaining an Unreserved General Fund Balance equal to 7% to 10% of the General Fund budget. The following is a table of Unreserved General Fund Balances, with the June 30, 2002 amount as the "high watermark" in terms of percentage of the General Fund budget.

Fiscal Year Ending	Undesignated & Unreserved Fund Balance	% of the General Fund Budget
June 30, 2002	\$3,396,845	9.7%
June 30, 2003	3,032,001	8.2%
June 30, 2004	2,690,895	7.6%
June 30, 2005	3,005,784	7.5%
June 30, 2006	3,088,227	7.5%
June 30, 2007	2,755,351	6.4%
June 30, 2008	1,611,116	3.6%
June 30, 2009	1,883,690	3.9%
June 30, 2010	4,099,653	8.7%

For the FY2009 budget, \$1,371,784 was appropriated from Fund Balance. While only \$148,171 was appropriated to the FY2010 budget, none of this was needed to meet expenditure levels. There was no fund balance appropriated to the FY2011 budget. Limits will be placed on the funds to be used from the Fund Balance until a goal of 7% is reached.

With these concerns weighing heavily, the Town will continue offering a wide array of governmental services to citizens and taxpayers in the most cost-effective and efficient manner. Recently, economists have been defining the “new normal” with respect to the contraction of the economy. Narragansett’s “new normal” may require a reduced workforce, limits on the government services and programs and increased fees to offset those costs for services that are not universally provided to everyone.

Major Initiatives

Due to the economic recession, many General Fund initiatives are on hold. The Town has had an active capital improvement program with the major initiatives having been a pavement management program for the Town’s roads, a vehicle replacement program for Public Works and Public Safety and a stormwater containment program. Continuing with these initiatives will require more deliberations and analysis. The Enterprise Funds (Water, Wastewater and Beach) will move forward with their respective capital improvement plans which include upgrades to the water and wastewater plants, and rehabilitation of the beach pavilions.

Acknowledgements

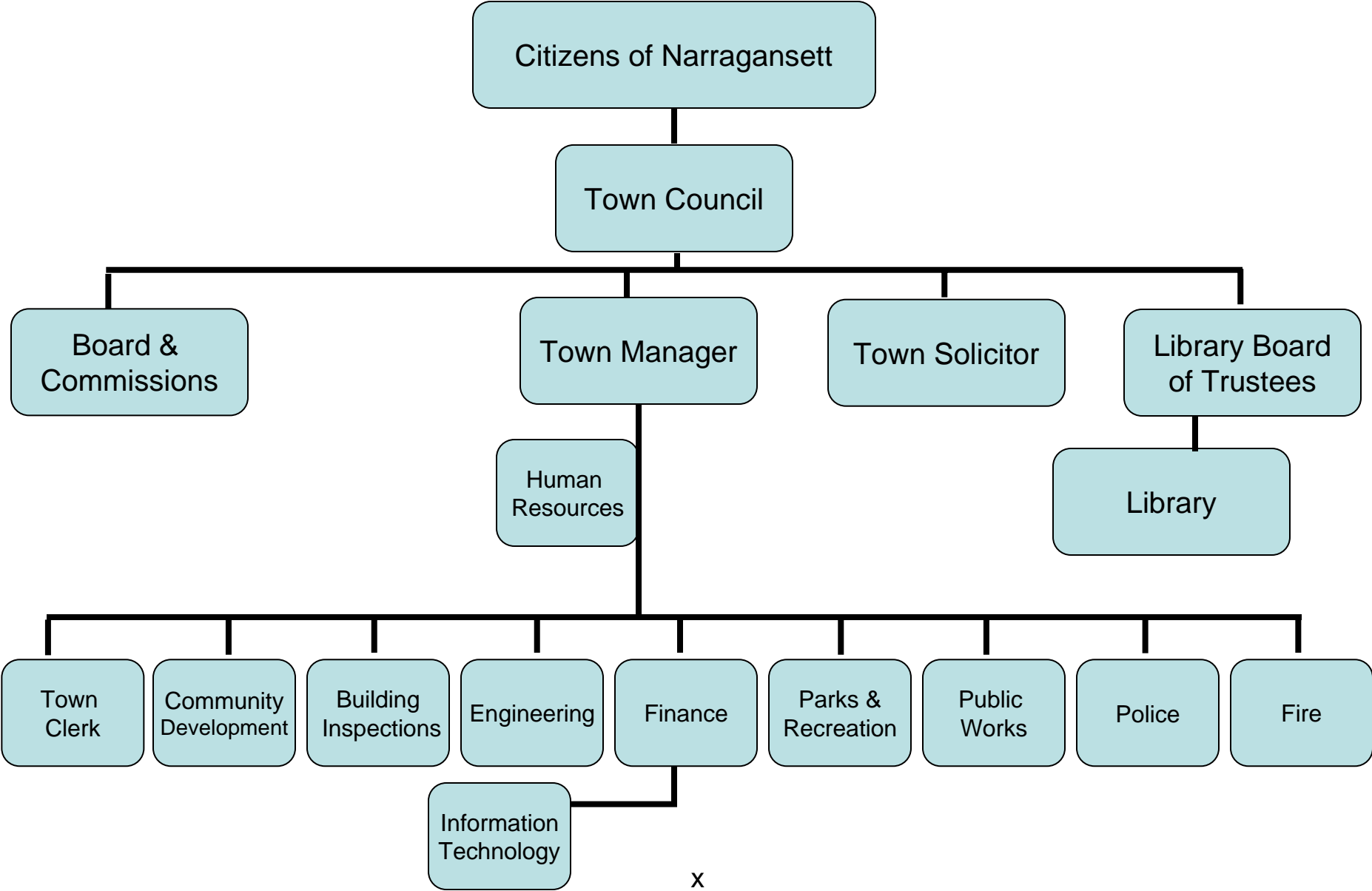
The preparation of this report would not have been possible without the efficient and dedicated service of many staff members of the Finance Department. Appreciation is expressed to those who assisted and contributed to the preparation of this report. Appreciation is also extended to the departments of the Town for their contributions in the compilation of data for this report. Thanks must be given to the Town Manager and Town Council for their support in maintaining the highest standards of professionalism in the management of the Town’s finances.

Respectfully submitted,



Donald W. Goodrich
Director of Finance

Governmental Organization



TOWN OF NARRAGANSETT, RHODE ISLAND
LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2010

Elected Officials

Council President	David J. Crook, Sr.
President Pro Tempore	Christopher Wilkins
Council Member	Susan Cicilline-Buonanno
Council Member	Alisa Trainor Fleet
Council Member	Glenna M. Hagopian
School Committee, Chairperson	Tammie McNeiece
School Committee, Vice-Chairperson	Diane S. Nobles
School Committee, Member	Frank White
School Committee, Member	Susan Pandolfo
School Committee, Member	Raymond Ranaldi

Appointed Officials

Town Manager	Grady E. Miller
Town Solicitor	Mark A. McSally
Finance Director	Donald W. Goodrich
Town Clerk	Anne M. Irons
Town Engineer	Jeffry Ceasrine
Police Chief	F. Dean Hoxsie
Fire Chief	James J. Cotter
Public Works Director	David E. Ousterhout
Recreation Director	Barry S. Fontaine
Community Development Director	Michael J. DeLuca
Inspectional Services Director	Anthony L. Santilli
Human Resources Manager	Sharon L. Kitchin
Town Contoller	Laurie A. LaBore
Tax Assessor	John D. Majeika
Tax Collector	Christine A. Beck
Purchasing Agent	Susan W. Gallagher
Library Director	Patricia A. Arkwright
Superintendent of Schools	Katherine E. Sipala
Director of Finance, School Department	Karen M. Hagan

FINANCIAL SECTION

This section contains the following:

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION



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

Independent Auditors' Report

The Honorable President and
Members of the Town Council
Town of Narragansett, Rhode Island
Narragansett, 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 Narragansett, Rhode Island (the Town) as of and for the year ended June 30, 2010, 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'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 and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Narragansett, Rhode Island as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2010 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Independent Auditors' Report (Continued)

The Honorable President and
Members of the Town Council
Town of Narragansett, Rhode Island

Management's Discussion and Analysis on pages 3 through 14, and budgetary comparison schedules and historical pension information on pages 66 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town. Such information and the introductory and statistical sections are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. 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 express no opinion on them.

Leffkowitz, Jan. Jankel, Charney & DeGonzal. C.

December 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Finance Director for the Town of Narragansett (the Town), the following narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010 (FY2010) has been prepared. I encourage all to consider the information presented herein in conjunction with the additional information furnished in the *Letter of Transmittal*, which can be found at the beginning of this report.

Overview of the Financial Statements

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

1. 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.
 - a. *Statement of Net Assets*: This statement presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets may serve as a useful indicator of an improving or deteriorating financial position.
 - b. *Statement of Activities*: This statement presents information showing how the government's net assets changed during the reporting period. 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 (that is, uncollected taxes and earned but unused personnel leaves).
 - c. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, education, public safety, public works and highway, community development and recreation. The business-type activities of the Town include water, sewer and beach operations.

The government-wide financial statements can be found on pages 15-16 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

2. 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 may be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
 - a. *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. This information may be helpful in evaluating the Town'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. Thus, the long-term impact of the government's near-term financing decisions becomes apparent. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Funds are classified as "major" and "nonmajor." Data from major governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Data from the nonmajor funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and can be found on pages 78 and 79 of this report.

The Town adopts an annual appropriated budget for its General Fund, School Fund, Water Fund, Sewer Fund and Beach Fund. Budgetary comparison statements have been provided for the General Fund and School Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages **17-20** of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

2.
 - b. *Proprietary Funds*: The Town maintains two different types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water, Sewer and Beach operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its fleet of vehicles and for its management information systems.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Beach operations, all of which are considered to be major funds of the Town.

The proprietary fund financial statements can be found on pages 21-24 of this report.

2.
 - c. *Fiduciary Funds*: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages **25-26** of this report.

3. 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 27-65** of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comparing budget to actual revenues and expenditures for the General Fund and School Unrestricted Fund, and concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its enrolled employees. Required supplementary information can be found on pages 66-75 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

Net Assets: As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$99,954,090 at the close of this reporting period.

The Town's net assets consist principally of its investment in capital assets (that is, land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Narragansett's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Current and other assets	\$ 15,784,828	\$ 13,292,953	\$ 17,391,791	\$ 17,515,478	\$ 33,176,619	\$ 30,808,431
Capital assets	<u>101,521,522</u>	<u>104,593,099</u>	<u>33,206,536</u>	<u>34,227,335</u>	<u>134,728,058</u>	<u>138,820,434</u>
Total assets	<u>117,306,350</u>	<u>117,886,052</u>	<u>50,598,327</u>	<u>51,742,813</u>	<u>167,904,677</u>	<u>169,628,865</u>
Long-term liabilities outstanding	50,536,924	46,881,234	12,290,527	13,920,114	62,827,451	60,801,348
Other liabilities	<u>3,629,783</u>	<u>4,532,919</u>	<u>1,493,353</u>	<u>1,779,064</u>	<u>5,123,136</u>	<u>6,311,983</u>
Total liabilities	<u>54,166,707</u>	<u>51,414,153</u>	<u>13,783,880</u>	<u>15,699,178</u>	<u>67,950,587</u>	<u>67,113,331</u>
Net assets:						
Invested in capital assets, net of related debt	76,328,788	77,262,660	26,525,585	26,399,950	102,854,373	103,662,610
Unrestricted	<u>(13,189,145)</u>	<u>(10,790,761)</u>	<u>10,288,862</u>	<u>9,643,685</u>	<u>(2,900,283)</u>	<u>(1,147,076)</u>
Total net assets	<u>\$ 63,139,643</u>	<u>\$ 66,471,899</u>	<u>\$ 36,814,447</u>	<u>\$ 36,043,635</u>	<u>\$ 99,954,090</u>	<u>\$102,515,534</u>

At June 30, 2010, the Town is able to report positive balances in both categories of net assets for its business-type activities. For governmental activities, the deficit in the Town's unrestricted net assets increased, due principally to the recording of a liability for other postemployment benefits (OPEB) of \$5,102,258.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Governmental Activities: Governmental activities decreased the Town's net assets by \$3,332,256 before a prior period adjustment of \$13,262,085, principally to record prior years' land donations, for a total net increase of \$9,929,829.

Town of Narragansett's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 4,175,126	\$ 3,501,549	\$ 7,045,231	\$ 6,593,536	\$ 11,220,357	\$ 10,095,085
Operating grants and contributions	3,945,898	2,996,995			3,945,898	2,996,995
Capital grants and contributions	638,539	1,190,259			638,539	1,190,259
General revenues, property taxes	42,585,105	41,435,378			42,585,105	41,435,378
Grants and contributions not restricted to specific programs	2,466,572	2,501,803			2,466,572	2,501,803
Other	365,358	(60,651)	500,853	534,147	866,211	473,496
Total revenues	54,176,598	51,565,333	7,546,084	7,127,683	61,722,682	58,693,016
Expenses:						
General government	999,494	3,758,548			999,494	3,758,548
Financial administration	1,109,011	868,872			1,109,011	868,872
Public safety	10,922,031	10,932,393			10,922,031	10,932,393
Public works	3,921,244	3,757,059			3,921,244	3,757,059
Social services	362,588	249,641			362,588	249,641
Parks and recreation	1,460,487	1,451,280			1,460,487	1,451,280
Planning, engineering and inspection	1,282,366	1,843,867			1,282,366	1,843,867
Library	682,173	727,401			682,173	727,401
Food service	361,762	357,069			361,762	357,069
Other	6,816,208	7,590,833			6,816,208	7,590,833
Education	28,544,163	27,651,643			28,544,163	27,651,643
Interest on long-term debt	1,047,327	1,152,315			1,047,327	1,152,315
Water Fund			1,732,292	1,722,238	1,732,292	1,722,238
Sewer Fund			3,659,479	3,497,571	3,659,479	3,497,571
Beach Fund			1,383,501	1,194,320	1,383,501	1,194,320
Total expenses	57,508,854	60,340,921	6,775,272	6,414,129	64,284,126	66,755,050
Increase (decrease) in net assets	(3,332,256)	(8,775,588)	770,812	713,554	(2,561,444)	(8,062,034)
Net assets, beginning of year:						
As previously reported	53,209,814	23,644,264	36,043,635	35,330,081	89,253,449	58,974,345
Prior period adjustment	13,262,085	38,341,138			13,262,085	38,341,138
As restated	66,471,899	61,985,402	36,043,635	35,330,081	102,515,534	97,315,483
Net assets, end of year	\$ 63,139,643	\$ 53,209,814	\$ 36,814,447	\$ 36,043,635	\$ 99,954,090	\$ 89,253,449

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

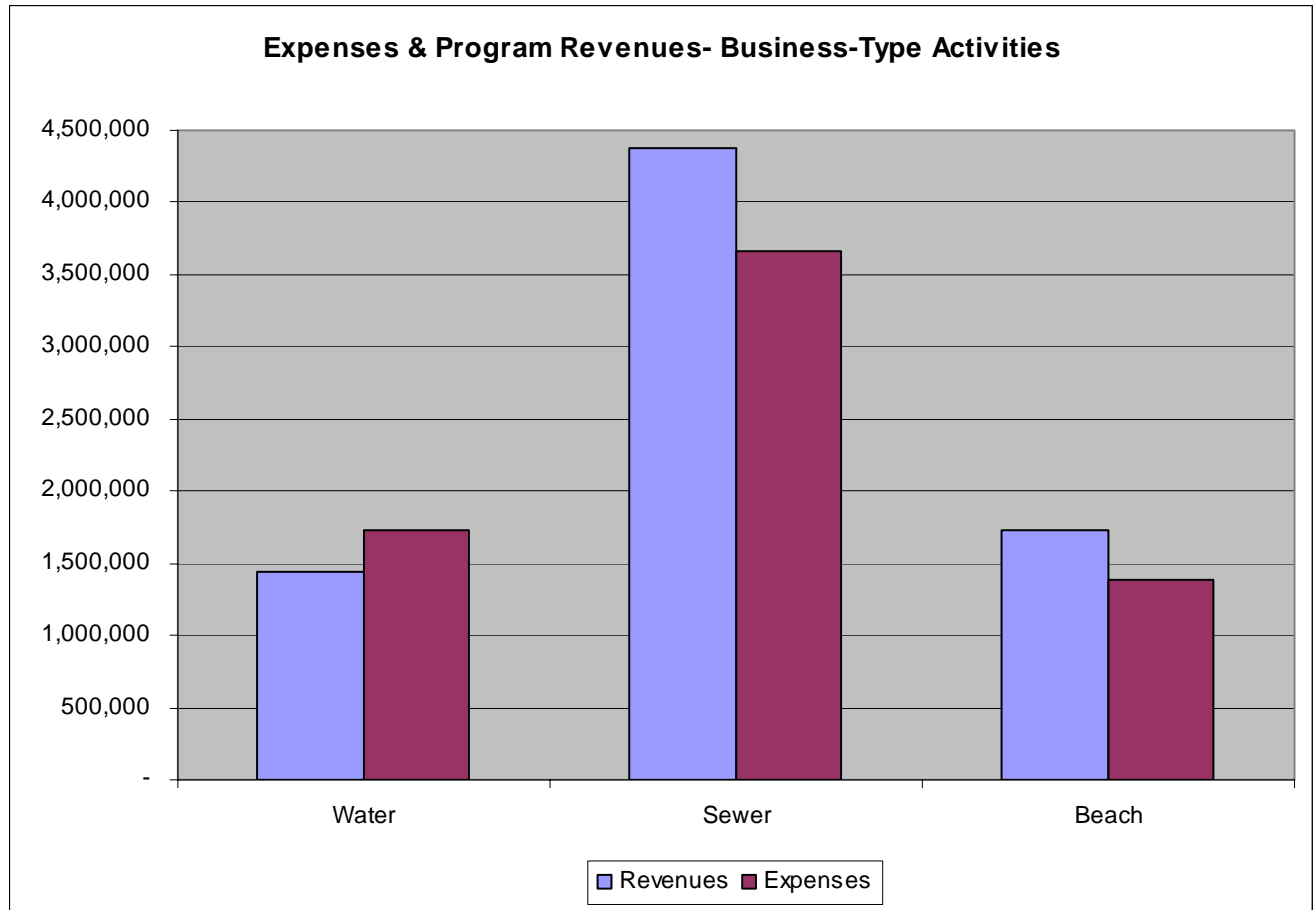
Property taxes increased by \$1,149,727, or 2.8%, which is less than the maximum allowable increase permitted under state law. Chapter 253 of the Public Laws of 2006 (known as Senate 3050) entitled "Relating to Taxation – Property Taxes" modified the calculation of the property tax cap beginning in fiscal year 2008, changed the criteria for exemptions from the property tax cap, limited the increase that School Committees could request from municipal funds in their annual budget proposal and amended the definition of "state mandates." The state-wide property tax cap became effective on July 1, 2007. This cap limited the property tax levy increase to 5.25% in fiscal year 2008 and set in place a .25% reduction for each successive fiscal year until fiscal year 2013, when the cap will be set at 4.0%. For fiscal year 2010, the capped levy increase was 4.75% (fiscal year 2010 Certified Net Levy was \$42,101,461 and the fiscal year 2010 maximum net levy was calculated to be \$42,119,463. The actual levy was \$42,106,773. Collections were \$41,425,591.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Business-type activities: Business-type activities increased the Town's net assets by \$770,812. Key elements of the increase are as follows:

- a. Water Fund: The net assets of the Water enterprise are down \$294,071, or -4.52%.
- b. Sewer Fund: The net assets for the Sewer enterprise are up \$717,750, or 2.93%
- c. Beach Fund: The net assets for the Beach enterprise are up \$347,133, or 6.83%.



Financial Analysis of the Town's Funds

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

Governmental funds: The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town'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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds (Continued)

Governmental funds (continued): As of the end of the reporting period, the Town governmental funds reported combined ending fund balances of \$12,498,918, after an increase of \$2,721,987 and a prior period adjustment of \$1,852,185 to adjust deposits and liabilities associated with a self-funded health insurance plan. Approximately 97% of this total amount (\$12,118,871) constitutes *unreserved fund balance*, which is available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, *unreserved*, undesignated fund balance of the General Fund was \$4,099,653, while total fund balance was \$4,479,700. 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 and transfers. Unreserved, undesignated fund balance represents 8.68% of total General Fund expenditures and transfers, while total fund balance represents 9.49% of the same amount.

The fund balance of the Town's General Fund increased by \$1,367,968 during FY2010.

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

- a. Water Fund: The unrestricted net assets of the Water Fund at June 30, 2010 totaled \$1,990,949.
- b. Sewer Fund: The unrestricted net assets of the Sewer Fund at June 30, 2010 amounted to \$6,539,280.
- c. Beach Fund: The unrestricted net assets of the Beach Fund at June 30, 2010 totaled \$1,771,633.

General Fund Budgetary Highlights

The annual capital and operating budgets were not radically altered once they were approved by the Town Council in June 2009. Minor transfers between budgetary line items within the same department are routinely administered by the Purchasing Agent; however, there were several budget changes between departments that were administered by transfers from one department to another in closing out the fiscal year. There were no supplemental budget appropriations.

1. Taxation: Due to a vigorous follow-up on the late payment of current taxes, the collection of property taxes was \$322,522 more than the budget. Taxes from prior year's levies were budgeted at \$175,000 while collections reached \$635,449, or \$460,449 more than budgeted. Interest on delinquent taxes was budgeted at \$200,000 while collections were \$602,203, or \$402,203 more than budgeted.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights (Continued)

2. State Payment for Motor Vehicle Tax Phase-out: Due to State of Rhode Island (State) budget problems, the State cancelled a portion of the tax phase-out. Thus, while \$1,201,375 was budgeted, only \$1,041,634 was realized, resulting in a shortfall of \$159,741 compared to budget.
3. The Town's other State-shared revenues for beach parking fees, telephone tax, hotel tax and the meal tax were budgeted at \$820,122 while \$930,295 was received, or \$110,173 more than budgeted.

Capital Assets and Debt Administration

1. Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$134,728,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and bridges. The total decrease in the Town's investment in capital assets, net of accumulated depreciation, for FY2010 was 2.95% (a 2.94% decrease for governmental activities and a 2.98% decrease for business-type activities). Major capital asset events during the reporting period included the following:
 - a. Renovations to municipal buildings totaling \$85,000.
 - b. The purchase of cars, trucks and heavy equipment in the amount of \$165,600.
 - c. The continuation of the Public Works' pavement management program with the investment of \$94,392.
 - d. The purchase of new computer equipment in the amount of \$35,685.
 - e. Enterprise capital expenditures of \$382,000.
 - f. Renovations and repairs to the Towers in the amount of \$42,200. (As previously described, this structure is now owned by the Town and is operated as a function hall that is rented for weddings, receptions and other gatherings.)

Town of Narragansett's Capital Assets (Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009 (Restated)	2010	2009	2010	2009 (Restated)
Land	\$ 21,369,796	\$ 21,369,796	\$ 2,187,780	\$ 2,187,780	\$ 23,557,576	\$ 23,557,576
Construction in progress	793,160	2,012,582	212,449	1,640,809	1,005,609	3,653,391
Buildings and improvements	34,258,787	34,868,612	5,038,528	5,069,163	39,297,315	39,937,775
Machinery and equipment	3,353,076	3,572,537	635,927	556,995	3,989,003	4,129,532
Vehicles	2,262,811	2,665,989	43,916	76,069	2,306,727	2,742,058
Infrastructure	39,483,892	40,103,583	25,087,936	24,696,518	64,571,828	64,800,101
Total	<u>\$ 101,521,522</u>	<u>\$ 104,593,099</u>	<u>\$ 33,206,536</u>	<u>\$ 34,227,334</u>	<u>\$ 134,728,058</u>	<u>\$ 138,820,433</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration (Continued)

2. Debt administration: At the end of the fiscal year, the Town had total bonds and notes outstanding of \$31,160,315, all of which is backed by the full faith and credit of the Town. Total debt was reduced by \$3,355,863 during FY2010.

The Town maintained an “AA-” rating from Standard & Poor’s for general obligation debt.

Town of Narragansett’s Outstanding Debt
General Obligation Bonds and Revenue Bonds
(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 22,270	\$ 24,159	\$ 430	\$ 876	\$ 22,699	\$ 29,442
Notes and loans	2,198	2,503	6,263	6,978	8,461	5,074
Total	<u>\$ 24,468</u>	<u>\$ 26,662</u>	<u>\$ 6,693</u>	<u>\$ 7,854</u>	<u>\$ 31,160</u>	<u>\$ 34,516</u>

Except as provided below, under Rhode Island general laws, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$144,778,986 based on net assessed valuations of \$4,825,966,196 as of December 31, 2009. As of June 30, 2010, the Town had \$122,078,987 of debt that could be issued under the 3% debt limit provision.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration (Continued)

The Town is also guided by a Debt Policy, adopted by a prior Town Council, which places internal limits on the amount of General Fund debt the Town may undertake. These restrictions are as follows:

<u>Debt Issuance Ratios</u>	<u>Limitation</u>
Debt Service as a Percentage of Operating Budget	7% of Operating Budget
Outstanding Debt as a Percentage of Assessed Valuation	2.5% of assessed valuations
Debt Service as a Percentage of Maximum Allowable Tax Levy	8% of Maximum Allowable Tax Levy
Outstanding Debt Per Capita	\$2,500 per capita

Environmental Remediation

The United States Environmental Protection Agency (US EPA) has notified the Town that two former landfills used by the Town, Rose Hill Regional Landfill (Rose Hill) and West Kingston/URI Disposal Area Landfills, have been placed on the Superfund list.

Rose Hill Regional Landfill:

Rose Hill was previously operated by the towns of South Kingstown and Narragansett. In September 2002, the US EPA, the Rhode Island Department of Environmental Management (RIDEM) and the towns of Narragansett and South Kingstown entered into a Final Consent Decree for remediation of Rose Hill. Since then, the site has been capped and long-term groundwater and air monitoring has commenced to determine the effectiveness of the cap and what, if any, additional remediation actions may be necessary in the future.

The current estimated cost of completing the clean-up of Rose Hill is approximately \$21,600,000. The Town of Narragansett paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill. The amount was funded through a 20-year general obligation bond sold in September 2002 with interest at 1.18%. The outstanding bond balance at June 30, 2010 is \$1,423,622. The Town also paid \$504,931 for its share of natural resource damages.

The Final Consent Decree also requires reimbursement to the State of 30% of the costs associated with remediation of this landfill and ongoing operation and maintenance costs. Such costs are currently estimated at \$3,586,000 and will be shared equally by the two towns. The Town of Narragansett's share of the estimated cost of \$2,063,000, which includes an estimated \$270,000 for continued monitoring and site maintenance, will be paid to the State over a 27-year period beginning in 2011. As such, approximately \$2,063,000 has been reported as accrued claims and judgments in the 2010 government-wide financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Environmental Remediation (Continued)

West Kingston/URI Disposal Area Landfills:

The West Kingston/URI Disposal Area Landfills, also known as the Plains Road Landfill (Plains Road), was added to the Superfund list in 1992. The University of Rhode Island (URI) and the Towns of Narragansett and South Kingstown have agreed to participate in the remediation of the site under State landfill closure regulations. Total project costs paid to date approximate \$7,073,000, for which the Town has paid approximately \$1,476,000. In addition to these costs, ongoing maintenance costs will be paid as part of the annual operating budget.

Other Postemployment Benefits

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined, in accordance with the parameters of GASB Statement No. 45. The Town's net OPEB obligation at June 30, 2010 of \$10,124,232 has been recorded as a long-term obligation in the government-wide financial statements.

Economic Factors and Next Year's Budget and Rates

The primary economic factor affecting fiscal year 2010 is the recession that is plaguing the entire nation. Rhode Island has been identified as one of the three states most adversely affected by the downturn. The recession has negatively impacted tax and utility collection rates, investment earnings and state aid.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance
25 Fifth Avenue
Narragansett, RI 02882

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 10,973,220	\$ 1,500	\$ 10,974,720
Investments	8,590,211		8,590,211
Accounts receivable, less allowance for doubtful accounts of \$300,000:			
Property taxes	1,015,461		1,015,461
Federal and state government	671,792		671,792
Assessments and user fees:			
Current		542,897	542,897
Noncurrent		6,452,118	6,452,118
Other	476,921	438,879	915,800
Prepaid expenses and other	2,625,041		2,625,041
Due from fiduciary funds	1,015,281		1,015,281
Internal balances	(9,839,918)	9,839,918	-
Deferred charges	256,819		256,819
Capital assets not being depreciated	22,162,956	2,400,229	24,563,185
Capital assets being depreciated, net	79,358,566	30,806,307	110,164,873
Other assets		116,479	116,479
	<u>117,306,350</u>	<u>50,598,327</u>	<u>167,904,677</u>
Total assets			
LIABILITIES:			
Accounts payable and accrued expenses	1,657,326	343,529	2,000,855
Accrued compensated absences		311,841	311,841
Deferred revenue	2,431	6,447,559	6,449,990
Long-term obligations:			
Due within one year	1,970,026	837,983	2,808,009
Due in more than one year	28,694,081	5,842,968	34,537,049
Net pension obligation	11,718,611		11,718,611
Other postemployment benefits	10,124,232		10,124,232
	<u>54,166,707</u>	<u>13,783,880</u>	<u>67,950,587</u>
Total liabilities			
Commitments and contingencies (Note 11)			
NET ASSETS (DEFICIENCY):			
Invested in capital assets, net of related debt	76,328,788	26,525,585	102,854,373
Unrestricted	(13,189,145)	10,288,862	(2,900,283)
	<u>\$ 63,139,643</u>	<u>\$ 36,814,447</u>	<u>\$ 99,954,090</u>
Total net assets			

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 999,494	\$ 1,033,620	\$ 25,000	\$ 309,970	\$ 369,096		\$ 369,096
Financial administration	1,109,011	641,989	-	-	(467,022)		(467,022)
Public safety	10,922,031	593,592	-	280,921	(10,047,518)		(10,047,518)
Public works	3,921,244	1,100	-	-	(3,920,144)		(3,920,144)
Social services	362,588	-	20,770	-	(341,818)		(341,818)
Parks and recreation	1,460,487	131,421	39,271	-	(1,289,795)		(1,289,795)
Planning, engineering and inspection	1,282,366	313,100	176,542	-	(792,724)		(792,724)
Library	682,173	6,997	149,952	-	(525,224)		(525,224)
Food service	361,762	215,034	97,037	-	(49,691)		(49,691)
Other	6,816,208	368,003	22,210	47,648	(6,378,347)		(6,378,347)
Education	28,544,163	870,270	3,415,116	-	(24,258,777)		(24,258,777)
Interest on long-term debt	1,047,327	-	-	-	(1,047,327)		(1,047,327)
Total governmental activities	<u>57,508,854</u>	<u>4,175,126</u>	<u>3,945,898</u>	<u>638,539</u>	<u>(48,749,291)</u>		<u>(48,749,291)</u>
Business-type activities:							
Water	1,732,292	1,371,384				\$ (360,908)	(360,908)
Sewer	3,659,479	3,995,311				335,832	335,832
Beach	<u>1,383,501</u>	<u>1,678,536</u>				<u>295,035</u>	<u>295,035</u>
Total business-type activities	<u>6,775,272</u>	<u>7,045,231</u>				<u>269,959</u>	<u>269,959</u>
Total	<u>\$ 64,284,126</u>	<u>\$ 11,220,357</u>	<u>\$ 3,945,898</u>	<u>\$ 638,539</u>	<u>(48,749,291)</u>	<u>269,959</u>	<u>(48,479,332)</u>
General revenues:							
Property taxes					42,585,105		42,585,105
Grants and contributions not restricted to specific programs					2,466,572		2,466,572
Investment earnings					274,532	500,853	775,385
Miscellaneous					90,826		90,826
Total general revenues					<u>45,417,035</u>	<u>500,853</u>	<u>45,917,888</u>
Change in net assets					<u>(3,332,256)</u>	<u>770,812</u>	<u>(2,561,444)</u>
Net assets, beginning of year:							
As previously reported					53,209,814	36,043,635	89,253,449
Prior period adjustment (Notes 5 and 12)					<u>13,262,085</u>		<u>13,262,085</u>
As restated					<u>66,471,899</u>	<u>36,043,635</u>	<u>102,515,534</u>
Net assets, end of year					<u>\$ 63,139,643</u>	<u>\$ 36,814,447</u>	<u>\$ 99,954,090</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2010

ASSETS	General Fund	School Unrestricted Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 10,932,350	\$ 135	\$ 40,735	\$ 10,973,220
Investments	8,590,211			8,590,211
Accounts receivable:				
Property taxes, net	1,015,461			1,015,461
Federal and state government	177,144	72,386	422,262	671,792
Other	101,832	4,383	370,706	476,921
Prepaid and other expenses	1,238,452	1,386,589		2,625,041
Due from fiduciary funds	1,015,281			1,015,281
Due from other funds		2,534,199	5,454,441	7,988,640
Total assets	<u>\$ 23,070,731</u>	<u>\$ 3,997,692</u>	<u>\$ 6,288,144</u>	<u>\$ 33,356,567</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 788,644	\$ 389,784	\$ 300,623	\$ 1,479,051
Accrued compensated absences	323,280	111,160	3,598	438,038
Due to other funds	16,708,049		1,100,916	17,808,965
Deferred revenue	771,058		360,537	1,131,595
Total liabilities	<u>18,591,031</u>	<u>500,944</u>	<u>1,765,674</u>	<u>20,857,649</u>
Fund balances:				
Reserved for prepaid and other expenses	380,047			380,047
Unreserved, reported in:				
General Fund	4,099,653			4,099,653
Special revenue funds		3,496,748	1,305,634	4,802,382
Capital projects funds			3,216,836	3,216,836
Total fund balances	<u>4,479,700</u>	<u>3,496,748</u>	<u>4,522,470</u>	<u>12,498,918</u>
Total liabilities and fund balances	<u>\$ 23,070,731</u>	<u>\$ 3,997,692</u>	<u>\$ 6,288,144</u>	<u>\$ 33,356,567</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2010

Total fund balances for governmental funds		\$	12,498,918
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:			
Capital assets, net	\$	101,521,522	
Deferred charges		<u>256,819</u>	101,778,341
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the funds, less amounts not expected to be collected			1,129,164
Internal service funds are used by management to charge the costs of fleet management services to individual departments			(35,314)
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds and notes payable, including premiums or discounts		(25,126,571)	
Net pension obligation		(11,718,611)	
Other postemployment benefits		(10,124,232)	
Claims and judgements		(2,063,235)	
Compensated absences payable		(3,036,263)	
Accrued interest		<u>(162,554)</u>	<u>(52,231,466)</u>
Net assets of governmental activities			<u>\$ 63,139,643</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

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

YEAR ENDED JUNE 30, 2010

	General Fund	School Unrestricted Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes and payments in lieu of taxes	\$ 43,132,950			\$ 43,132,950
State aide, unrestricted	2,466,572	\$ 891,595		3,358,167
Charges for services	2,714,822	851,189	\$ 609,115	4,175,126
Operating grants and contributions			1,966,682	1,966,682
Capital gains and contributions			638,539	638,539
Investment and interest income	241,212		33,320	274,532
State contribution to teachers' pension plan		923,999		923,999
Other revenues			56,018	56,018
Total revenues	48,555,556	2,666,783	3,303,674	54,526,013
Expenditures:				
Current:				
General government	1,278,395		-	1,278,395
Financial administration	1,054,645			1,054,645
Public safety	10,452,564		323,973	10,776,537
Public works	2,363,003		103,896	2,466,899
Social services	126,563		227,115	353,678
Parks and recreation	1,196,793		167,103	1,363,896
Planning, engineering and inspection	937,685		368,624	1,306,309
Library			679,346	679,346
Food service			361,762	361,762
Other	1,713,950			1,713,950
Education		25,032,993	2,029,971	27,062,964
Debt service:				
Principal			2,194,667	2,194,667
Interest			1,072,286	1,072,286
Capital outlay			146,592	146,592
Total expenditures	19,123,598	25,032,993	7,675,335	51,831,926
Excess (deficiency) of revenues over expenditures	29,431,958	(22,366,210)	(4,371,661)	2,694,087
Other financing sources (uses):				
Gain on sale of capital asset	27,900			27,900
Transfers from other funds	52,488	23,659,310	5,123,245	28,835,043
Transfers to other funds	(28,144,378)	(638,177)	(52,488)	(28,835,043)
Total other financing sources (uses)	(28,063,990)	23,021,133	5,070,757	27,900
Excess of revenues and other financing sources over expenditures and other financing uses	1,367,968	654,923	699,096	2,721,987
Fund balance, beginning of year:				
As previously reported	2,172,593	1,928,779	3,823,374	7,924,746
Prior period adjustment (Note 12)	939,139	913,046		1,852,185
As restated	3,111,732	2,841,825	3,823,374	9,776,931
Fund balance, end of year	\$ 4,479,700	\$ 3,496,748	\$ 4,522,470	\$ 12,498,918

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

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

YEAR ENDED JUNE 30, 2010

Net change in fund balances for governmental funds		\$ 2,721,987
Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.		
Capital outlays, including amounts charged to current expenditures	\$ 919,230	
Depreciation expense	<u>(3,990,807)</u>	(3,071,577)
Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.		(33,853)
Deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(377,315)
The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.		
Principal repayment on long-term debt	2,194,667	
Amortization of:		
Deferred charge on refunding	(43,506)	
Bond premiums	<u>52,706</u>	2,203,867
Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds in the current year:		
Accrued compensated absences	(213,668)	
Accrued claims and judgments	273,215	
Allowance for doubtful accounts	300,000	
Pension contributions	(54,018)	
Other postemployment health benefits	<u>(5,102,258)</u>	(4,796,729)
Internal service funds are used by management to charge the costs of fleet management services to individual departments		5,605
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds		<u>15,759</u>
Change in net assets of governmental activities		<u>\$ (3,332,256)</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

JUNE 30, 2010

	Business-Type Activities – Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Beach Fund	Total	Internal Service Fund
ASSETS:					
Current assets:					
Cash and cash equivalents			\$ 1,500	\$ 1,500	
Accounts receivable:					
Assessments and user fees	\$ 177,930	\$ 364,967		542,897	
Other	153,178	284,680	1,021	438,879	
Due from other funds	1,894,995	6,087,401	1,857,522	9,839,918	
Total current assets	2,226,103	6,737,048	1,860,043	10,823,194	
Noncurrent assets:					
Assessments and user fees		6,452,118		6,452,118	
Capital assets not being depreciated	220,541	366,318	1,813,370	2,400,229	
Capital assets being depreciated, net	4,295,689	24,653,553	1,857,065	30,806,307	\$ 66,163
Other assets	11,359	105,120		116,479	
Total assets	6,753,692	38,314,157	5,530,478	50,598,327	66,163
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	148,959	106,160	88,410	343,529	15,721
Due to other funds					19,593
Accrued compensated absences	97,554	214,287		311,841	
Current portion of long-term debt	55,771	782,212		837,983	
Total current liabilities	302,284	1,102,659	88,410	1,493,353	35,314
Noncurrent liabilities:					
Deferred revenue		6,434,559	13,000	6,447,559	
Long-term debt, net of current portion	245,466	5,597,502		5,842,968	
Total noncurrent liabilities	245,466	12,032,061	13,000	12,290,527	
Total liabilities	547,750	13,134,720	101,410	13,783,880	35,314
NET ASSETS:					
Invested in capital assets, net of related debt	4,214,993	18,640,157	3,670,435	26,525,585	30,849
Unrestricted	1,990,949	6,539,280	1,758,633	10,288,862	
Total net assets	\$ 6,205,942	\$ 25,179,437	\$ 5,429,068	\$ 36,814,447	\$ 30,849

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2010

	Business-Type Activities – Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Beach Fund	Total	Internal Service Fund
Operating revenues:					
Assessments and user fees	\$ 1,338,213	\$ 3,931,067		\$ 5,269,280	
Beach admittance and rental fees			\$ 1,678,536	1,678,536	
Vehicle maintenance charges					\$ 357,048
Other revenues	33,171	64,244		97,415	
Total operating revenues	1,371,384	3,995,311	1,678,536	7,045,231	357,048
Operating expenses:					
Salaries and benefits	483,034	785,747	706,507	1,975,288	216,254
Materials and supplies	540,601	1,073,516	217,724	1,831,841	130,368
Utilities	20,862	215,079	23,862	259,803	904
Administrative and miscellaneous	198,248	584,559	330,012	1,112,819	3,917
Depreciation and amortization	477,062	816,997	104,497	1,398,556	
Total operating expenses	1,719,807	3,475,898	1,382,602	6,578,307	351,443
Operating income (loss)	(348,423)	519,413	295,934	466,924	5,605
Nonoperating revenues (expenses):					
Interest revenue	66,837	381,918	52,098	500,853	
Interest expense	(12,485)	(183,581)	(899)	(196,965)	
Total nonoperating revenues (expenses)	54,352	198,337	51,199	303,888	
Change in net assets	(294,071)	717,750	347,133	770,812	5,605
Net assets, beginning of year	6,500,013	24,461,687	5,081,935	36,043,635	25,244
Net assets, end of year	\$ 6,205,942	\$ 25,179,437	\$ 5,429,068	\$ 36,814,447	\$ 30,849

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2010

	Business-Type Activities – Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Beach Fund	Total	Activities Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 1,282,704	\$ 3,886,845	\$ 1,690,515	\$ 6,860,064	\$ 357,048
Cash received from other sources	33,171	64,244		97,415	
Cash paid to employees and for benefits	(458,966)	(747,505)	(706,507)	(1,912,978)	(216,254)
Cash paid to suppliers	(607,526)	(1,287,663)	(235,892)	(2,131,081)	(128,658)
Cash paid for administrative expenses	(198,248)	(584,559)	(330,012)	(1,112,819)	(3,917)
Net cash provided by operating activities	51,135	1,331,362	418,104	1,800,601	8,219
Cash used in noncapital financing activities, interfund balances	(25,490)	(467,066)	(106,086)	(598,642)	(8,219)
Cash flows from capital and related financing activities:					
Acquisition and construction of fixed assets	(27,047)	(62,627)	(254,980)	(344,654)	
Principal paid on long-term debt	(52,950)	(1,000,006)	(108,237)	(1,161,193)	
Interest paid on long-term debt	(12,485)	(183,581)	(899)	(196,965)	
Cash used in capital and related financing activities	(92,482)	(1,246,214)	(364,116)	(1,702,812)	
Cash provided by investing activities, interest received	66,837	381,918	52,098	500,853	
Net increase in cash and cash equivalents	-	-	-	-	-
Cash and cash equivalents, beginning of year	-	-	1,500	1,500	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ 1,500	\$ 1,500	\$ -

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2010

	Business-Type Activities – Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Beach Fund	Total	Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (348,423)	\$ 519,413	\$ 295,934	\$ 466,924	\$ 5,605
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	477,062	816,997	104,497	1,398,556	
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(55,509)	760,489	(1,021)	703,959	
Increase (decrease) in:					
Accounts payable and accrued expenses	(46,063)	932	5,694	(39,437)	2,614
Accrued compensated absences	24,068	38,242		62,310	
Deferred revenue		(804,711)	13,000	(791,711)	
Net cash provided by operating activities	<u>\$ 51,135</u>	<u>\$ 1,331,362</u>	<u>\$ 418,104</u>	<u>\$ 1,800,601</u>	<u>\$ 8,219</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2010

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS:		
Cash and cash equivalents		\$ 13,520
Due from other funds		96,051
Prepaid expenses	<u>\$ 224,326</u>	<u> </u>
	224,326	109,571
Investments, at fair value	<u>48,397,991</u>	<u>-</u>
Total assets	<u>48,622,317</u>	<u>109,571</u>
LIABILITIES:		
Internal balances	1,111,332	
Accounts payable and accrued expenses	<u>365,582</u>	
	<u>1,476,914</u>	
NET ASSETS:		
Held in trust for pension benefits and other purposes	<u>\$ 47,145,403</u>	<u>\$ 109,571</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2010

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions to net assets:		
Contributions:		
Employer	\$ 1,677,772	
Plan members	1,005,943	
Retiree health benefits	1,202,332	
Other		\$ 335
	<u>3,886,047</u>	<u>335</u>
Investment earnings:		
Net increase in fair value of investments	4,026,072	768
Interest and dividends	1,339,556	4,509
	<u>5,365,628</u>	<u>5,277</u>
Total additions	<u>9,251,675</u>	<u>5,612</u>
Deductions from net assets:		
Benefits	3,020,109	
Retiree health benefits	1,144,544	
Administrative and other expenses	261,785	
Refund of contributions	77,352	
Scholarship awards		4,342
Other	25,444	12,418
Total deductions	<u>4,529,234</u>	<u>16,760</u>
Change in net assets	4,722,441	(11,148)
Net assets, beginning of year	<u>42,422,962</u>	<u>120,719</u>
Net assets, end of year	<u>\$ 47,145,403</u>	<u>\$ 109,571</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies:

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

Financial reporting entity:

The Town of Narragansett was founded in 1888 and is governed under the 1966 Narragansett Home Rule Charter (the Charter), which provides for a Town Council/Town Manager form of government. Legislative authority is vested in a five-member Town Council elected to biennial terms. A five-member School Committee is vested with autonomous legislative authority over the Town's public school system. Members of the School Committee are elected to biennial terms.

The council-appointed Town Manager serves as chief executive officer over all municipal services including: public safety (police, fire, and emergency services); public works (highway, streets, and facilities management); parks and recreation; planning, engineering and inspection; education; social services and general administrative services.

The Superintendent of Schools, appointed by the School Committee, serves as the chief executive officer for the School Department, which provides elementary and secondary education to Town residents.

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, the Town applied the criteria prescribed by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or for which the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has identified no component units through the application of GASB Statement No. 14 criteria.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation:

Government-wide financial statements:

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

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

Fund financial statements:

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Governmental funds:

Governmental funds are used to account for operations that supply basic government services.

The Town reports the following major governmental funds:

The *General Fund* is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all financial activities, except those legally or administratively required to be accounted for in other funds.

The *School Unrestricted Fund*, a special revenue fund, is the school's primary operating fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes. The School unrestricted fund is a special revenue fund because the revenue sources are legally restricted to educational expenditures. It accounts for all financial resources of the school, other than those specifically restricted by the providers for certain uses.

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 Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, Sewer Fund, Beach Fund and an Internal Service Fund.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

Additionally, the Town reports the following fund types:

Capital projects funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items, other than those financed by proprietary funds or those accounted for in the school renovation fund.

Permanent funds account for assets held by the Town where the principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

Pension trust funds account for contributions made by the Town and its participating employees to provide retirement and other postemployment benefits to participating employees.

Private purpose trust funds account for resources legally held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the fund, including any earnings on investments, may be used. There is no requirement that any portion of these resources be preserved as capital.

Measurement focus and basis of accounting:

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

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

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

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

Effective for periods beginning after June 15, 2010, the Town will be required to adopt the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 requires changes to the classifications and reporting of fund balance classifications. The Town will also be required to assess the activities reported in each fund according to the clarified definitions of the governmental fund types. The Town does not expect the adoption of GASB 54 to have a material effect on its financial statements.

Certain immaterial rounding differences may exist between amounts reported in these notes and amounts reported in the basic financial statements.

Use of estimates:

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition. The Town maintains deposits in various financial institutions that are carried at cost except for those amounts which are carried as petty cash. The carrying amount of deposits is separately displayed on the balance sheet as "cash and cash equivalents."

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

Investments:

Investments are reported at fair value. Fair values are established by quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The State does not have pertinent laws regarding investments that apply to cities and towns. Except for the Town's Pension Fund investments, the Town does not have a formal investment policy for custodial credit risk or other risks. The purpose of the Pension Fund investment policy is to communicate to the investment managers a clear understanding of the Pension Fund investment policies and objectives. The Pension Board is authorized and permitted to engage services of investment managers and to set the direction of the investments of the pension plans. The Town's Pension Board is responsible for the supervision of the investment of the Town's Pension Fund investments with the objective of preserving capital and investing with care to minimize the risk of large losses. The Town's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from the concentration of assets in a specific maturity.

Property taxes:

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied in August on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered. Taxes levied in July are payable quarterly on July 31, October 31, January 31 and April 30. Failure to make payments will result in a lien on the taxpayer's property.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Property taxes (continued):

Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4.75% over that of the preceding fiscal year for 2010. The rate decreases annually by .25% to 4% in 2013.

Interfund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other interfund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved. Interfund receivables and payables are classified as "due from other funds" or "due to other funds."

Capital assets:

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

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$10,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Capital assets (continued):

The ranges of estimated useful lives by type of asset are as follows:

	<u>Years</u>
Land improvements	5-65
Buildings and improvements	25-65
Machinery and equipment	5-30
Vehicles	6
Infrastructure	15-65

Capital assets acquired by governmental funds are accounted for in the Capital Projects Fund.

Compensated absences:

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

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

Long-term obligations:

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2010

1. Summary of significant accounting policies (continued):

Fund equity:

Government-wide financial statements:

Net assets:

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

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

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

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

Fund financial statements:

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

2. Fund balances:

At June 30, 2010, the following funds, which are all nonmajor, had a deficit (negative) fund balance:

	<u>Fund balance</u>
School Renovation Fund	\$ (112,249)
Grants Fund	(853,029)
Forfeited Funds	(2,724)
Towers Committee Fund	(16,967)

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

2. Fund balances (continued):

Recoveries of the deficits are expected to come through the receipt of grant revenue and user charges.

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2010, the carrying amount of the Town's deposits, including \$6,000,000 of cash equivalents, was \$10,974,721 and the total bank balance was \$11,957,108, of which \$1,252,924 was insured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

At June 30, 2010, deposits are categorized as follows:

	Uninsured/ uncollateralized in Town's name	Rating	Maturities	Total bank balance	Carrying amount
Deposits:					
Demand deposits	\$ 3,849,396			\$ 4,577,936	\$ 3,595,450
Certificates of deposit	5,956,062	N/A	7/2010 to 8/2010	6,000,000	6,000,000
Money market	898,726			1,379,172	1,379,271
	<u>\$ 10,704,184</u>			<u>\$ 11,957,108</u>	<u>\$ 10,974,721</u>

Investments:

	General Fund	Pension Funds	Total
Cash	\$ 503,736		\$ 503,736
Corporate stocks		\$ 14,618,466	14,618,466
Corporate bonds	451,273	6,594,420	7,045,693
Certificates of deposit	1,644,832		1,644,832
Government securities	5,990,369	2,181,112	8,171,481
Money market		2,891,966	2,891,966
Mutual funds		22,112,027	22,112,027
Total investments	<u>\$ 8,590,210</u>	<u>\$ 48,397,991</u>	<u>\$ 56,988,201</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Investments (continued):

The market values of the Town's Pension Fund investments and the Town's other investments as of October 31, 2010 are \$53,385,378 and \$6,135,414, respectively, which represent a 10% increase and 29% decrease, respectively, in the values since June 30, 2010. The Town is currently reviewing various options with its actuarial consultant and investment advisors to address the contributions required as a result of the current market conditions.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the exposure of the Town's debt securities to interest rate risk using the segmented time distribution model is as follows:

Type of investment	Fair value	Investment maturities (in years)			
		Less than 1 year	1-5 years	6-10 years	Over 10 years
U.S. Government securities	\$ 8,171,481	\$ 76,387	\$1,130,056	\$ 1,078,635	\$ 5,886,403
Corporate bonds	7,045,693	1,171,986	3,016,499	2,317,035	540,173
Total	<u>\$15,217,174</u>	<u>\$ 1,248,373</u>	<u>\$4,146,555</u>	<u>\$ 3,395,670</u>	<u>\$ 6,426,576</u>

Although there is no established policy for investments other than for the Pension Fund, the Town manages its exposure to declines in fair values of all investments by adhering to the Pension Fund investment policy.

Pension Fund investments are subject to interest rate risk, which is mitigated by continuous evaluation of the portfolio's performance by the Finance Director and the Pension Board. The Finance Director receives monthly investment performance reports from its investment advisors and meets quarterly with the Pension Board to review the reports to determine if market conditions reflect the investment performance policies of the Town.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Investments (continued):

Credit risk:

Credit risk, the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment, this is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities.

The Town's Pension Fund investment policy allows for investments in obligations of the U.S. Government and its agencies, state and municipal obligations, corporate debt securities, preferred stock, corporate debt, preferred stocks convertible to equities, repurchase agreements and commercial paper. These allowed investments are subject to the following limitations: 1) at the time of purchase all investments must have a rating of A or higher from Moody's or a comparable established rating agency, 2) fixed income investments must be rated at least Baa2 or its equivalent by at least one recognized bond rating service and at least 80% of the fixed income portfolio must carry a rating of A, and 3) commercial paper must be rated P-1 or A-1 by Standard & Poor's or Moody's, respectively. The Moody's ratings for all of the Town's debt securities are listed below.

<u>Average rating</u>	<u>Corporate bonds</u>
Aaa	\$ 152,820
Aa1	91,917
Aa2	1,005,244
Aa3	466,067
A1	1,060,265
A2	2,223,775
A3	648,793
Baa1	456,474
Baa2	523,247
Baa3	186,091
Not rated	212,500
Withdrawn rating	<u>18,500</u>
	<u><u>\$ 7,045,693</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

3. Deposits and investments (continued):

Investments (continued):

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Pension funds reflect a balanced array of investment products with planned diversity consistent with the need for short-term liquidity, as well as long-term deferred obligations. The Town's Pension Fund investment policy states that not more than 5% of the Pension Fund's portfolio value can be invested in any one issuer, with the exception of the U.S. Government or its agencies.

Custodial credit risk:

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are held by a counterparty or held by a counterparty's agent or trust department, but not in the Town's name. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty or agent of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The Town's investments include \$56,484,465 held by the Town's counterparty, not in the Town's name.

4. Interfund transactions:

Interfund receivables and payables at June 30, 2010 are as follows:

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds, Internal Service	\$ 19,593
School Unrestricted	Governmental funds, General Fund	2,548,566

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

4. Interfund transactions (continued):

Receivable Fund	Payable Fund	Amount
Due to/from (continued):		
Governmental funds (continued):		
Nonmajor governmental funds	Governmental funds: General Fund School Unrestricted	\$ 4,339,158 14,367
		<u>4,353,525</u>
Enterprise funds:		
Water Fund	Governmental funds, General Fund	<u>1,894,995</u>
Sewer Fund	Governmental funds, General Fund	<u>6,087,401</u>
Beach Fund	Governmental funds, General Fund	<u>1,857,522</u>
		<u>\$ 16,761,602</u>

Operating transfers between funds for the year ended June 30, 2010 were as follows:

Transfer to Fund	Transfer from Fund	Amount
Governmental funds:		
School Unrestricted	Governmental funds, General Fund	\$ 23,659,310
General Fund	Nonmajor governmental funds	<u>52,488</u>
Nonmajor governmental funds	Governmental funds: General Fund School Unrestricted	4,485,068 638,177
		<u>5,123,245</u>
		<u>\$ 28,835,043</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Capital assets:

Governmental activities beginning balances have been restated to reflect a prior period adjustment to record land previously not recorded and to correct a fixed asset disposal for an asset still in use. The adjustment increased fixed assets by \$11,305,100 and \$104,800, respectively, for these corrections.

Governmental activities:	Beginning balances, as restated	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 21,369,796			\$ 21,369,796
Construction in progress	2,012,582	\$ 337,849	\$ 1,557,271	793,160
Total capital assets not being depreciated	<u>23,382,378</u>	<u>337,849</u>	<u>1,557,271</u>	<u>22,162,956</u>
Capital assets being depreciated:				
Infrastructure	56,768,771	679,128		57,447,899
Buildings and improvements	46,300,849	1,144,608		47,445,457
Machinery and equipment	6,497,703	95,822		6,593,525
Vehicles	6,950,417	219,094	32,800	7,136,711
Total capital assets being depreciated	<u>116,517,740</u>	<u>2,138,652</u>	<u>32,800</u>	<u>118,623,592</u>
Less accumulated depreciation for:				
Buildings and improvements	11,432,237	1,754,433		13,186,670
Machinery and equipment	2,925,166	315,283		3,240,449
Vehicles	4,284,428	622,272	32,800	4,873,900
Infrastructure	16,665,188	1,298,819		17,964,007
Total accumulated depreciation	<u>35,307,019</u>	<u>3,990,807</u>	<u>32,800</u>	<u>39,265,026</u>
Total capital assets being depreciated, net	<u>81,210,721</u>	<u>(1,852,155)</u>	<u>-</u>	<u>79,358,566</u>
Governmental activities capital assets, net	<u>\$ 104,593,099</u>	<u>\$ (1,514,306)</u>	<u>\$ 1,557,271</u>	<u>\$ 101,521,522</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 21,475		
Financial administration		2,435		
Public safety		475,500		
Public works		1,588,902		
Social services		8,910		
Parks and recreation		152,041		
Planning, engineering and inspection		77,693		
Education		1,663,851		
		<u>\$ 3,990,807</u>		

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

5. Capital assets (continued):

Business-type activities:	Beginning balances	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 2,187,780			\$ 2,187,780
Construction in progress	1,640,810	\$ 32,176	\$ 1,460,537	212,449
Total capital assets not being depreciated	3,828,590	32,176	1,460,537	2,400,229
Capital assets being depreciated:				
System improvements and infrastructure	37,636,902	1,284,922	-	38,921,824
Buildings and improvements	9,468,733	310,633	-	9,779,366
Machinery and equipment	2,170,700	177,460	-	2,348,160
Vehicles	537,916	-	-	537,916
Total capital assets being depreciated	49,814,251	1,773,015	-	51,587,266
Less accumulated depreciation for:				
System improvements and infrastructure	12,940,384	893,504	-	13,833,888
Buildings and improvements	4,399,570	341,268	-	4,740,838
Machinery and equipment	1,613,705	98,528	-	1,712,233
Vehicles	461,847	32,153	-	494,000
Total accumulated depreciation	19,415,506	1,365,453	-	20,780,959
Total capital assets being depreciated, net	30,398,745	407,562	-	30,806,307
Business-type activities capital assets, net	<u>\$ 34,227,335</u>	<u>\$ 439,738</u>	<u>\$ 1,460,537</u>	<u>\$ 33,206,536</u>

Depreciation was charged to business-type activities as follows:

Water Fund	\$ 473,566
Sewer Fund	791,425
Beach Fund	100,462
	<u>\$ 1,365,453</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

6. Accounts payable and accrued expenses:

	Vendors	Other governments	Employees	Accrued Interest	Total
Governmental activities:					
General Fund	\$ 187,299	\$ 55,959	\$ 545,386		\$ 788,644
School Unrestricted Fund	219,129		170,655		389,784
Nonmajor funds	300,623				300,623
Internal Service Fund	9,909		5,812		15,721
Reconciliation of balances in fund financial statements to government- wide financial statements				\$ 162,554	162,554
	<u>\$ 716,960</u>	<u>\$ 55,959</u>	<u>\$ 721,853</u>	<u>\$ 162,554</u>	<u>\$ 1,657,326</u>
Business-type activities:					
Water Fund	\$ 113,017	\$ 19,887	\$ 11,573	\$ 4,482	\$ 148,959
Sewer Fund	31,173		18,715	56,272	106,160
Beach Fund	25,991		62,419		88,410
	<u>\$ 170,181</u>	<u>\$ 19,887</u>	<u>\$ 92,707</u>	<u>\$ 60,754</u>	<u>\$ 343,529</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

7. Long-term obligations:

General obligation bonds, notes and loans payable:

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

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2009 was \$4,825,966,196, limiting the amount of nonexcepted general obligation bonds outstanding to \$144,778,986. At June 30, 2010, bonds outstanding totaled \$ 22,699,999.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Long-term obligations (continued):

A summary of long-term obligations as of June 30, 2010 is as follows:

	Governmental activities	Business-type activities	Total
Bonds and notes	\$ 25,035,448	\$ 6,692,867	\$ 31,728,315
Less undrawn note proceeds	(568,000)		(568,000)
	24,467,448	6,692,867	31,160,315
Deferred amounts:			
Loss on refundings	(76,271)	(11,916)	(88,187)
Premium	735,394		735,394
	25,126,571	6,680,951	31,807,522
Accrued compensated absences	3,474,301		3,474,301
Claims and judgments	2,063,235		2,063,235
	30,664,107	6,680,951	37,345,058
Less portion due within one year	1,970,026	837,983	2,808,009
	<u>\$ 28,694,081</u>	<u>\$ 5,842,968</u>	<u>\$ 34,537,049</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Long-term obligations (continued):

	<u>Date of issuance</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>Authorized</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>	<u>Amounts due within one year</u>
Governmental activities:									
General obligation bonds payable:									
Refunding - School and General Fund	12/1/2002	1.35-4.4%	9/15/2009	\$ 5,924,804	\$ 757,986	\$ -	\$ 757,986	\$ -	\$ -
Refunding - open space	7/13/2004	2.5-4.0%	8/15/2015	473,835	191,061		66,235	124,826	63,688
Pavement management and school refunding	7/13/2004	2.5-4.0%	8/15/2015	3,740,000	2,300,000		350,000	1,950,000	340,000
School renovation	5/14/2009	3.0-5.0%	4/1/2029	20,910,000	20,910,000		715,000	20,195,000	740,000
				<u>31,048,639</u>	<u>24,159,047</u>	<u>-</u>	<u>1,889,221</u>	<u>22,269,826</u>	<u>1,143,688</u>
Notes and loans payable:									
Towers rehabilitation note	5/15/2002	4.95%	5/15/2012	510,000	153,000	-	51,000	102,000	51,000
Rose Hill clean-up loan	9/3/2002	1.18%	9/1/2022	2,000,000	1,513,068		89,446	1,423,622	91,997
Narrow River clean-up loan	12/12/2007	1.38%	9/1/2029	600,000	600,000		-	600,000	25,000
Landfill closure costs	12/15/2005	1.34%	9/1/2025	350,000	305,000		15,000	290,000	16,000
Camp Jori loan	6/5/2003	3.70%	6/5/2013	500,000	200,000		50,000	150,000	50,000
School note	10/18/2006	4.62%	10/15/2011	500,000	300,000		100,000	200,000	100,000
				<u>4,460,000</u>	<u>3,071,068</u>	<u>-</u>	<u>305,446</u>	<u>2,765,622</u>	<u>333,997</u>
Less undrawn note proceeds					<u>(568,000)</u>			<u>(568,000)</u>	
				<u>35,508,639</u>	<u>26,662,115</u>	<u>-</u>	<u>2,194,667</u>	<u>24,467,448</u>	<u>1,477,685</u>
Deferred amounts:									
Loss on refundings					<u>(119,777)</u>		<u>(43,506)</u>	<u>(76,271)</u>	<u>15,255</u>
Premiums on bonds					<u>788,100</u>		<u>52,706</u>	<u>735,394</u>	<u>39,048</u>
Total bonds, notes and loans payable				<u>35,508,639</u>	<u>27,330,438</u>	<u>-</u>	<u>2,203,867</u>	<u>25,126,571</u>	<u>1,531,988</u>
Accrued compensated absences					<u>3,096,939</u>	<u>377,362</u>		<u>3,474,301</u>	<u>438,038</u>
Claims and judgments					<u>2,336,450</u>		<u>273,215</u>	<u>2,063,235</u>	
Total long-term obligations				<u>\$ 35,508,639</u>	<u>\$ 32,763,827</u>	<u>\$ 377,362</u>	<u>\$ 2,477,082</u>	<u>\$ 30,664,107</u>	<u>\$ 1,970,026</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Long-term obligations (continued):

	<u>Date of issuance</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>Authorized</u>	<u>Outstanding June 30, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>	<u>Amounts due within one year</u>
Business-type activities									
Bonds:									
Refunding - Water	7/13/2004	2.5-4.00%	8/15/2015	\$ 585,000	\$ 360,000	\$ -	\$ 50,000	\$ 310,000	\$ 55,000
Refunding - Wastewater	12/1/2002	1.35-4.0%	9/15/2009	1,749,158	223,777		223,777	-	-
Refunding - Wastewater	7/13/2004	2.5-4.0%	8/15/2015	456,165	183,938		63,765	120,173	61,313
Refunding - Beach	12/1/2002	1.35-4.0%	9/15/2009	846,038	108,237		108,237	-	-
				<u>3,636,361</u>	<u>875,952</u>	<u>-</u>	<u>445,779</u>	<u>430,173</u>	<u>116,313</u>
Notes and loans payable:									
Point Judith water note - Water	6/2/1981	5.00%	6/15/2011	50,000	6,105	-	2,951	3,154	3,154
4.1 SRLF sewer projects - Sewer	3/11/1992	3.19%	9/1/2013	4,189,137	1,046,755		209,351	837,404	209,457
2.1 SRLF sewer projects - Sewer	6/29/1994	2.96%	9/1/2014	2,100,000	630,000		105,000	525,000	105,000
.78 SRLF sewer projects - Sewer	9/1/1999	2.75%	9/1/2019	780,000	480,591		38,008	442,583	39,053
3.5 SRLF sewer projects - Sewer	2/4/1999	2.50%	9/1/2019	3,500,000	2,136,352		171,106	1,965,246	175,389
Briggs Farm sewer project - Sewer	11/13/2003	1.26%	9/1/2024	4,200,000	2,678,307		189,000	2,489,307	192,000
				<u>14,819,137</u>	<u>6,978,110</u>	<u>-</u>	<u>715,416</u>	<u>6,262,694</u>	<u>724,053</u>
				18,455,498	7,854,062	-	1,161,195	6,692,867	840,366
Deferred amounts, loss on refundings					<u>(26,676)</u>		<u>(14,760)</u>	<u>(11,916)</u>	<u>(2,383)</u>
Total long-term obligations				<u>\$ 18,455,498</u>	<u>\$ 7,827,386</u>	<u>\$ -</u>	<u>\$ 1,146,435</u>	<u>\$ 6,680,951</u>	<u>\$ 837,983</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

7. Long-term obligations (continued):

General obligation bonds, notes and loans payable (continued):

At June 30, 2010, scheduled annual debt service requirements to maturity for general obligation bonds and notes are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Governmental activities:			
2011	\$ 1,477,685	\$ 1,025,554	\$ 2,503,239
2012	1,469,759	979,987	2,449,746
2013	1,273,319	945,652	2,218,971
2014	1,242,095	879,039	2,121,134
2015	1,269,950	830,222	2,100,172
2016-2020	5,634,502	3,539,642	9,174,144
2021-2025	6,329,138	2,288,044	8,617,182
2026-2030	5,771,000	747,319	6,518,319
	<u>\$ 24,467,448</u>	<u>\$ 11,235,459</u>	<u>\$ 35,702,907</u>
Business-type activities:			
2011	\$ 840,366	\$ 189,237	\$ 1,029,603
2012	843,223	163,833	1,007,056
2013	787,968	139,220	927,188
2014	802,291	115,290	917,581
2015	592,151	94,998	687,149
2016-2020	2,414,561	278,582	2,693,143
2021-2025	412,307	63,763	476,070
	<u>\$ 6,692,867</u>	<u>\$ 1,044,923</u>	<u>\$ 7,737,790</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans:

All eligible employees of the Town are covered by one of three pension plans: the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), the Chapter 1666 Police Pension Plan (Police Plan), or the Town of Narragansett Pension Plan (Town Plan).

Teachers' Plan

Plan description:

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple-employer public employee retirement system administered by the State. The Teachers' Plan covers all School Department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan during 2010 was \$11,812,870, including \$370,158 of federally reimbursed payroll.

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

Schedule A Benefits:

Schedule A benefits are available to members who possessed 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age sixty-two. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with 10 years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Schedule B Benefits:

Schedule B benefits are provided to members who had less than 10 years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with 10 years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

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

Rhode Island general laws relating to state employees and teachers' benefits were amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of 10 years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

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

TOWN OF NARRAGANSETT, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Teachers' Plan (continued):

Funding policy:

Rhode Island general laws set the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of 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. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

As prescribed by Rhode Island general laws, 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 2010, actuarial required contributions were 11.73% of participant salary (20.07% for federally reimbursed salary). This resulted in a contribution rate paid by the State on behalf of Town teachers of 8.08% (\$923,999). The Town's required and actual contributions to the Teachers' Plan for fiscal years 2010, 2009, and 2008 were \$1,408,884, \$1,149,017, and \$1,541,538, respectively.

Police Plan

Plan description:

All police officers hired before July 1, 1978 who refused the September 1984 offer to join the Town Plan are covered by the Police Plan, a single-employer defined benefit pension plan established in accordance with the Town Charter. The Police Plan, which is closed to new entrants, is included in the Town's financial statements as a pension trust fund.

The following benefit provisions and contribution requirements were established and may be amended by Town Ordinance. A police officer may retire upon the earlier of attainment of age 58 or the completion of 20 years of credited service. The normal retirement benefit is equal to 50% of final earnings. Retirement benefits are payable in the form of a 67.5 percent survivor annuity if the participant is married at the retirement date or a life annuity if single.

Death benefits are provided for members with 25 years of service. The surviving spouse shall receive a monthly benefit equal to 67 percent of the member's accrued benefit continuing until his/her death or remarriage.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Police Plan (continued):

Plan description (continued):

In the event a member becomes unable to perform active police duty by reason of physical or mental disability, they shall be entitled to a monthly pension in the amount of 50 percent of final earnings in the year of disability.

As of July 1, 2010, the date of the latest actuarial valuation, there were 12 participants receiving benefits.

Funding policy:

Employees are not required to contribute to the Police Plan since there are no active participants. The Town is required to contribute an amount appropriated annually by the Town Council to fund the benefits of the Police Plan based on an actuarial valuation. Administrative costs are paid from plan assets.

Actuarial methods and significant assumptions:

The annual required contribution (ARC) was determined as part of the July 1, 2010 actuarial valuation using the Entry Age Normal Cost Method and is based upon a funding policy which provides for the payment of normal cost plus an amount that will amortize the unfunded actuarial accrued liability as a level percentage of pay over 30 years plus interest. Significant actuarial assumptions used in each valuation are summarized as follows:

Interest:	7.50% annually
Mortality:	Rates in accordance with RP 2000 Mortality table
Disability:	Rates in accordance with RP 2000 Mortality table

Annual pension costs and net benefit obligation:

The annual pension cost of \$76,825 was determined as described above and was based on an actuarial valuation as of July 1, 2010. Annual pension cost consists of normal cost plus past service cost and one year of interest at 7.5%. Total contributions to the plan in fiscal 2010 amounted to \$120,000.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Police Plan (continued):

Annual pension costs and net benefit obligation (continued):

A summary of annual pension costs, contributions and net pension obligations for the preceding three years is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Normal cost	\$ - 0 -	\$ - 0 -	\$ - 0 -
Amortization of UAAL	71,714	77,093	80,656
Interest	10,930	(232)	9,935
Adjustment to annual required contribution	<u>(5,819)</u>	<u>232</u>	<u>(10,434)</u>
Annual pension cost	76,825	77,093	80,157
Contributions made	<u>(120,000)</u>	<u></u>	<u>(215,717)</u>
Increase (decrease) in net pension obligation	(43,175)	77,093	(135,560)
Net pension obligation, beginning of year	<u>74,004</u>	<u>(3,089)</u>	<u>132,471</u>
Net pension obligation, end of year	<u>\$ 30,829</u>	<u>\$ 74,004</u>	<u>\$ (3,089)</u>
Percentage of annual pension cost contributed	<u>156.2%</u>	<u>0%</u>	<u>269.1%</u>

Funded status and funding progress:

As of July 1, 2010, the Police Plan was 0% funded. The actuarial accrued liability for benefits was \$840,010 and the actuarial value of assets was (\$76,563), resulting in an unfunded actuarial accrued liability (UAAL) of \$916,573. There is no covered payroll as there are no active participants.

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan

Plan description:

All permanent, regular and probationary status employees who work for at least five months of a year and for at least twenty hours per week are eligible to participate in the Town Plan, a single-employer defined benefit pension plan, except as follows: School System employees who have been, are, or will be eligible for membership in the Teachers' Plan and any police officer covered under the Police Plan who has refused to join the Town Plan. The assets of the Town Plan are held in a Trust which is reported as a fiduciary fund in the Town's financial statements. The Town Plan was established by the Town in accordance with the Town Charter, Covered payroll under the Town Plan for the year ended June 30, 2010 was \$11,975,586.

As of July 1, 2010, the date of the latest actuarial valuation, employee membership data related to the Town Plan is as follows:

Active participants	259
Terminated vested participants	15
Retirees and beneficiaries	<u>167</u>
Total	<u><u>441</u></u>

Benefit provisions:

The following eligibility and benefit provisions were established and may be amended by an ordinance of the Town Council. Effective July 1, 2001, all new employees of the Town join either the Town or Teachers' Plan.

A municipal or school system employee may retire upon the later of attainment of age 58 or the completion of 10 years of credited service; but, in any case, the member can retire immediately after completing 20 years of credited service. A police officer may retire upon the earlier of attainment of age 58 or the completion of 20 years of credited service. A firefighter may retire upon completion of 20 years of credited service. The normal retirement benefit is equal to 2.5% of final average compensation multiplied by years of credited service (subject to a maximum benefit of 75% of final average compensation). Final average compensation is the average annual basic compensation during the highest three consecutive years of service. The normal form of benefit is a life annuity with a minimum refund of employee contributions. In lieu of the normal form of benefit, any member (except employees of the school system) who is married at the time of retirement may elect a pension that provides, upon the member's death, for 67.5% of the pension to continue to the dependent spouse or dependent children.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued):

Benefit provisions (continued):

Municipal employees (excluding school employees) who retire on or after July 1, 2002 shall receive annual 3% compounded cost-of-living adjustments (COLA) beginning on the July 1 of the year that the employee turns 58 years old. Firefighters who retire on or after July 1, 2002 shall receive annual 3% compounded COLA beginning on the July 1 of the year that the firefighter turns 52 years old. Police officers who retire on or after July 1, 2002 shall receive annual 3% compounded COLA beginning on the earlier of July 1 of the year that the employee turns 52 years old or July 1 of the year that is the fifth anniversary of the officer's retirement.

A member who has attained age 55 with 10 years of credited service or has attained age 50 with 20 years of credited service may elect to retire early. A member who elects to retire early will receive a monthly benefit equal to the actuarial equivalent of the accrued benefit determined as of the normal retirement date.

The Town Plan includes death benefits. Beneficiaries of municipal employees receiving death benefits for nonoccupational causes shall be entitled to a refund of employee contributions with interest plus a lump-sum death benefit equal to \$400 times the number of years of credited service (subject to a minimum of \$2,000 and maximum of \$8,000). Beneficiaries of municipal employees who die after completing 10 years of credited service will receive a monthly benefit of 50% of the member's accrued benefit, and a refund of employee contributions plus interest, if greater than the benefit described above. For occupational causes, the death benefit is a refund of the municipal employee's contributions with interest, plus a benefit equal to 50% of compensation.

Beneficiaries of firefighters or police officers who have completed 10 years of credited service may elect either a refund of employee contributions with interest or a benefit equal to 50% of the member's accrued benefit. Special rules apply for death after meeting eligibility for retirement.

The disability benefit for nonoccupational causes for municipal employees with seven years of credited service but prior to attainment of age 58 is a monthly benefit equal to the greater of:

- a.) 2.5% of final average compensation times years of credited service (subject to a minimum benefit equal to 25% of final average compensation and maximum benefit equal to 50% of final average compensation).
- b.) 1-2/3% of final average compensation times years of credited service (subject to a minimum benefit equal to 25% of final average compensation).

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued):

Benefit provisions (continued):

Disability benefits for nonoccupational causes for firefighters and police officers with seven years of credited service but prior to attainment of age 58 (age 55 for firefighters) is a benefit equal to 2.5% of compensation times years of credited service (subject to a minimum benefit equal to 25% and a maximum benefit equal to 50%). Municipal employees, firefighters and police officers disabled due to occupational causes receive a disability benefit equal to 66-2/3% of the annualized rate of compensation determined as of the date of disability, reduced by the monthly value of any payments provided for the member under any workers' compensation law.

Funding policy and contributions:

Contribution requirements are established and may be amended by Town Council ordinance or union contract.

Employees are required to contribute a percentage of their gross pay as follows:

Police	9%
Fire	8.5%
Certain laborers; clerical	9%
Others	8%

The Town is required to contribute an amount determined in accordance with the actuarial valuation. Administrative costs are paid from plan assets.

Actuarial method and significant assumptions:

The annual required contribution was determined as part of the July 1, 2010 actuarial valuation using the Entry Age Normal Cost Method and is based upon a funding policy which provides for the payment of normal cost plus an amount that will amortize the unfunded actuarial accrued liability as a level percentage of pay over 30 years plus interest. Significant actuarial assumptions used are summarized as follows:

Retirement probability:

Town employees – 100% at the earlier of the completion of 20 years of service or attainment of age 58 with at least 10 years of service

Firefighters and Police – 100% at the earlier of the completion of 20 years of service or attainment of age 58

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued):

Actuarial method and significant assumptions (continued):

Mortality:

Town employees – Rates in accordance with RP 2000 Mortality table

Firefighters and Police – Rates in accordance with RP 2000 Mortality table

Disability:

Town employees – Rates in accordance with RP 2000 Mortality table

Firefighters and Police – Rates in accordance with RP 2000 Mortality table

Withdrawals:

Town employees – rates in accordance with the T2 Table of The Pension Actuary's Handbook.

Firefighters and Police – None

Salary increase: 4.0% compounded annually

Interest: 7.5%

Eligible spouse: 100% of participants assumed to be married with female spouse 4 years younger

Annual pension costs and net benefit obligation:

The actuarially determined employer contribution requirement of \$1,654,965 was determined as described above and was based on an actuarial valuation as of July 1, 2010. The contribution consists of normal cost plus estimated expenses and one year of interest at 7.5%. Total contributions to the pension plan in fiscal 2010 amounted to \$2,563,715, of which \$1,557,772 and \$1,005,943 were made by the Town and its employees, respectively. Contributions made by the Town and employees represented 13.0% and 8.4%, respectively, of covered payroll for the year.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

8. Pension plans (continued):

Town Plan (continued):

Annual pension costs and net benefit obligation (continued):

A summary of annual pension costs, contributions and net pension obligations over the preceding three years is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Normal cost	\$ 1,232,343	\$ 1,232,343	\$ 1,316,761
Amortization of UAAL	1,058,699	1,230,527	2,062,370
Interest	983,585	730,506	622,871
Adjustment to annual required contribution	<u>(1,619,662)</u>	<u>(748,280)</u>	<u>(654,130)</u>
Annual pension cost	1,654,965	2,445,096	3,347,872
Contributions made	<u>(1,557,772)</u>	<u>(1,342,866)</u>	<u>(1,164,457)</u>
Increase in net pension obligation	97,193	1,102,230	2,183,415
Net pension obligation, beginning of year	<u>11,590,589</u>	<u>10,488,359</u>	<u>8,304,944</u>
Net pension obligation, end of year	<u><u>\$11,687,782</u></u>	<u><u>\$11,590,589</u></u>	<u><u>\$10,488,359</u></u>
Percentage of annual pension cost contributed	<u>94.1%</u>	<u>54.9%</u>	<u>34.8%</u>

Funded status and funding progress:

As of July 1, 2010, the most recent actuarial valuation date, the Town Plan was 69.9% funded. The actuarial accrued liability for benefits was \$77,014,388 and the actuarial value of assets was \$53,870,256, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,144,132. The covered payroll under the Town Plan for fiscal 2010 was \$11,975,586 and the ratio of the UAAL to the covered payroll was 193.3%.

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Other postemployment benefits:

In addition to pension benefits, the Town and School Department provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits, or compensation in lieu of postemployment health insurance benefits, to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available health care coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. During the year ended June 30, 2010, expenditures for postemployment benefits totaled \$1,447,706; 140 participants received such benefits. The Town's postemployment benefits plan does not issue a stand-alone financial report.

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of July 1, 2010. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the year ended June 30, 2010:

	<u>2010</u>	<u>2009</u>
Annual required contribution and OPEB cost	\$ 6,549,964	\$ 6,406,441
Contributions	<u>(1,447,706)</u>	<u>(1,384,467)</u>
Increase in Net OPEB obligation	5,102,258	5,021,974
Net OPEB obligation, beginning of year	<u>5,021,974</u>	<u>- 0 -</u>
Net OPEB obligation, end of year	<u>\$ 10,124,232</u>	<u>\$ 5,021,974</u>
Percent of ARC contributed in current year	22%	22%

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

9. Other postemployment benefits (continued):

Funded status and progress of the plan as of the most recent actuarial valuation date, July 1, 2010, is as follows:

Actuarial accrued liability (AAL)	\$ 72,792,463
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 72,792,463</u>
Funded ratio	0%
Annual covered payroll (active plan members)	\$ 21,069,482
UAAL as a percentage of covered payroll	345%

The 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 ARC are subject to continual revision as actual results are compared with past expectations. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations. The ARC was calculated based on the projected unit credit, level percent of payroll actuarial cost method. The assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 9%, reduced by decrements to an ultimate rate of 4.5% after eight years.

The School budgeted and set aside funds in fiscal year 2010 totaling \$100,000 (in a nonmajor special revenue fund) for the purpose of funding the UAAL. As of June 30, 2010, the School had set aside a total of \$622,788 to fund its UAAL. Based upon the July 1, 2010 valuation report, the estimated 2010 ARC is \$6,632,282 and the Town has budgeted funding of approximately \$510,300. In fiscal 2011, the Town plans to establish, and remit the accumulated funds to, an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008. By doing so, the Town expects to implement the provisions of GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB 45.

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

10. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$4,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2010.

11. Commitments and contingencies:

The United States Environmental Protection Agency (US EPA) has notified the Town that two former landfills used by the Town, Rose Hill Regional Landfill (Rose Hill) and West Kingston/URI Disposal Area Landfill, have been placed on the Superfund list.

Rose Hill Regional Landfill:

Rose Hill was previously operated by the towns of South Kingstown and Narragansett. In September 2002, the US EPA, the Rhode Island Department of Environmental Management (RIDEM) and the towns of Narragansett and South Kingstown entered into a Final Consent Decree for remediation of Rose Hill. Since then, the site has been capped and long-term groundwater and air monitoring has commenced to determine the effectiveness of the cap and what, if any, additional remediation actions may be necessary in the future.

The current estimated total cost of completing the clean-up of Rose Hill is approximately \$21,600,000. The Town of Narragansett's share of this obligation is estimated to approximate \$4,767,000; the Town paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill and approximately \$505,000 was paid by the Town in years prior to fiscal 2010 for its share of natural resource damages. The \$2,000,000 paid to the Federal Government was funded through a 20-year general obligation bond sold in September 2002 with interest at 1.18%. The outstanding bond balance at June 30, 2010 is \$1,423,622, which is included in long-term obligations on the government-wide statement of net assets.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

11. Commitments and contingencies (continued):

Rose Hill Regional Landfill (continued):

The Final Consent Decree also requires reimbursement to the State of Rhode Island (State) of 30% of the costs associated with remediation of this landfill and ongoing operation and maintenance costs. Total costs, including reimbursement to the State, are currently estimated at \$3,586,000 and will be shared equally by the two towns. The Town's share of the estimated cost, totaling \$1,793,000, will be paid to the State over a 27-year period beginning in 2011. In addition to these costs, the Town estimates that \$270,000 will be incurred in connection with its continuing monitoring and maintenance at Rose Hill. Accordingly, approximately \$2,063,000 has been reported as accrued claims and judgments in the 2010 government-wide financial statements.

West Kingston/URI Disposal Area Landfills:

The West Kingston/URI Disposal Area Landfills, also known as the Plains Road Landfill (Plains Road), was added to the Superfund list in 1992. The University of Rhode Island (URI) and the Towns of Narragansett and South Kingstown have agreed to participate in the remediation of the site under State landfill closure regulations. Total project costs paid to date remain unchanged from the prior year and approximate \$7,073,000, for which the Town has paid approximately \$1,476,000. In addition to these costs, ongoing maintenance costs will be paid as part of the annual operating budget.

Other contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal financial assistance received by the Town totaled \$1,743,084 for the year ended June 30, 2010.

The Town is a party to various other claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases; therefore, no liability has been recorded in the accompanying basic financial statements. In the opinion of the Town's management and Town Solicitor, these matters cannot be estimated nor can the likelihood of a favorable outcome be determined at this time.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

12. Self-insurance:

West Bay Community Health:

The Town participates in a multi-employer cost reimbursement healthcare self-insurance risk pool managed by West Bay Community Health (WBCH). WBCH is a not-for-profit organization formed to provide programs of health insurance coverage to Rhode Island cities, towns, and other governmental units. WBCH is governed by a Board of Directors (Board) that consists of one Board position from each school district or municipality that is a member.

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

WBCH does not pool member funds and each member has a separate account into which that member's monthly payments are deposited and against which that member's expenses are charged. The Town pays WBCH monthly premiums based upon "working rates" that are periodically adjusted to reflect changes in actual costs. Funds on deposit with WBCH are made available to pay claims, claim reserves, and administrative costs. If a member has a good claims year and their account has a surplus, those surplus funds remain in the member's account and are used to reduce the following year's premium increase. If the member experiences a bad claims year and their account has a deficit, the result is a higher premium increase in the following year to cover the deficit and the projected subsequent year claims. Funds from one member are not used to pay claims from another member since each member remains responsible for their own claims and expenses at all times. As of June 30, 2010 the reported premiums on deposit exceeded expenditures by \$1,883,194. Incurred but not reported (IBNR) claims, estimated at \$307,781, reduced the adjusted reserve to \$1,575,413.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for IBNR claims. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, including retroactive assessments for hospital costs and other settlements occurring after the end of the fiscal year. The claims liability is not determinable at June 30, 2010. An excess coverage insurance policy covers individual claims exceeding \$125,000.

WBCH members can withdraw from the program at the end of any contract year provided they give a 90 day written notice of their intention to withdraw. There are no exit fees or penalties imposed by either WBCH or BCBSRI if a member wishes to withdraw. Members may have to pay an administrative fee to BCBSRI for two months after they withdraw for the processing of claims occurring prior to the withdrawal date.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2010

12. Self-insurance (continued):

West Bay Community Health (continued):

Changes in the deposit balances for the past two fiscal years are as follows:

	Year ended June 30, 2010	Year ended June 30, 2009
Beginning cumulative surplus	\$ 2,089,418	\$ 1,916,456
Premium deposits	5,600,400	5,707,134
Incurred claims (excluding IBNR)	(4,833,713)	(5,298,617)
Surplus reimbursement	(802,550)	- 0 -
Administrative fees	<u>(170,361)</u>	<u>(235,555)</u>
Ending cash deposit balance	1,883,194	2,089,418
Estimated IBNR	<u>(307,781)</u>	<u>(263,500)</u>
Net adjusted reserve	<u>\$ 1,575,413</u>	<u>\$ 1,825,918</u>

The net adjusted reserve resulting from changes in deposit balances occurring prior to July 2009 were not recorded, resulting in a prior period adjustment of \$1,852,185.

The WBCH agreement provides for an annual independent audit of its financial statements. For the year ended June 30, 2010, WBCH generated \$114,022,003 in operating revenues and net revenue of \$4,973,922. WBCH had \$24,790,988 in total assets and \$15,239,808 in total equity as of June 30, 2010.

WBCH retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$450,000. As of June 30, 2010, WBCH's membership consisted of 19 school and municipal members.

Separate financial statements are available at WB Community Health, 10 Teakwood Drive, Coventry, RI 02816.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedules – General Fund and School Unrestricted Fund

Schedule of Funding Progress – Pension and OPEB Plans

In addition, the notes to the required supplementary information are included to provide information that is essential to a user's understanding of the required supplementary information.

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 SCHEDULE OF REVENUES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Original Budget Revenues	Revised Budget Revenues	Actual Revenues	Variance
General property taxes:				
Taxes current year	\$ 41,277,101	\$ 41,277,101	\$ 41,599,623	\$ 322,522
Taxes prior year	175,000	175,000	635,449	460,449
Total general property taxes	41,452,101	41,452,101	42,235,072	782,971
Investment and interest income:				
Interest on delinquent payments	200,000	200,000	602,203	402,203
Interest on investments	100,000	100,000	241,212	141,212
Total investment and interest income	300,000	300,000	843,415	543,415
Intergovernmental:				
Motor vehicle tax reimbursement	1,201,375	1,201,375	1,041,634	(159,741)
State beach parking fees	214,293	214,293	228,541	14,248
State telephone tax	159,267	159,267	177,144	17,877
Meal and beverage tax	376,001	376,001	457,772	81,771
Hotel tax	70,000	70,000	67,469	(2,531)
Federal in lieu of taxes	-	-	7,322	7,322
RIHEBC housing aid	486,678	486,678	486,690	12
Total intergovernmental	2,507,614	2,507,614	2,466,572	(41,042)
Licenses and permits:				
Building permits	316,000	316,000	235,896	(80,104)
Mooring fees	74,568	74,568	63,084	(11,484)
Galilee landing fees	85,000	85,000	-	(85,000)
Variance and exception fees	18,000	18,000	7,290	(10,710)
Fire alarm inspection fees	5,000	5,000	7,102	2,102
Road permit fees	1,000	1,000	1,100	100
VIN inspections	4,000	4,000	2,400	(1,600)
Mooring sanitation permits	4,000	4,000	-	(4,000)
Total licenses and permits	507,568	507,568	316,872	(190,696)
Fines and forfeitures:				
Police fees and fines	10,000	10,000	12,444	2,444
Municipal court	300,000	300,000	280,310	(19,690)
Total fines and forfeitures	310,000	310,000	292,754	(17,246)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 SCHEDULE OF REVENUES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Original Budget Revenues	Revised Budget Revenues	Actual Revenues	Variance
Interfund revenues:				
Beach in lieu of taxes	\$ 159,956	\$ 159,956	\$ 159,956	\$ -
Housing in lieu of taxes	10,000	10,000	3,059	(6,941)
Water in lieu of taxes	24,326	24,326	24,326	-
Sewer in lieu of taxes	108,334	108,334	108,334	-
Water administrative fees	118,691	118,691	118,691	-
Sewer administrative fees	417,761	417,761	417,761	-
Beach administrative fees	105,557	105,557	105,537	(20)
Total interfund revenues	944,625	944,625	937,664	(6,961)
Miscellaneous revenue:				
Town clerk general receipts	715,387	715,387	547,272	(168,115)
Town clerk alcoholic beverages	33,600	33,600	33,755	155
Police detail revenue	93,550	93,550	296,985	203,435
Miscellaneous receipts	40,000	40,000	33,178	(6,822)
Emergency medical services	300,000	300,000	248,767	(51,233)
Miscellaneous fire department	6,000	6,000	4	(5,996)
Miscellaneous police department	5,000	5,000	-	(5,000)
Fire marshall's plan review	54,000	54,000	25,890	(28,110)
Renter's registration fee	148,300	148,300	139,105	(9,195)
WB health surplus withdrawal	300,000	300,000	-	(300,000)
The trust: withdrawal of surplus	47,532	47,532	-	(47,532)
Total miscellaneous revenue	1,743,369	1,743,369	1,324,956	(418,413)
Recreation receipts:				
Community center rental	2,500	2,500	6,830	4,330
Parks and recreation receipts	50,000	50,000	19,511	(30,489)
Basketball league	43,000	43,000	40,890	(2,110)
Workshops	20,000	20,000	10,275	(9,725)
Soccer	2,000	2,000	1,955	(45)
The Camp	75,000	75,000	58,790	(16,210)
Total recreation receipts	192,500	192,500	138,251	(54,249)
Other financing sources:				
Gain on sale of capital assets	20,000	20,000	27,900	7,900
Appropriated fund balance	148,171	148,171	-	(148,171)
Total other financing sources	168,171	168,171	27,900	(140,271)
Total revenue and other financing sources	\$ 48,125,948	\$ 48,125,948	\$ 48,583,456	\$ 457,508

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 SCHEDULE OF EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Original Budget Expenditures	Revised Budget Expenditures	Actual Expenditures	Variance
General government:				
Town manager	\$ 252,220	\$ 252,220	\$ 179,479	\$ 72,741
Town council	47,540	142,540	142,266	274
Town clerk	337,109	337,109	253,736	83,373
Town solicitor	96,535	103,635	103,579	56
Information resource center	339,793	339,793	378,457	(38,664)
Board of canvassers	81,584	81,584	72,164	9,420
Zoning board	14,960	14,960	12,825	2,135
Historic district	3,875	3,875	174	3,701
Conservation commission	2,265	2,265	332	1,933
Tree Board	4,165	4,165	193	3,972
Municipal Court	147,268	147,268	121,571	25,697
Planning Board	8,900	8,900	3,412	5,488
Pension Board	20,300	20,300	10,207	10,093
Total general government	1,356,514	1,458,614	1,278,395	180,219
Financial administration:				
Financial and records administration	284,644	284,644	290,812	(6,168)
Accounting	340,643	340,643	316,095	24,548
Tax assessor	252,404	252,404	224,895	27,509
Treasury and tax collections	263,606	263,606	222,843	40,763
Total financial administration	1,141,297	1,141,297	1,054,645	86,652
Public safety:				
Public safety	825,294	825,294	763,996	61,298
Police administration	5,288,136	5,383,136	5,365,581	17,555
Fire administration	4,324,028	4,324,028	4,141,441	182,587
Emergency management	2,950	2,950	2,694	256
Harbor police	58,154	58,154	42,604	15,550
Animal control	151,342	151,342	136,248	15,094
Total public safety	10,649,904	10,744,904	10,452,564	292,340
Public works:				
Facilities maintenance	203,648	203,648	196,938	6,710
Highway	1,767,459	1,767,459	1,819,167	(51,708)
Public works	304,329	304,329	346,898	(42,569)
Total public works	2,275,436	2,275,436	2,363,003	(87,567)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 SCHEDULE OF EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Original Budget Expenditures	Revised Budget Expenditures	Actual Expenditures	Variance
Social service:				
Adeline Laplante Center	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Johnnycake Center	8,000	8,000	8,000	-
SK Senior Services Center	25,000	25,000	25,000	-
Elderly Nutrition	34,222	34,222	34,222	-
Senior Citizens Day Care	39,341	39,341	39,341	-
Welcome House	3,000	3,000	3,000	-
Narragansett Tourist Information Center	12,000	12,000	12,000	-
Washington County Regional Planning Council	3,000	3,000	3,000	-
The Samaritans	500	500	500	-
Total social service	126,563	126,563	126,563	-
Parks and recreation:				
Administration	147,827	147,827	154,681	(6,854)
Maintenance	618,957	618,957	588,294	30,663
Programs	572,013	572,013	453,818	118,195
Total parks and recreation	1,338,797	1,338,797	1,196,793	142,004
Planning, engineering and inspection:				
Community development	350,057	350,057	344,743	5,314
Building inspection	395,789	395,789	329,200	66,589
Engineering	244,199	258,599	263,742	(5,143)
Total planning, engineering and inspection	990,045	1,004,445	937,685	66,760

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 SCHEDULE OF EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	Original Budget <u>Expenditures</u>	Revised Budget <u>Expenditures</u>	Actual <u>Expenditures</u>	Variance
Other:				
Contingency	\$ 350,000	\$ 138,500	\$ -	\$ 138,500
Retirement sinking fund	200,000	200,000	170,849	29,151
WB Community Health	-	-	340,769	(340,769)
Retiree benefits	<u>1,202,332</u>	<u>1,202,332</u>	<u>1,202,332</u>	<u>-</u>
Total other	<u>1,752,332</u>	<u>1,540,832</u>	<u>1,713,950</u>	<u>(173,118)</u>
Total expenditures	<u>19,630,888</u>	<u>19,630,888</u>	<u>19,123,598</u>	<u>507,290</u>
Transfer from Town special revenue funds	-	-	(52,488)	52,488
Transfers to other funds:				
School Unrestricted Fund	23,659,310	23,659,310	23,659,310	-
Capital Project Funds – Town	951,069	951,069	612,082	338,987
Library Fund (CIP)	8,000	8,000	8,000	-
Internal Service Fund (CIP)	10,000	10,000	10,000	-
Debt Service Funds	3,278,648	3,278,648	3,266,953	11,695
Land Trust	50,000	50,000	50,000	-
Library	<u>538,033</u>	<u>538,033</u>	<u>538,033</u>	<u>-</u>
Total transfers	<u>28,495,060</u>	<u>28,495,060</u>	<u>28,091,890</u>	<u>403,170</u>
Total expenditures and other financing uses	<u>\$ 48,125,948</u>	<u>\$ 48,125,948</u>	<u>\$ 47,215,488</u>	<u>\$ 910,460</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SCHOOL UNRESTRICTED FUND
 SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)

YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State aid	\$ 1,484,908	\$ 1,031,966	\$ 891,595	\$ (140,371)
Charges for services	-	177,000	343,923	166,923
Other revenue	<u>412,250</u>	<u>512,250</u>	<u>597,530</u>	<u>85,280</u>
Total revenues	<u>1,897,158</u>	<u>1,721,216</u>	<u>1,833,048</u>	<u>111,832</u>
Expenditures:				
Instruction	13,465,621	13,469,468	12,840,678	628,790
Instructional support	4,509,914	4,490,646	4,162,152	328,494
Operations	4,371,340	4,397,366	4,029,569	367,797
Other Commitments – Non-Operating	1,646,379	1,656,063	1,447,024	209,039
Leadership	<u>2,063,214</u>	<u>2,042,926</u>	<u>1,719,835</u>	<u>323,091</u>
Total expenditures	<u>26,056,468</u>	<u>26,056,469</u>	<u>24,199,258</u>	<u>1,857,211</u>
Excess of expenditures over revenues before other financing sources (uses)	<u>(24,159,310)</u>	<u>(24,335,253)</u>	<u>(22,366,210)</u>	<u>1,969,043</u>
Other financing sources (uses):				
Operating transfer from General Fund	23,659,310	23,659,310	23,659,310	-
Operating transfer to other funds	-	-	(638,177)	(638,177)
Appropriated unreserved fund balance	<u>500,000</u>	<u>675,943</u>	<u>-</u>	<u>(675,943)</u>
Total other financing sources (uses)	<u>24,159,310</u>	<u>24,335,253</u>	<u>23,021,133</u>	<u>(1,314,120)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,923</u>	<u>\$ 654,923</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2010

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
<i>Police Pension Plan (Police Plan)</i>						
July 1, 2005	\$ 48,555	\$ 949,819	\$ 901,264	5.1%	\$ -	N/A
July 1, 2007	(106,318)	846,266	952,584	0.0%	-	N/A
July 1, 2008	3,525	914,018	910,493	0.4%	-	N/A
July 1, 2009	(103,557)	872,021	975,578	0.0%	-	N/A
July 1, 2010	(76,563)	840,010	916,573	0.0%	-	N/A
<i>Town of Narragansett Pension Plan (Town Plan)</i>						
July 1, 2005	\$ 41,278,370	\$ 52,236,039	\$ 10,957,669	79.0%	\$ 9,279,194	118.1%
July 1, 2007	50,566,985	64,920,534	14,353,549	77.9%	9,803,980	146.4%
July 1, 2008	53,153,249	66,594,667	13,441,418	79.8%	9,620,655	139.7%
July 1, 2009	53,379,846	70,750,626	17,370,780	75.4%	11,989,702	144.9%
July 1, 2010	53,870,256	77,014,388	23,144,132	69.9%	11,975,586	193.3%
<i>Town of Narragansett Other Postemployment Benefits (OPEB)</i>						
July 1, 2009	\$ -	\$ 70,365,417	\$ 70,365,417	0.0%	\$ 20,259,117	347.3%
July 1, 2010	-	72,792,463	72,792,463	0.0%	21,069,482	345.5%

(1) N/A not available

(2) The information was obtained from the annual actuarial valuation as of the date indicated. The latest actuarial valuation for the plans is as of July 1, 2010.

TOWN OF NARRAGANSETT, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2010

Police Plan

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 76,825	156%
2009	77,093	0%
2008	80,157	269%
2007	80,150	0%
2006	71,561	98%
2005	77,509	65%

Town Plan

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 1,654,965	94%
2009	2,445,096	55%
2008	3,347,872	35%
2007	2,653,919	40%
2006	2,184,453	47%
2005	2,255,815	43%

OPEB

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2010	\$ 6,549,964	22%
2009	6,406,441	22%

TOWN OF NARRAGANSETT, RHODE ISLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

1. Schedule of funding progress:

The information presented in the required schedule of funding progress was determined as part of the annual actuarial valuations at the dates indicated. Additional information as of the latest valuation follows:

	<u>Police Pension Plan</u>		<u>Town Pension Plan</u>		<u>OPEB</u>
Valuation date	7/1/10		7/1/10		7/1/10
Actuarial cost method	Entry Age Normal Cost		Entry Age Normal Cost		Projected unit credit
Amortization method	Level percent of payroll – open		Level percent of payroll – open		Level dollar
Amortization factor	40 years prior to July 1, 2006 and 30 years after July 1, 2006		40 years prior to July 1, 2006 and 30 years after July 1, 2006		30 years
Asset valuation method	Fair market value		Fair market value		N/A
Actuarial assumptions:					N/A
Investment rate of return	7.5% per annum		7.5% per annum		
Projected salary increases	Not applicable		4.0% compounded annually		
Cost-of-living adjustments	Not applicable		3%, compounded for all employees retiring on or after July 1, 2002 except school employees.		
Participant information	Active participants	- 0 -	Active participants	259	Retirees
	Retirees	6	Terminated vested participants	15	140
	Beneficiaries	6	Retirees and beneficiaries	167	
		<u>12</u>		<u>441</u>	

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

YEAR ENDED JUNE 30, 2010

2. Budgetary data and budgetary compliance:

In accordance with the Town's Charter, the Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund, which is a Special Revenue Fund, and its Enterprise Funds. All of the above are subject to an annual operating budget enacted and adopted by ordinance of the Town Council. The School Unrestricted Fund is subject to an annual operating budget approved by the School Committee before being enacted and adopted by the Town Council. Only the General Fund and School Unrestricted Fund are required to present budgetary comparison schedules as required supplementary information.

The Town makes use of an encumbrance system for all Governmental Fund Types. Encumbrances are commitments related to unperformed contracts for goods or services.

When a purchase order or commitment is placed, the Town reduces the amount of budgetary authority remaining in a budget category and records an encumbrance. When goods or services are received, the encumbrance balance is reduced and an expenditure and liability is recorded. The Town's outstanding encumbrances for its General Fund will expire at year-end.

Appropriations in addition to those contained in the annual operating budget require Town Council approval. Amendments to the operating budgets that do not result in additional appropriations may be made within departments by means of a transfer. The Town Manager has the authority to make such transfers within departments. Transfers made outside the departmental level require Town Council approval. The level on which General Fund expenditures may not legally exceed appropriations is at the department level. Other budgeted funds are not legally responsible for excesses of expenditures over budgeted amounts as long as additional revenues over the estimated revenue amounts become available. All unencumbered appropriations lapse at the end of each fiscal year. There were no supplemental budgetary appropriations during fiscal year 2010.

OTHER SUPPLEMENTARY INFORMATION

The information provided herein contains schedules which the Town deems necessary to provide additional disclosures.

THIS SECTION CONTAINS THE FOLLOWING:

Tax Collector's Annual Report

Combining Fund Financial Statements for Nonmajor Governmental Funds

Combining Financial Statements for Pension Trust Funds

Combining Fund Financial Statements for Private Purpose Trust Funds

Other Supplementary Information

TOWN OF NARRAGANSETT, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2010

<u>Tax Roll Year</u>	<u>Balance, June 30, 2009</u>	<u>Current Year Assessment</u>	<u>Adjustments/ abatements</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance, June 30, 2010</u>
2009		\$ 42,106,773	\$ 151,894	\$ 42,258,667	\$ 41,425,591	\$ 833,076
2008	\$ 2,226,651	-	94,037	2,320,688	2,087,790	232,898
2007	86,716	-	19,756	106,472	86,155	20,317
2006	32,033	-	933	32,966	4,493	28,473
2005	33,141	-	(251)	32,890	2,342	30,548
2004	30,622	-	32	30,654	924	29,730
2003	30,893	-	1	30,894	417	30,477
2002	32,030	-	(32)	31,998	126	31,872
2001	42,844	-	1	42,845	83	42,762
2000	24,791	-	(2)	24,789	185	24,604
1999	24,808	-	(19,840)	4,968	93	4,875
1998	29,901	-	(24,062)	5,839	10	5,829
Total	<u>\$ 2,594,430</u>	<u>\$ 42,106,773</u>	<u>\$ 222,467</u>	<u>\$ 44,923,670</u>	<u>\$ 43,608,209</u>	1,315,461
						<u>300,000</u>
						<u>\$ 1,015,461</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2010

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 4,617,729,400	\$ 40,354,315
Motor vehicles	144,098,596	1,168,493
Tangible personal	<u>64,138,200</u>	<u>583,965</u>
Total	4,825,966,196	42,106,773
Exemptions	<u>125,975,158</u>	
Current year assessment	<u><u>\$ 4,699,991,038</u></u>	<u><u>\$ 42,106,773</u></u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 43,608,209
Revenue collected within 60 days subsequent to year ended June 30, 2010	<u>337,720</u>
	43,945,929
Prior year revenue received in current year	<u>(1,417,843)</u>
Current year real estate and personal property tax revenue	<u><u>\$ 42,528,086</u></u>

COMBINING FUND FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

THE FOLLOWING FUNDS OF THE TOWN ARE REPORTED IN THIS SECTION:

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for resources allocated to specific purposes. A special revenue fund continues in existence as long as governmental resources are allocated to its specific purposes.

School Special Revenue Funds

Established to account for the receipts and disbursements of state and federal grants for education.

Food Service Fund

Established to account for the fees, federal reimbursements and related expenditures of the School's food service program.

The following are the Town's special revenue funds:

Grants Fund

Established to account for state and federal grants for various purposes.

Community Development Fund

Established to administer a grant program which provides low-interest loans or outright grants to qualified citizens in the community for residential home improvements.

Library Fund

Established to account for the receipts and disbursements related to the operations of the library.

Narragansett Preservation Donation Fund

Established to account for donations to preserve Narragansett landmarks.

Land Trust Fund

Established to account for funds set aside for land acquisitions.

Boon Street Donations Fund

Established to account for donations for street-scape and roadway improvements to the Boon Street area.

Forfeited Funds

Established to account for local or federal money held by the police department.

Parks and Recreation Fund

Established to account for donations to the parks and recreation department.

Millennium Committee

Established to account for activities associated with the new millennium.

COMBINING FUND FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

THE FOLLOWING FUNDS OF THE TOWN ARE REPORTED IN THIS SECTION (CONTINUED):

SPECIAL REVENUE FUNDS (CONTINUED)

Dance of Peace Fund

Established to account for activities associated with the purchase and maintenance of the Dance of Peace artwork placed at the Town Beach.

Code Enforcement Fund

Established to account for money held in connection with housing and building code violations.

DARE Fund

Established to account for restitution payments made to the Juvenile Hearing Board.

Towers Committee Fund

Established to account for donations to the Friends of the Towers or other individuals for the purpose of renovating, running, maintaining, or otherwise benefiting the Towers.

Kinney Bungalow Fund

Established to account for the operations of the "Kinney Bungalow" at Sunset Farms.

Galilee Landing Fees Fund

Established to account for fees collected at the ferry to be used for various governmental expenditures that benefit the Galilee area.

Historical Preservation Fund

Established to account for refunds collected to be used for the preservation of historical town records.

Claims Fund

Established to account for self-insured claims funded by the Town.

Narragansett Skating Rink Fund

Established to account for donations to be used for the building of a new skating rink.

Antique Fire Apparatus

Established to account for donations to be used for the purchase of an antique fire truck.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for all resources used for the acquisition and/or construction of capital items by the Town and School other than those financed by proprietary funds and trust funds.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only the earnings, not the principal, may be used for purposes that support the Town's programs.

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	Town Special Revenue Funds	School Special Revenue Funds	Capital Projects Funds	Food Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 24,483			\$ 16,252	\$ -	\$ 40,735
Accounts receivable:						
Federal and state government	-	\$ 412,878		9,384		422,262
Other	358,106	12,600				370,706
Due from other funds	1,425,625	522,788	\$ 3,506,028			5,454,441
Total assets	<u>\$ 1,808,214</u>	<u>\$ 948,266</u>	<u>\$ 3,506,028</u>	<u>\$ 25,636</u>	<u>\$ -</u>	<u>\$ 6,288,144</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 101,270		\$ 176,943	\$ 22,410	\$ -	\$ 300,623
Accrued compensated absences	3,598					3,598
Due to other funds	803,029	\$ 184,843	112,249	795		1,100,916
Deferred revenue	358,106			2,431		360,537
Total liabilities	<u>1,266,003</u>	<u>184,843</u>	<u>289,192</u>	<u>25,636</u>	<u>-</u>	<u>1,765,674</u>
Fund balances:						
Unreserved, reported in:						
Special revenue funds	542,211	763,423		-	-	1,305,634
Capital projects funds			3,216,836			3,216,836
Total fund balances	<u>542,211</u>	<u>763,423</u>	<u>3,216,836</u>	<u>-</u>	<u>-</u>	<u>4,522,470</u>
Total liabilities and fund balances	<u>\$ 1,808,214</u>	<u>\$ 948,266</u>	<u>\$ 3,506,028</u>	<u>\$ 25,636</u>	<u>\$ -</u>	<u>\$ 6,288,144</u>

Certain immaterial rounding differences may exist between amounts reported here and amounts reported in the basic financial statements.

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

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

JUNE 30, 2010

	Town Special Revenue Funds	School Special Revenue Funds	Capital Projects Funds	Food Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:						
Charges for services	\$ 375,000	\$ 19,081		\$ 215,034		\$ 609,115
Operating grants and contributions	232,523	1,612,122	\$ 25,000	97,037		1,966,682
Capital grants and contributions	280,921	47,648	309,970			638,539
Investment and interest income	33,295	-	25			33,320
Other	56,018					56,018
Total revenues	<u>977,757</u>	<u>1,678,851</u>	<u>334,995</u>	<u>312,071</u>		<u>3,303,674</u>
Expenditures:						
Current:						
General government	-					-
Public safety			75,432			323,973
Public works	3,096		100,800			103,896
Social services	227,115					227,115
Parks and recreation	151,718		15,385			167,103
Planning, engineering and inspection	368,624					368,624
Library	679,346					679,346
Food service				361,762		361,762
Education		1,503,693	526,278			2,029,971
Debt service:						
Principal					\$ 2,194,667	2,194,667
Interest					1,072,286	1,072,286
Capital outlay	98,957	47,635				146,592
Total expenditures	<u>1,777,397</u>	<u>1,551,328</u>	<u>717,895</u>	<u>361,762</u>	<u>3,266,953</u>	<u>7,675,335</u>
Excess (deficiency) of revenues over expenditures	<u>(799,640)</u>	<u>127,523</u>	<u>(382,900)</u>	<u>(49,691)</u>	<u>(3,266,953)</u>	<u>(4,371,661)</u>
Other financing sources (uses):						
Operating transfers from other funds	588,033	100,000	1,077,634	90,625	3,266,953	5,123,245
Operating transfers to other funds	(52,488)					(52,488)
Total other financing sources (uses)	<u>535,545</u>	<u>100,000</u>	<u>1,077,634</u>	<u>90,625</u>	<u>3,266,953</u>	<u>5,070,757</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(264,095)</u>	<u>227,523</u>	<u>694,734</u>	<u>40,934</u>	<u>-</u>	<u>699,096</u>
Fund balances, beginning of year	<u>806,306</u>	<u>535,900</u>	<u>2,522,102</u>	<u>(40,934)</u>	<u>-</u>	<u>3,823,374</u>
Fund balances, end of year	<u>\$ 542,211</u>	<u>\$ 763,423</u>	<u>\$ 3,216,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,522,470</u>

Certain immaterial rounding differences may exist between amounts reported here and amounts reported in the basic financial statements.

SUPPLEMENTARY INFORMATION
TOWN OF NARRAGANSETT, RHODE ISLAND
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – TOWN

JUNE 30, 2010

	Grants Fund	Community Development Fund	Library Fund	Narragansett Preservation Donation Fund	Land Trust Fund	Boon Street Donations Fund	Forfeited Funds	Parks and Recreation Fund	Millennium Committee Fund	Dance of Peace Fund	Code Enforcement Fund
ASSETS											
Cash and cash equivalents	\$ -		\$ 24,383	\$ -		\$ -			\$ -	\$ -	
Accounts receivable, other		\$ 358,106									
Due from other funds		43,669	216,229		\$ 218,459		\$ (2,724)	\$ 86,825			\$ 3,580
Total assets	\$ -	\$ 401,775	\$ 240,612	\$ -	\$ 218,459	\$ -	\$ (2,724)	\$ 86,825	\$ -	\$ -	\$ 3,580
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued expenses	\$ 50,000		\$ 18,668	\$ -	\$ -	\$ -	\$ -	\$ 262	\$ -	\$ -	\$ 3,580
Accrued compensated absences			3,598								
Due to other funds	803,029										
Deferred revenue		\$ 358,106									
Total liabilities	853,029	358,106	22,266	-	-	-	-	262	-	-	3,580
Fund balances:											
Unreserved, reported in special revenue funds	(853,029)	43,669	218,346	-	218,459	-	(2,724)	86,563	-	-	-
Total fund balances	(853,029)	43,669	218,346	-	218,459	-	(2,724)	86,563	-	-	-
Total liabilities and fund balances	\$ -	\$ 401,775	\$ 240,612	\$ -	\$ 218,459	\$ -	\$ (2,724)	\$ 86,825	\$ -	\$ -	\$ 3,580

Certain immaterial rounding differences may exist between amounts reported here and amounts reported in the basic financial statements.

(continued)

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – TOWN

JUNE 30, 2010

	Dare Fund	Towers Committee Fund	Kinney Bungalow Fund	Galilee Landing Fees Fund	Historical Preservation Fund	Claims Fund	Narragansett Skating Rink Fund	Antique Fire Apparatus	Total Town Special Revenue Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ 100					\$ -	\$ -	\$ 24,483
Accounts receivable, other									358,106
Due from other funds		1,779	11,146	510,287	197,599	138,776			1,425,625
Total assets	\$ -	\$ 1,879	\$ 11,146	\$ 510,287	\$ 197,599	\$ 138,776	\$ -	\$ -	\$ 1,808,214
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued expenses	\$ -	\$ 18,846	\$ 7,840	\$ 1,786	\$ -	\$ 288	\$ -	\$ -	\$ 101,270
Accrued compensated absences									3,598
Due to other funds									803,029
Deferred revenue									358,106
Total liabilities	-	18,846	7,840	1,786	-	288	-	-	1,266,003
Fund balances:									
Unreserved, reported in special revenue funds	-	(16,967)	3,306	508,501	197,599	138,488	-	-	542,211
Total fund balances	-	(16,967)	3,306	508,501	197,599	138,488	-	-	542,211
Total liabilities and fund balances	\$ -	\$ 1,879	\$ 11,146	\$ 510,287	\$ 197,599	\$ 138,776	\$ -	\$ -	\$ 1,808,214

Certain immaterial rounding differences may exist between amounts reported here and amounts reported in the basic financial statements.

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – TOWN

YEAR ENDED JUNE 30, 2010

	Grants Fund	Community Development Fund	Library Fund	Narragansett Preservation Donation Fund	Land Trust Fund	Boon Street Donations Fund	Forfeited Funds	Parks and Recreation Fund	Millennium Committee Fund	Dance of Peace Fund
Revenues:										
Charges for services			\$ 6,997							
Operating grants and contributions	\$ 20,770		149,952		\$ 320			\$ 39,271		
Capital grants and contributions	280,921									
Investment and interest income		\$ 3,091	2,599	\$ 985	4,578	\$ 13	\$ (666)	2,146	\$ (2)	\$ 24
Other		5,692					21,921			
Total revenues	301,691	8,783	159,548	985	4,898	13	21,255	41,417	(2)	24
Expenditures:										
Current:										
General government										
Public safety	228,147			-		-	116		-	-
Public works	3,096									
Social services	52,115	175,000								
Parks and recreation	20,618							31,749		
Planning, engineering and inspection	159,161				457					
Library			679,346							
Capital outlay	98,957									
Total expenditures	562,094	175,000	679,346	-	457	-	116	31,749	-	-
Excess (deficiency) of revenues over expenditures	(260,403)	(166,217)	(519,798)	985	4,441	13	21,139	9,668	(2)	24
Other financing sources (uses):										
Operating transfers from other funds	-	-	538,033		50,000					
Operating transfers to other funds				(36,277)		(450)	-	-	75	(881)
Total other financing sources (uses)	-	-	538,033	(36,277)	50,000	(450)	-	-	75	(881)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(260,403)	(166,217)	18,235	(35,292)	54,441	(437)	21,139	9,668	73	(857)
Fund balances, beginning of year	(592,626)	209,886	200,111	35,292	164,018	437	(23,863)	76,895	(73)	857
Fund balances, end of year	\$ (853,029)	\$ 43,669	\$ 218,346	\$ -	\$ 218,459	\$ -	\$ (2,724)	\$ 86,563	\$ -	\$ -

(continued)

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – TOWN

YEAR ENDED JUNE 30, 2010

	Code Enforcement Fund	Dare Fund	Towers Committee Fund	Kinney Bungalow Fund	Galilee Landing Fees Fund	Historical Preservation Fund	Claims Fund	Narragansett Skating Rink Fund	Antique Fire Apparatus	Total Town Special Revenue Funds
Revenues:										
Charges for services			\$ 214,478	\$ 74,686	\$ 78,839					\$ 375,000
Operating grants and contributions						\$ 22,210				232,523
Capital grants and contributions										280,921
Investment and interest income	\$ 268	\$ (28)	(609)	154	12,273	4,763	\$ 3,533	\$ 107	\$ 66	33,295
Other							28,405			56,018
Total revenues	268	(28)	213,869	74,840	91,112	26,973	31,938	107	66	977,757
Expenditures:										
Current:										
General government										-
Public safety	-	228				-	20,050	-	-	248,541
Public works										3,096
Social services										227,115
Parks and recreation				77,062	22,289					151,718
Planning, engineering and inspection			209,006							368,624
Library										679,346
Capital outlay										98,957
Total expenditures	-	228	209,006	77,062	22,289	-	20,050	-	-	1,777,397
Excess (deficiency) of revenues over expenditures	268	(256)	4,863	(2,222)	68,823	26,973	11,888	107	66	(799,640)
Other financing sources (uses):										
Operating transfers from other funds										588,033
Operating transfers to other funds	(9,854)	1,269	-	-	-	-	-	(3,924)	(2,446)	(52,488)
Total other financing sources (uses)	(9,854)	1,269	-	-	-	-	-	(3,924)	(2,446)	535,545
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(9,586)	1,013	4,863	(2,222)	68,823	26,973	11,888	(3,817)	(2,380)	(264,095)
Fund balances, beginning of year	9,586	(1,013)	(21,830)	5,528	439,678	170,626	126,600	3,817	2,380	806,306
Fund balances, end of year	\$ -	\$ -	\$ (16,967)	\$ 3,306	\$ 508,501	\$ 197,599	\$ 138,488	\$ -	\$ -	\$ 542,211

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - SCHOOL RESTRICTED

JUNE 30, 2010

	Title I	Title I - ARRA	Title II	Title IV Drug Free Schools	E2T2 MCI Grant	IDEA Part B	IDEA Part B - ARRA	Post Employment Fringe Benefits	PL 94-142 IDEA Preschool	IDEA Preschool - ARRA	Early Childhood - State Invest Fund	Literacy Set - Aside - State Invest Fund
ASSETS												
Accounts receivable:												
Federal and state government	\$ 73,410	\$ 19,906	\$ 36,988	\$ -	\$ -	\$ 153,565	\$ 78,390		\$ -	\$ 6,734	\$ -	\$ -
Other												
Due from other funds								\$ 522,788				
Total assets	<u>\$ 73,410</u>	<u>\$ 19,906</u>	<u>\$ 36,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,565</u>	<u>\$ 78,390</u>	<u>\$ 522,788</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Due to other funds	<u>\$ 73,410</u>	<u>\$ 19,906</u>	<u>\$ 36,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,565</u>	<u>\$ 78,390</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ (179)</u>	<u>\$ (27)</u>
Total liabilities	<u>73,410</u>	<u>19,906</u>	<u>36,988</u>	<u>-</u>	<u>-</u>	<u>153,565</u>	<u>78,390</u>	<u>(100,000)</u>	<u>-</u>	<u>6,734</u>	<u>(179)</u>	<u>(27)</u>
Fund balances:												
Unreserved, reported in special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,788</u>	<u>-</u>	<u>-</u>	<u>179</u>	<u>27</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622,788</u>	<u>-</u>	<u>-</u>	<u>179</u>	<u>27</u>
Total liabilities and fund balances	<u>\$ 73,410</u>	<u>\$ 19,906</u>	<u>\$ 36,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,565</u>	<u>\$ 78,390</u>	<u>\$ 522,788</u>	<u>\$ -</u>	<u>\$ 6,734</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)
84

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – SCHOOL RESTRICTED

JUNE 30, 2010

	Student Equity - State Invest Fund	Language Assist – State Invest Fund	Technology – State Invest Fund	Casit, Inc. – AP Italian Program	Friends of Hockey	Thinkfinity Award Verizon Foundation	Achieve Algebra I & II Tests	Federal Stabilization Funds	Technology Grant – ARRA	School Support Implementation Plan	Athletic Gate Receipts	Total School Special Revenue Funds
ASSETS												
Accounts receivable:												-
Federal and state government	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 2,380	\$ 37,226	\$ -	\$ 4,279	\$ -	\$ 412,878
Other					\$ 12,600							12,600
Due from other funds												522,788
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,600</u>	<u>\$ -</u>	<u>\$ 2,380</u>	<u>\$ 37,226</u>	<u>\$ -</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 948,266</u>
LIABILITIES AND FUND BALANCES												
Liabilities:												
Due to other funds	<u>\$ (125,429)</u>	<u>\$ (1,159)</u>	<u>\$ (43)</u>	<u>\$ (1,842)</u>	<u>\$ 12,600</u>	<u>\$ -</u>	<u>\$ 2,380</u>	<u>\$ 37,226</u>	<u>\$ -</u>	<u>\$ 4,279</u>	<u>\$ (11,956)</u>	<u>\$ 184,843</u>
Total liabilities	<u>(125,429)</u>	<u>(1,159)</u>	<u>(43)</u>	<u>(1,842)</u>	<u>12,600</u>	<u>-</u>	<u>2,380</u>	<u>37,226</u>	<u>-</u>	<u>4,279</u>	<u>(11,956)</u>	<u>184,843</u>
Fund balances:												
Unreserved, reported in special revenue funds	<u>125,429</u>	<u>1,159</u>	<u>43</u>	<u>1,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,956</u>	<u>763,423</u>
Total fund balances	<u>125,429</u>	<u>1,159</u>	<u>43</u>	<u>1,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,956</u>	<u>763,423</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,600</u>	<u>\$ -</u>	<u>\$ 2,380</u>	<u>\$ 37,226</u>	<u>\$ -</u>	<u>\$ 4,279</u>	<u>\$ -</u>	<u>\$ 948,266</u>

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – SCHOOL RESTRICTED

YEAR ENDED JUNE 30, 2010

	Title I	Title I – ARRA	Title II	Title IV Drug Free Schools	E2T2 MCI Grant	IDEA Part B IDEA Part B – ARRA	IDEA Part B – ARRA	Post Employment Fringe Benefits	PL 94-142 IDEA Preschool	IDEA Preschool – ARRA	Early Childhood - State Invest Fund	Literacy Set - Aside – State Invest Fund
Revenues:												
Charges for services												
Operating grants and contributions	\$ 185,239	\$ 56,200	\$ 81,392	\$ 6,348	\$ 52,511	\$ 443,056	\$ 193,180	\$ -	\$ 10,824	\$ 18,328	\$ 77,097	\$ 11,770
Capital grants and contributions												
Total revenues	<u>185,239</u>	<u>56,200</u>	<u>81,392</u>	<u>6,348</u>	<u>52,511</u>	<u>443,056</u>	<u>193,180</u>	<u>-</u>	<u>10,824</u>	<u>18,328</u>	<u>77,097</u>	<u>11,770</u>
Expenditures:												
Current:												
Social services												
Current education	185,239	56,200	81,392	6,348	52,511	443,056	193,180		10,824	18,328	78,805	12,116
Capital outlay												
Total expenditures	<u>185,239</u>	<u>56,200</u>	<u>81,392</u>	<u>6,348</u>	<u>52,511</u>	<u>443,056</u>	<u>193,180</u>	<u>-</u>	<u>10,824</u>	<u>18,328</u>	<u>78,805</u>	<u>12,116</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,708)</u>	<u>(346)</u>
Other financing sources:												
Operating transfers from other funds								100,000				
Excess (deficiency) of revenues and other financing sources over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(1,708)</u>	<u>(346)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,788</u>	<u>-</u>	<u>-</u>	<u>1,887</u>	<u>373</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 179</u>	<u>\$ 27</u>

(continued)

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS – SCHOOL RESTRICTED

YEAR ENDED JUNE 30, 2010

	Student Equity – State Invest Fund	Language Assist – State Invest Fund	Technology – State Invest Fund	Casit, Inc. – AP Italian Program	Friends of Hockey	Thinkfinity Award Verizon Foundation	Achieve Algebra I & II Tests	Federal Stabilization Funds	Technology Grant – ARRA	School Support Implementation Plan	Athletic Gate Receipts	Total School Special Revenue Funds
Revenues:												
Charges for services												
Operating grants and contributions	\$ 303,467	\$ 4,781		\$ 1,500	\$ 12,600	\$ 5,000	\$ 2,380	\$ 142,170		\$ 4,279	\$ 19,081	\$ 19,081
Capital grants and contributions			\$ 38,057						\$ 9,591			47,648
Total revenues	303,467	4,781	38,057	1,500	12,600	5,000	2,380	142,170	9,591	4,279	19,081	1,678,851
Expenditures:												
Current:												
Social services												-
Current education	187,455	3,827		858	12,600	5,000	2,380	142,170		4,279	7,125	1,503,693
Capital outlay			38,044						9,591			47,635
Total expenditures	187,455	3,827	38,044	858	12,600	5,000	2,380	142,170	9,591	4,279	7,125	1,551,328
Excess (deficiency) of revenues over expenditures	116,012	954	13	642	-	-	-	-	-	-	11,956	127,523
Other financing sources:												
Operating transfers from other funds												100,000
Excess (deficiency) of revenues and other financing sources over expenditures	116,012	954	13	642	-	-	-	-	-	-	11,956	227,523
Fund balances, beginning of year	9,417	205	30	1,200	-	-	-	-	-	-	-	535,900
Fund balances, end of year	\$ 125,429	\$ 1,159	\$ 43	\$ 1,842	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,956	\$ 763,423

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

JUNE 30, 2010

	<u>Town Capital Project Funds</u>	<u>School Renovation Funds</u>	<u>School Capital Project Funds</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS				
Due from other funds	\$ 2,636,792	\$ -	\$ 869,236	\$ 3,506,028
Total assets	<u>\$ 2,636,792</u>	<u>\$ -</u>	<u>\$ 869,236</u>	<u>\$ 3,506,028</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,156		\$ 169,787	\$ 176,943
Due to other funds		<u>\$ 112,249</u>		<u>112,249</u>
Total liabilities	<u>7,156</u>	<u>112,249</u>	<u>169,787</u>	<u>289,192</u>
Fund balances, unreserved	<u>2,629,636</u>	<u>(112,249)</u>	<u>699,449</u>	<u>3,216,836</u>
Total fund balances	<u>2,629,636</u>	<u>(112,249)</u>	<u>699,449</u>	<u>3,216,836</u>
Total liabilities and fund balances	<u>\$ 2,636,792</u>	<u>\$ -</u>	<u>\$ 869,236</u>	<u>\$ 3,506,028</u>

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2010

	Town Capital Project Funds	School Renovation Funds	School Capital Project Funds	Total Nonmajor Capital Projects Funds
Revenues:				
Operating grants and contributions	\$ 25,000			\$ 25,000
Investment and interest income		\$ 25		25
Capital grants and contributions			\$ 309,970	309,970
Total revenues	<u>25,000</u>	<u>25</u>	<u>309,970</u>	<u>334,995</u>
Expenditures:				
Current:				
Public safety	75,432	-		75,432
Public works	100,800			100,800
Parks and recreation	15,385			15,385
Education			526,278	526,278
Total expenditures	<u>191,617</u>	<u>-</u>	<u>526,278</u>	<u>717,895</u>
Excess (deficiency) of revenues over expenditures	<u>(166,617)</u>	<u>25</u>	<u>(216,308)</u>	<u>(382,900)</u>
Other financing sources, operating transfers from other funds	<u>630,082</u>	<u>-</u>	<u>447,552</u>	<u>1,077,634</u>
Total other financing sources	<u>630,082</u>	<u>-</u>	<u>447,552</u>	<u>1,077,634</u>
Excess of revenues over expenditures	463,465	25	231,244	694,734
Fund balances, beginning of year	<u>2,166,171</u>	<u>(112,274)</u>	<u>468,205</u>	<u>2,522,102</u>
Fund balances, end of year	<u>\$ 2,629,636</u>	<u>\$ (112,249)</u>	<u>\$ 699,449</u>	<u>\$ 3,216,836</u>

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

JUNE 30, 2010

	Police Plan	Town Plan	Total
ASSETS:			
Prepaid expenses	\$ 8,880	\$ 215,446	\$ 224,326
Investments, at fair value		48,397,991	48,397,991
	8,880	48,613,437	48,622,317
Total assets	8,880	48,613,437	48,622,317
LIABILITIES:			
Due to General Fund	85,444	1,025,888	1,111,332
Accounts payable and accrued expenses	8,515	357,067	365,582
	93,959	1,382,955	1,476,914
Total liabilities	93,959	1,382,955	1,476,914
NET ASSETS:			
Held in trust for pension benefits	\$ (85,079)	\$ 47,230,482	\$ 47,145,403

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

YEAR ENDED JUNE 30, 2010

	Police Plan	Town Plan	Total
Additions to net assets:			
Contributions:			
Employer	\$ 120,000	\$ 1,557,772	\$ 1,677,772
Plan members		1,005,943	1,005,943
Retiree health benefits		1,202,332	1,202,332
Total contributions	120,000	3,766,047	3,886,047
Net increase in fair value of investments		4,026,072	4,026,072
Investment earnings, interest and dividends		1,339,556	1,339,556
Total additions	120,000	9,131,675	9,251,675
Deductions from net assets:			
Benefits	101,522	2,918,587	3,020,109
Retiree health benefits		1,144,544	1,144,544
Administrative and other expenses		261,785	261,785
Refund of contributions		77,352	77,352
Miscellaneous		25,444	25,444
Total deductions	101,522	4,427,712	4,529,234
Change in net assets	18,478	4,703,963	4,722,441
Net assets, beginning of year	(103,557)	42,526,519	42,422,962
Net assets, end of year	\$ (85,079)	\$ 47,230,482	\$ 47,145,403

**COMBINING FUND FINANCIAL STATEMENTS
PRIVATE PURPOSE TRUST FUNDS**

Private Purpose Trust Funds were established to account for the assets held by the Town in a fiduciary capacity for individuals, governmental entities and others. Trust funds carry out specific requirements or other governing regulations.

Barton Memorial Scholarship Fund

Established to issue an award to a graduating high school student who plans to pursue a career in home economics or industrial arts.

Mary Jones Memorial Scholarship Fund

Established to issue an annual award to a graduating high school student who has excelled in the area of English studies.

Richard Colvin Memorial Scholarship Fund

Established to issue an annual award to a graduating high school student who plans to pursue a career in law enforcement or human science or services.

Phyllis Crawford Memorial Scholarship Fund

Established to issue an annual award to a graduating high school student who has excelled in the area of educational studies.

Barbara E. Duggan Memorial Scholarship Fund

Established to issue an annual award to a graduating high school student who has excelled in the area of social studies.

Peter Davis Burial Fund

Established to be used for the perpetual care of cemetery plots.

Franklin Burial Fund

Established to be used for the perpetual care of cemetery plots.

James Water Fund

Established to issue an annual award to a graduating high school student.

Frank L. Robinson Fund

Established to provide classroom or field training for all Narragansett police department members.

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

JUNE 30, 2010

	Barton Memorial Scholarship Fund	Mary Jones Memorial Scholarship Fund	Richard Colvin Memorial Scholarship Fund	Phyllis Crawford Memorial Scholarship Fund	Barbara E. Duggan Memorial Scholarship Fund	Peter Davis Burial Fund	Franklin Burial Fund	James Water Fund	Frank L. Robinson Fund	Total Private Purpose Trust Funds
ASSETS:										
Cash and cash equivalents	\$ 7,813	\$ -	\$ 4,703	\$ 232	\$ 772					\$ 13,520
Due from general fund						\$ 6,488	\$ 3,525	\$ 2,617	\$ 83,421	96,051
Total assets	<u>\$ 7,813</u>	<u>\$ -</u>	<u>\$ 4,703</u>	<u>\$ 232</u>	<u>\$ 772</u>	<u>\$ 6,488</u>	<u>\$ 3,525</u>	<u>\$ 2,617</u>	<u>\$ 83,421</u>	<u>\$ 109,571</u>
NET ASSETS:										
Held in trust	<u>\$ 7,813</u>	<u>\$ -</u>	<u>\$ 4,703</u>	<u>\$ 232</u>	<u>\$ 772</u>	<u>\$ 6,488</u>	<u>\$ 3,525</u>	<u>\$ 2,617</u>	<u>\$ 83,421</u>	<u>\$ 109,571</u>

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2010

	Barton Memorial Scholarship Fund	Mary Jones Memorial Scholarship Fund	Richard Colvin Memorial Scholarship Fund	Phyllis Crawford Memorial Scholarship Fund	Barbara E. Duggan Memorial Scholarship Fund	Peter Davis Burial Fund	Franklin Burial Fund	James Water Fund	Frank L. Robinson Fund	Total Private Purpose Trust Funds
Additions to net assets:										
Contributions				\$ 210	\$ 125					\$ 335
Investment earnings, interest and dividends	\$ 151	\$ 114	\$ 723	33	1	\$ 207	\$ 113	\$ 84	\$ 3,083	4,509
Net increase in fair value of investments	759			9		-	-	-	-	768
Total additions	910	114	723	252	126	207	113	84	3,083	5,612
Deductions to net assets:										
Scholarship awards	(1,000)	(535)	(500)	(1,457)	(850)	-	-	-	-	(4,342)
Other									(12,418)	(12,418)
Total deductions	(1,000)	(535)	(500)	(1,457)	(850)	-	-	-	(12,418)	(16,760)
Change in net assets	(90)	(421)	223	(1,205)	(724)	207	113	84	(9,335)	(11,148)
Net assets, beginning of year	7,903	421	4,480	1,437	1,496	6,281	3,412	2,533	92,756	120,719
Net assets, end of year	<u>\$ 7,813</u>	<u>\$ -</u>	<u>\$ 4,703</u>	<u>\$ 232</u>	<u>\$ 772</u>	<u>\$ 6,488</u>	<u>\$ 3,525</u>	<u>\$ 2,617</u>	<u>\$ 83,421</u>	<u>\$ 109,571</u>

STATISTICAL SECTION

The Statistical Section differs from other financial statement presentations because it generally discloses more than one fiscal year and may present nonaccounting data such as social and economic data and financial trends of the Town.

TOWN OF NARRAGANSETT, RHODE ISLAND

NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(UNAUDITED)

Exhibit 1

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Governmental activities:						
Invested in capital assets, net of related debt	\$ 76,328,788	\$ 65,852,760	\$ 30,048,212	\$ 26,117,977	\$ 23,203,860	\$ 20,357,642
Restricted	-	-	-	845,523	737,751	1,723,961
Unrestricted	<u>(13,189,145)</u>	<u>(12,642,946)</u>	<u>(6,403,948)</u>	<u>(3,886,114)</u>	<u>(4,047,557)</u>	<u>(5,989,589)</u>
Total governmental activities net assets	<u>\$ 63,139,643</u>	<u>\$ 53,209,814</u>	<u>\$ 23,644,264</u>	<u>\$ 23,077,386</u>	<u>\$ 19,894,054</u>	<u>\$ 16,092,014</u>
Business-type activities:						
Invested in capital assets, net of related debt	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410	\$ 22,693,334	\$ 23,942,896
Unrestricted	<u>10,288,862</u>	<u>9,643,685</u>	<u>10,419,879</u>	<u>10,158,298</u>	<u>9,472,908</u>	<u>7,639,872</u>
Total business-type activities net assets	<u>\$ 36,814,447</u>	<u>\$ 36,043,635</u>	<u>\$ 35,330,081</u>	<u>\$ 33,690,708</u>	<u>\$ 32,166,242</u>	<u>\$ 31,582,768</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 102,854,373	\$ 92,252,710	\$ 54,958,414	\$ 49,650,387	\$ 45,897,194	\$ 44,300,538
Restricted	-	-	-	845,523	737,751	1,723,961
Unrestricted	<u>(2,900,283)</u>	<u>(2,999,261)</u>	<u>4,015,931</u>	<u>6,272,184</u>	<u>5,425,351</u>	<u>1,650,283</u>
Total primary government net assets	<u>\$ 99,954,090</u>	<u>\$ 89,253,449</u>	<u>\$ 58,974,345</u>	<u>\$ 56,768,094</u>	<u>\$ 52,060,296</u>	<u>\$ 47,674,782</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS
GOVERNMENTAL ACTIVITIES
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Exhibit 2

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Expenses:						
Governmental activities:						
General government	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633	\$ 2,941,590	\$ 2,095,847
Financial administration	1,109,011	868,872	951,634	1,029,179	1,035,841	1,047,539
Public safety	10,922,031	10,932,393	12,652,621	12,191,560	9,318,715	9,510,910
Public works and engineering	3,921,244	3,757,059	2,084,085	1,720,256	1,880,594	1,871,654
Social services	362,588	249,641	264,272	655,799	356,170	786,805
Parks and recreation	1,460,487	1,451,280	1,423,735	1,695,839	1,601,978	1,581,652
Planning, engineering and inspection	1,282,366	1,843,867	1,229,624	1,137,184	2,093,327	1,662,635
Library	682,173	727,401	667,178	-	-	-
Food service	361,762	357,069	343,724	363,427	419,440	419,192
Other	6,816,208	7,590,833	1,648,603	1,275,265	838,715	-
Education	28,544,163	27,651,643	27,177,622	25,829,729	24,897,064	25,304,922
Interest on long-term debt	1,047,327	1,152,315	536,422	318,649	226,897	482,638
Total governmental activities expenses	57,508,854	60,340,921	52,462,865	49,383,520	45,610,331	44,763,794
Business-type activities:						
Water Fund	1,732,292	1,722,238	1,611,942	1,420,822	1,815,665	1,425,268
Sewer Fund	3,659,479	3,497,571	3,009,609	2,998,432	3,070,767	3,285,810
Beach Fund	1,383,501	1,194,320	1,143,886	1,099,735	1,047,187	1,042,064
Total business-type activities expenses	6,775,272	6,414,129	5,765,437	5,518,989	5,933,619	5,753,142
Total primary government expenses	64,284,126	66,755,050	58,228,302	54,902,509	51,543,950	50,516,936
Program Revenues:						
Governmental activities:						
Charges for services:						
General government	1,033,620	1,018,126	974,427	983,611	1,019,898	1,553,177
Financial administration	641,989	645,099	325,000	325,000	195,000	195,000
Public safety	593,592	507,740	621,966	524,600	494,861	461,177
Public works	1,100	1,625	1,075	1,250	-	17,934
Social services	-	-	31,499	-	15,632	7,746
Parks and recreation	131,421	135,667	548,215	629,984	668,716	501,016
Planning, engineering and inspection	313,100	228,230	421,343	376,977	367,820	242,445
Library	6,997	6,644	-	-	-	-
Municipal court	215,034	234,592	264,559	295,032	303,682	329,454
Other	368,003	381,414	-	-	-	-
Education	870,270	342,412	472,852	202,797	273,618	587,178
Operating grants and contributions	3,945,898	2,996,995	4,718,839	3,376,402	3,316,221	4,336,928
Capital grants and contributions	638,539	1,190,259	3,717,528	2,059,431	2,455,066	2,142,157
Total governmental activities program revenues	8,759,563	7,688,803	12,097,303	8,775,084	9,110,514	10,374,212
Business-type activities:						
Charges for services:						
Water Fund	1,371,384	1,263,442	1,305,178	1,212,254	1,275,912	1,063,350
Sewer Fund	3,995,311	3,935,886	3,842,147	3,818,004	3,682,157	3,590,886
Beach Fund	1,678,536	1,394,208	1,504,371	1,380,711	1,204,459	1,256,654
Capital grants and contributions, Sewer Fund	-	-	-	-	-	477,894
Total business-type activities program revenues	7,045,231	6,593,536	6,651,696	6,410,969	6,162,528	6,388,784
Total primary government program revenues	15,804,794	14,282,339	18,748,999	15,186,053	15,273,042	16,762,996
Net (Expense) Revenue:						
Governmental activities	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)	(36,499,817)	(34,389,582)
Business-type activities	269,959	179,407	886,259	891,980	228,909	635,642
Total primary government net expenses	(48,479,332)	(52,472,711)	(39,479,303)	(38,169,434)	(36,270,908)	(33,753,940)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET ASSETS
 LAST SIX FISCAL YEARS
 GOVERNMENTAL ACTIVITIES
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets:						
Governmental activities:						
Property taxes and in lieu of taxes	\$ 42,585,105	\$ 41,435,378	\$ 38,699,963	\$ 37,454,608	\$ 36,424,752	\$ 34,777,052
State aid, unrestricted	2,466,572	2,501,803	2,828,020	3,651,506	3,297,710	2,495,003
Investment income	274,532	(172,041)	596,193	687,436	208,292	491,478
Other revenues	90,826	111,390	37,436	468,859	440,452	33,799
Transfers	-	-	-	-	-	-
Gain (loss) on sale of capital	-	-	317,850	(17,663)	(69,349)	-
Total governmental activities	45,417,035	43,876,530	42,479,462	42,244,746	40,301,857	37,797,332
Business-type activities:						
Investment income	500,853	534,147	753,114	651,007	354,565	302,370
Transfers	-	-	-	-	-	-
Other revenues	-	-	-	(18,521)	-	483,318
Total business-type activities	500,853	534,147	753,114	632,486	354,565	785,688
Total primary government	45,917,888	44,410,677	43,232,576	42,877,232	40,656,422	38,583,020
Change in Net Assets:						
Governmental activities	(3,332,256)	(8,775,588)	2,113,900	3,183,332	3,802,040	3,407,750
Business-type activities	770,812	713,554	1,639,373	1,524,466	583,474	1,421,330
Total primary government	\$ (2,561,444)	\$ (8,062,034)	\$ 3,753,273	\$ 4,707,798	\$ 4,385,514	\$ 4,829,080

(concluded)

TOWN OF NARRAGANSETT, RHODE ISLAND
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SIX FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

Exhibit 3

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
General Fund:						
Reserved	\$ 380,047	\$ 288,903	\$ 310,481	\$ 268,762	\$ 271,989	\$ 243,993
Unreserved:						
Designated for next year's budget	-	148,171	1,000,000	800,000	700,000	500,000
Undesignated	4,099,653	1,735,519	1,611,116	2,755,351	3,088,227	3,005,784
Total General Fund	4,479,700	2,172,593	2,921,597	3,824,113	4,060,216	3,749,777
All Other Governmental Funds:						
Reserved	-	-	220,017	2,780	-	202,545
Unreserved:						
Designated for next year's budget	-	-	692,456	530,646	219,973	506,646
Unreserved	-	-	859,171	792,456	530,646	119,973
Unreserved, reported in:						
Special Revenue Funds	4,802,382	5,864,427	1,301,496	293,909	1,105,154	1,015,000
Debt Service Fund	-	-	377,081	372,951	29,860	28,717
Capital Projects Funds	3,216,836	(112,274)	(67,310)	845,523	737,751	974,845
Total All Other Governmental Funds	8,019,218	5,752,153	3,382,911	2,838,265	2,623,384	2,847,726
Grand Total	\$ 12,498,918	\$ 7,924,746	\$ 6,304,508	\$ 6,662,378	\$ 6,683,600	\$ 6,597,503

TOWN OF NARRAGANSETT, RHODE ISLAND
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

Exhibit 4

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
General property taxes and payments in lieu of taxes	\$ 43,132,950	\$ 40,314,466	\$ 38,503,227	\$ 37,441,499	\$ 36,476,981	\$ 34,839,274	\$ 33,552,332	\$ 32,418,011	\$ 30,936,706	\$ 29,434,774
State aide, unrestricted	3,358,167	3,715,817	5,616,213	5,554,466	5,028,480	4,835,115	2,267,400	2,163,308	5,837,672	4,704,920
Charges for services	4,175,126	3,501,549	3,189,383	2,669,414	3,168,384	3,505,203	3,106,353	2,680,731	2,145,390	1,853,198
Operating grants and contributions	1,966,682	2,180,945	1,930,646	2,139,810	1,649,235	1,996,819	4,191,364	3,920,434		
Capital gains and contributions	638,539	1,190,259	3,717,528	2,062,900	2,562,125	2,142,157	1,000			
Investment income	274,532	49,041	601,366	707,448	208,292	452,438	(197,273)	182,293	294,688	679,715
Other revenues	980,017	117,189	508,989	468,859	440,452	422,888	377,954	267,758	1,027,093	622,989
Total revenues	54,526,013	51,069,266	54,067,352	51,044,396	49,533,949	48,193,894	43,299,130	41,632,535	40,241,549	37,295,596
Expenditures:										
Current:										
General government	1,278,395	1,728,193	2,005,594	1,787,904	1,898,830	1,247,670	1,111,626	1,057,897	988,466	897,740
Financial administration	1,054,645	957,878	950,184	1,026,003	1,032,665	981,876	924,635	1,198,570	908,117	854,545
Public safety	10,776,537	10,999,683	13,358,804	12,705,577	11,575,387	10,828,386	8,507,766	7,549,558	7,401,922	6,636,229
Public works	2,466,899	2,978,866	2,271,703	2,435,924	2,315,190	1,986,598	1,976,648	2,103,510	1,329,678	1,393,991
Social services	353,678	226,346	256,836	662,110	421,544	721,123	728,494	700,969	485,556	477,803
Parks and recreation	1,363,896	1,511,348	1,446,171	1,928,093	1,584,859	1,711,517	1,847,953	2,142,452	931,370	884,417
Planning and inspection	1,306,309	2,136,033	1,495,884	1,113,164	2,195,105	1,662,827	1,387,153	1,141,904	729,180	708,364
Library	679,346		634,152							
Municipal Court		357,069	343,724	363,427	419,440	419,192	424,704	384,549		
Other	2,075,712	1,389,536	1,658,389	1,275,265	838,715	853,015	612,948	681,753	2,211,207	1,488,903
Education	27,062,964	26,087,223	26,809,613	26,466,513	25,018,820	25,333,368	24,310,688	23,138,004	20,834,397	20,047,484
Debt service:										
Principal	2,194,667	22,929,810	2,226,986	2,142,138	2,147,297	2,256,027	1,986,815	2,071,967	1,294,672	1,211,965
Interest	1,072,286	1,290,766							666,290	730,718
Capital outlay	146,592	9,482,535	11,771,334						5,299,180	1,009,752
Total expenditures	51,831,926	82,709,438	64,595,222	51,906,118	49,447,852	48,001,599	43,819,430	42,171,133	43,080,035	36,341,911
Excess (deficiency) of revenues over expenditures	2,694,087	(31,640,172)	(10,527,870)	(861,722)	86,097	192,295	(520,300)	(538,598)	(2,838,486)	953,685
Other financing sources (uses):										
Bond anticipation note, net		11,548,271	9,800,000							
Bond proceeds		20,930,000		840,500				2,500,000		
Bond premium		780,950				39,040				
Proceeds of refunding bonds						4,213,835		5,924,804		
Payment to refunding bond escrow agent						(4,156,083)		(5,911,578)		
Capital lease proceeds						617,175				
Transfers from other funds	28,835,043	29,380,961	28,979,592	28,510,981	27,641,778	26,156,616	25,296,612	25,160,367	23,974,123	22,875,859
Transfers to other funds	(28,835,043)	(29,380,961)	(28,979,592)	(28,510,981)	(27,641,778)	(26,156,616)	(25,292,612)	(25,160,367)	(23,974,123)	(22,863,859)
Sale of capital assets	27,900		360,000							
Total other financing sources (uses)	27,900	33,259,221	10,160,000	840,500	-	713,967	4,000	2,513,226	-	12,000
Net change in fund balances	\$ 2,721,987	\$ 1,619,049	\$ (367,870)	\$ (21,222)	\$ 86,097	\$ 906,262	\$ (516,300)	\$ 1,974,628	\$ (2,838,486)	\$ 965,685
Debt service as a percentage of noncapital expenditures	6.3%	33.1%	4.2%	4.1%	4.3%	4.7%	4.5%	4.9%	5.2%	5.5%

TOWN OF NARRAGANSETT, RHODE ISLAND

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Exhibit 5

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Valuation to Total Estimated Actual Value
	Assessed Valuations	Estimated Actual Value	Assessed Valuations	Estimated Actual Value	Assessed Valuations	Estimated Actual Value	
2001	\$ 1,538,566,115	\$ 2,603,767,329	\$ 157,732,155	\$ 266,935,446	\$ 1,696,298,270	\$ 2,870,702,775	59.09%
2002	1,570,057,510	2,616,762,517	169,638,077	282,730,128	1,739,695,587	2,899,492,645	60.00%
2003	1,606,731,270	2,677,885,450	170,219,984	283,699,973	1,776,951,254	2,961,585,423	60.00%
2004	2,980,516,200	3,021,303,801	177,214,764	179,639,903	3,157,730,964	3,200,943,704	98.65%
2005	3,298,715,000	4,051,479,980	176,618,264	216,922,456	3,475,333,264	4,268,402,437	81.42%
2006	3,046,940,100	4,214,301,660	194,140,512	268,520,763	3,241,080,612	4,482,822,423	72.30%
2007	5,165,044,102	5,172,803,307	202,826,187	203,130,883	5,367,870,289	5,375,934,190	99.85%
2008	5,158,689,100	5,386,539,731	201,731,499	210,641,640	5,360,420,599	5,597,181,371	95.77%
2009	5,181,200,600	5,410,045,526	216,904,287	226,484,585	5,398,104,887	5,636,530,111	95.77%
2010	4,660,076,700	4,865,904,459	191,058,162	199,496,880	4,851,134,862	5,065,401,339	95.77%

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

Exhibit 6

Taxpayer	Type of Business	2010			2001		
		Gross Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Gross Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Salt Pond Shopping Center LLC	Shopping Plaza	\$ 25,258,500	1	0.52%	\$ 12,982,000	1	0.79%
Dunes Corporation	Private Beach Club	10,712,600	2	0.22%	6,322,775	2	0.39%
Point Judith Country Club	Private Golf Course	7,688,200	3	0.16%	3,388,200	4	0.21%
Gilbane Properties Retail Shopping	Retail Shopping	7,570,300	4	0.16%	4,422,910	3	0.27%
Narragansett Electric	Electric Utility	7,066,560	5	0.15%	-	6	0.00%
Recreation Partners I	Hotel/Restaurant	6,534,900	6	0.14%	2,752,990	5	0.17%
J. Terrance Murray	Property owner	6,224,300	7	0.13%	1,691,500	7	0.10%
JDL Family LTD Partnership	Shopping Plaza	6,080,700	8	0.13%	414,900	10	0.03%
United Water Company	Water Utility	5,819,150	9	0.12%	-	9	0.00%
Beachwood Preservation Assoc.	Senior Apartments	4,153,600	10	0.09%	-	8	0.00%
		<u>\$ 87,108,810</u>		<u>1.81%</u>	<u>\$ 31,975,275</u>		<u>1.95%</u>
	Total assessed valuation (gross)	<u>\$ 4,825,966,196</u>			<u>\$ 1,636,397,139</u>		

Source: Town of Narragansett Assessor, certified tax roll.

TOWN OF NARRAGANSETT, RHODE ISLAND

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Exhibit 7

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year (net of abatements)	Collected within the Fiscal year of the Levy	
		Amount	Percentage of Levy
2001	\$ 29,431,215	\$ 29,188,477	99.18%
2002	30,911,443	30,655,112	99.17%
2003	32,033,250	31,898,786	99.58%
2004	33,462,184	33,267,395	99.42%
2005	34,339,260	34,158,944	99.47%
2006	36,266,408	36,131,210	99.63%
2007	37,367,278	37,136,701	99.38%
2008	38,496,512	38,081,116	98.92%
2009	40,477,770	38,251,119	94.50%
2010	42,258,667	41,425,591	98.03%

Source: Town of Narragansett Tax Collector

TOWN OF NARRAGANSETT, RHODE ISLAND

PROPERTY TAX RATES
 (PER \$1000 OF ASSESSED VALUE)
 LAST TEN FISCAL YEARS
 (UNAUDITED)

Exhibit 8

<u>Fiscal Year</u>	<u>Residential Property Rate</u>	<u>Commercial Property Rate</u>	<u>Personal Property Rate</u>	<u>Motor Vehicle Rate</u>	<u>Inventory Rate</u>
2001	\$17.67	\$17.67	\$17.67	\$16.46	\$13.48
2002	\$18.24	\$18.24	\$18.24	\$16.46	\$11.80
2003	\$18.64	\$18.64	\$18.64	\$16.46	\$10.11
2004	\$10.30	\$15.45	\$15.45	\$16.46	\$8.43
2005	\$10.57	\$15.86	\$15.86	\$16.46	\$6.74
2006	\$10.89	\$16.34	\$16.34	\$16.46	\$5.05
2007	\$6.74	\$10.11	\$10.11	\$16.46	\$3.37
2008	\$6.96	\$10.44	\$10.44	\$16.46	\$1.69
2009	\$7.25	\$10.87	\$10.87	\$16.46	\$0.00
2010	\$8.58	\$12.87	\$12.87	\$16.46	\$0.00

TOWN OF NARRAGANSETT, RHODE ISLAND

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(UNAUDITED)

Exhibit 9

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Gross Bonded Debt</u>	<u>Debt payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt per Capita</u>
2001	16,361	\$ 1,696,298,270	\$ 26,262,324	\$ 12,698,054	\$ 13,564,270	0.80%	\$ 829.06
2002	16,361	1,739,695,587	24,306,805	11,882,838	12,423,967	0.71%	\$ 759.36
2003	16,361	1,776,951,254	22,580,010	11,099,091	11,480,919	0.65%	\$ 701.72
2004	16,361	3,157,730,964	20,440,495	10,243,365	10,197,130	0.32%	\$ 623.26
2005	16,361	3,475,333,264	20,533,815	11,477,210	9,056,605	0.26%	\$ 553.55
2006	16,361	3,241,080,612	19,126,134	11,522,225	7,603,909	0.23%	\$ 464.76
2007	16,361	5,367,870,289	17,231,063	11,088,164	6,142,899	0.11%	\$ 375.46
2008	16,361	5,360,420,599	15,865,000	1,408,380	14,456,620	0.27%	\$ 883.60
2009	16,361	5,398,104,887	25,034,999	875,952	24,159,047	0.45%	\$ 1,476.62
2010	17,454	4,825,966,196	35,736,586	8,564,192	27,172,394	0.56%	\$ 1,556.80

TOWN OF NARRAGANSETT, RHODE ISLAND

COMPUTATION OF LEGAL DEBT MARGIN
 LAST FIVE FISCAL YEARS
 (UNAUDITED)

Exhibit 10

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Full assessed valuation	\$ 4,825,966,196	\$ 5,398,104,887	\$ 5,360,420,599	\$ 5,367,870,289	\$ 3,241,080,612
Debt limit	144,778,986	161,943,147	160,812,618	161,036,109	97,232,418
Total net debt applicable to limit	22,699,999	24,159,047	14,456,620	6,142,899	7,603,909
Legal debt margin	122,078,987	137,784,100	146,355,998	154,893,210	89,628,509
Total net debt applicable to limit as a percentage of the debt limit	15.68%	14.92%	8.99%	3.81%	7.82%

TOWN OF NARRAGANSETT, RHODE ISLAND

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)

Exhibit 11

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Funds Expenditures (1)	Ratio of Total Debt Service to Total Governmental Expenditures
2001	\$ 1,115,792	\$ 726,157	\$ 1,841,949	\$ 36,341,911	5.07%
2002	1,140,304	650,417	1,790,721	\$ 43,080,035	4.16%
2003	1,169,049	534,211	1,703,260	\$ 42,171,133	4.04%
2004	1,460,348	522,618	1,982,966	\$ 43,819,430	4.53%
2005	1,714,282	448,239	2,162,521	\$ 48,001,599	4.51%
2006	1,745,042	352,047	2,097,089	\$ 49,447,852	4.24%
2007	1,461,010	244,241	1,705,251	\$ 51,906,118	3.29%
2008	1,486,279	195,495	1,681,774	\$ 64,595,222	2.60%
2009	1,407,573	669,538	2,077,111	\$ 51,831,926	4.01%
2010	3,252,911	1,282,979	4,535,890	\$ 84,512,565	5.37%

Note:

(1) Modified accrual basis of accounting

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS

JUNE 30, 2010
(UNAUDITED)

Exhibit 12

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Town of Narragansett	Municipality/School	353
University of Rhode Island/Bay Campus	University	245
Stop & Shop	Supermarkets	225
Dunes Club	Beach Club/Seasonal	180
VNS Home Health Service	Healthcare Services	150
Environmental Protection Agency	Federal Government Laboratory	160
DeWal Industries	Manufacturer	120
George's of Galilee Restaurant	Restaurant	100
NOAA National Marine Fisheries Service	Federal Government	70

Unemployment rate: 7.1%

TOWN OF NARRAGANSETT, RHODE ISLAND

FULL-TIME EQUIVALENT TOWN EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Exhibit 13

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General government	9	9	11	10	10	10	10	10	10	10
Financial administration	15	15	12	14	14	14	14	14	14	14
Public safety:										
Police:										
Officers	42	42	41	41	41	39	39	39	39	39
Civilians	13	13	12	12	12	12	12	12	12	12
Fire:										
Firefighter and officers	34	34	34	34	34	34	34	34	34	34
Civilians	1	1	1	1	1	1	1	1	1	1
	<u>90</u>	<u>90</u>	<u>88</u>	<u>88</u>	<u>88</u>	<u>86</u>	<u>86</u>	<u>86</u>	<u>86</u>	<u>86</u>
Public works:										
Engineering	4	4	4	4	4	4	4	4	4	4
Maintenance	16	16	14	14	14	14	14	14	14	14
	<u>20</u>	<u>20</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>	<u>18</u>
Social services	-	-	-	-	-	-	-	-	-	-
Parks and recreation	10	10	10	8	8	8	8	8	8	7
Planning, engineering and inspection	8	8	8	8	8	8	8	8	8	8
Food service- contracted	-	-	-	-	-	-	-	-	-	-
Education:										
Administrative, certified	8	9	9	10	9	9	9	9	9	9
Administrative, noncertified	11	11	11	12	11	10	10	11	11	11
Classroom aides	29	28	28	28	25	28	32	32	34	34
Teachers	158	154	158	159	163	179	181	186	183	192
Bus drivers, monitors, and bus aides	24	27	27	26	26	26	27	26	26	25
Clerks	11	12	13	14	15	15	16	17	16	15
Operation and maintenance	22	20	20	20	19	19	20	19	19	19
	<u>263</u>	<u>261</u>	<u>266</u>	<u>269</u>	<u>268</u>	<u>286</u>	<u>295</u>	<u>300</u>	<u>298</u>	<u>305</u>
Library	4	5	5	5	5	5	5	5	5	5
Water	5	5	4	4	4	4	4	4	4	4
Sewer	10	10	9	9	9	9	9	9	9	9
Beach	-	-	-	-	-	-	-	-	-	-
Total	<u>434</u>	<u>433</u>	<u>431</u>	<u>433</u>	<u>432</u>	<u>448</u>	<u>457</u>	<u>462</u>	<u>460</u>	<u>466</u>

