

Town of Narragansett, Rhode Island



Comprehensive Annual Financial Report For the Year Ended June 30, 2011



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

TOWN OF NARRAGANSETT, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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YEAR ENDED JUNE 30, 2011

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TOWN OF NARRAGANSETT, RHODE ISLAND

YEAR ENDED JUNE 30, 2011

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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 29, 2011

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, 2011** 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 controls that has been established for this purpose. Because the cost of internal controls 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. (the Firm), certified public accountants, has issued an unqualified ("clean") opinion on the Town of Narragansett's financial statements for the year ended June 30, 2011. 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 therewith.

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.

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 4.2 square miles is inland water. Over the years, the year-round population of the Town had 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, while estimated by the R.I. State Department of Administration to be 17,454, turned out to be 15,876 according to the 2010 census. The actual population served is much higher, as the 2,500 identified rental units are filled with college students in the winter and homeowners and tourists in the summer. It is estimated that these rental units add over 10,000 to the resident population both in the winter as well as the summer.

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; to 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. The future of the Port today is uncertain as the size of the fishing fleet is shrinking. Threats to this way of life include dwindling resources, high energy costs and increasing regulations.

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 around 1914 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.

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 to sea to the fishing grounds at Georges Bank. Until recently, more than ten million pounds of fish and shellfish were 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). Of total revenues for FY2011, 93.73% (or \$24,277,345) of the School Department budget is funded locally, 3.64% (or \$942,335) is funded by the State, 1.41% (or \$366,101) is funded by the federal government while 1.21% (\$314,441 is funded from other local sources (FY2011 school year). The following chart shows student enrollment for the past eleven 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	1,481
2011	1,489
Projected:	
2012	1,407
2013	1,381

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 6,381 connections, distributed as follows:

CLASS	TYPE	NUMBER OF ACCOUNTS	NUMBER OF UNITS
01	Residential	5,846	5,987
02	Apartments	331	1,328
05	Hotel / Motel	6	6
07	Public Use	4	4
10	Commercial	194	381
Total		6,381	7,706

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, or 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 6,381 accounts) is served by the Town water system, while service to the remaining citizens is provided directly by United Water of Rhode Island. Major maintenance projects for 2011 and extending into 2012 were the re-painting of two of the storage tanks. The Water 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 the maintenance of Town property. The Town expended \$3,138,946 for the fiscal year ended June 30, 2011 and budgeted \$3,089,723 for the fiscal year ending June 30, 2012.

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 \$5,341,364 for the fiscal year ended June 30, 2011 and has budgeted \$5,655,493 for the fiscal year ending June 30, 2012.

The Narragansett Fire Department has three fire stations staffed by 35 full-time firefighters and a secretary. The fire department expended \$4,583,793 for the fiscal year ended June 30, 2011 and has budgeted \$4,524,175 for the fiscal year ending June 30, 2012.

The Dispatching Function provides dispatch services for both Fire and Police Operations. This nine-person unit expended \$931,055 for the fiscal year ended June 30, 2011 and has budgeted \$787,587 for the fiscal year ending June 30, 2012.

Employee Relations:

The Town currently employs 186 full-time equivalent 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. Through the collective bargaining process, the Town and the collective bargaining units have committed to higher co-payments for health insurance, higher employee pension contributions, affordable wage increases, increased co-payments by retirees for retiree health insurances to help offset OPEB unfunded liabilities, and limitations to overtime wages to ensure the sustainability of the workforce.

The current status of union contracts for municipal and school employees is as follows:

BARGAINING GROUP	TERM & EXPIRATION
Fire Department	4 year contract expires June 30, 2014
Municipal Middle Management	3 year contract expires June 30, 2014
Police Department	3 year contract expires June 30, 2013
Public Works & Municipal Clerical	4 year contract expires June 30, 2014
School Teachers	3 year contract expires August 31, 2012
School Non-Certified	3 year contract expires June 30, 2014

Local Economy:

The fiscal year began with the State and the country still 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. To date, the recession has not had an impact on the property tax collection rate of property taxes as collections remain at just under 98%. Narragansett has weathered the economic storm somewhat better than many of the other 38 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 March 2011:

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 2011 and the First Quarter of 2010 are exhibited:

First Quarter, 2011

	NUMBER OF UNITS	AVERAGE EMPLOYMENT	TOTAL WAGES
Total Private & Government	476	3,591	\$ 32,109,203
Total Private Only	457	2,575	18,306,975
Agriculture, Forestry, Fishing & Hunting	6	11	97,017
Construction	42	66	588,538
Manufacturing	18	82	1,005,731
Wholesale Trade	24	86	778,595
Retail Trade	48	586	3,234,384
Transportation & Warehousing	8	73	577,173
Information	6	18	567,146
Finance & Insurance	15	39	1,370,529
Real Estate, Rental & Listing	27	85	741,972
Professional & Technical Services	50	87	1,392,659
Administrative Support & Waste Services	32	51	508,517
Educational Services	6	3	25,877
Health Care & Social Assistance	43	412	3,431,748
Arts, Entertainment & Recreation	15	58	387,675
Accommodation & Food Services	72	779	2,468,577
Other Services (except Public)	43	137	816,207
Government	19	1,016	13,802,228

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

*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 June 30, 2011:

JUNE 30, 2011	RHODE ISLAND	NARRAGANSETT
Labor Force	567,259	9,808
Employed	505,946	9,114
Unemployment	61,313	694
Unemployment Rate	10.8%	7.1%

Source: Rhode Island Labor Force Statistics

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 years 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, to 13.5% for FY2010 and to 16% for FY2011. The rate is continued for FY2012.

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. For FY2011, approximately \$507,000 was budgeted for the OPEB Trust Fund. The OPEB Trust Fund was established in August 2011, and it is expected that the budgeted funding will be transferred to the Trust in the near term. It is recognized that the approximately \$507,000 being set aside is a modest amount, but it is a start towards funding the liability. Going forward through FY2012 and beyond, the Town realizes that the employer's pension contribution will have to increase. The actual amount will depend on enacted RI General Assembly pension reform legislation that will impact local pension plans.

Sweeping pension reform was passed by the Rhode Island General Assembly on November 17, 2011 and signed into law by Governor Chafee on November 18, 2011; it will be implemented on July 1, 2012. The Rhode Island Retirement Security Act of 2011 makes substantial changes to the Teachers' Plan pension benefits, adds a defined contribution element, and creates a hybrid plan as opposed to the current defined benefit plan.

The OPEB contribution will have to increase to an amount that is sustainable, without adversely affecting the Town's ability to provide basic services. Sustaining both the Pension Fund and future retiree health benefits could 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 unassigned fund balance must be sustained. The Town has had a policy of maintaining an Unreserved/Unassigned General Fund Balance equal to 7% to 10% of the General Fund budget. Following is a table of Unreserved/Unassigned General Fund Balances, with the June 30, 2011 amount as the "high watermark" in terms of percentage of the General Fund budget.

FISCAL YEAR ENDING	FUND BALANCE UNDESIGNATED & UNRESERVED (2002-2010) UNASSIGNED (2011)	% 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	4,479,700	9.0%
June 30, 2011	6,242,740	12.3%

It should be noted that \$286,250 of the June 30, 2011 fund balance will need to be appropriated to FY2012 to meet obligations that were entered into in FY2010 and FY2011. These include the required revaluation for \$244,000, Town Clerk new software for \$3,500 and the study of the Fire Department for \$38,750. As noted earlier, approximately \$442,000 budgeted in FY2010 was not expended, as the Town had not established a separate OPEB Trust Fund. A decision whether or not to appropriate these funds to the OPEB Fund remains to be addressed.

In addition, a positive adjustment to fund balance of \$939,139 at June 30, 2010 was required to account for the cumulative amount that premiums exceeded expenditures in the West Bay Community Health self-insurance risk pool of which the Town is a member. The Town has not drawn these funds down from the WBCH and therefore does not recognize these funds as "available for appropriation."

The June 30, 2011 Fund Balance total, after adjusting for the \$286,250 that will be appropriated to the FY2012 budget, the \$442,006 in OPEB funds and the \$939,139 in WBCH balances, would be \$4,575,345 or 9.04% of the FY2012 General Fund Operating Budget.

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 funds to be used from the Fund Balance until the goal of 9% is sustained.

The continuing discussions at the State level of the unfunded nature of locally administered pension and OPEB plans may result in legislative action that will require municipalities to bring the funded level of such plans up to some pre-determined amount. Narragansett is in a position to use some of the fund balance to help meet any legislative mandate and still retain a fund balance that will meet the criteria established by Moody's and S&P for levels of fund balance.

While all of these concerns will continue to weigh heavily, the Town will strive to continue to offer the wide array of governmental services that citizens and taxpayers have come to expect, providing them 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 scope and breadth of government services and programs, and increased fees to offset those costs for services that are not universally provided to everyone.

Major Initiatives

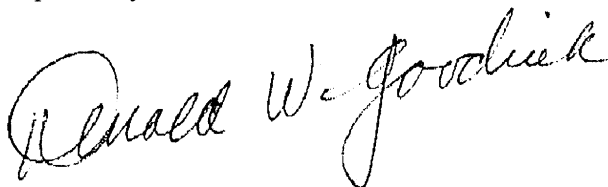
The uncertainty in the international and national economy may mean that some General Fund initiatives could be placed on hold. The Town has comprehensive capital improvement and major maintenance programs with major initiatives including a pavement management program for the Town's roads, a vehicle replacement program for Public Works and Public Safety, a storm water containment program and a continuing focus on maintaining the Town's infrastructure. Continuing with these initiatives will require additional deliberations and analyses. The Water, Wastewater and Beach Enterprise Funds will move forward with their respective capital improvement plans which include upgrades to the water and wastewater systems and the rehabilitation of the beach pavilions and facilities.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated service of the staff members of the Finance Department. My appreciation is expressed to those who assisted and contributed to the preparation of this report.

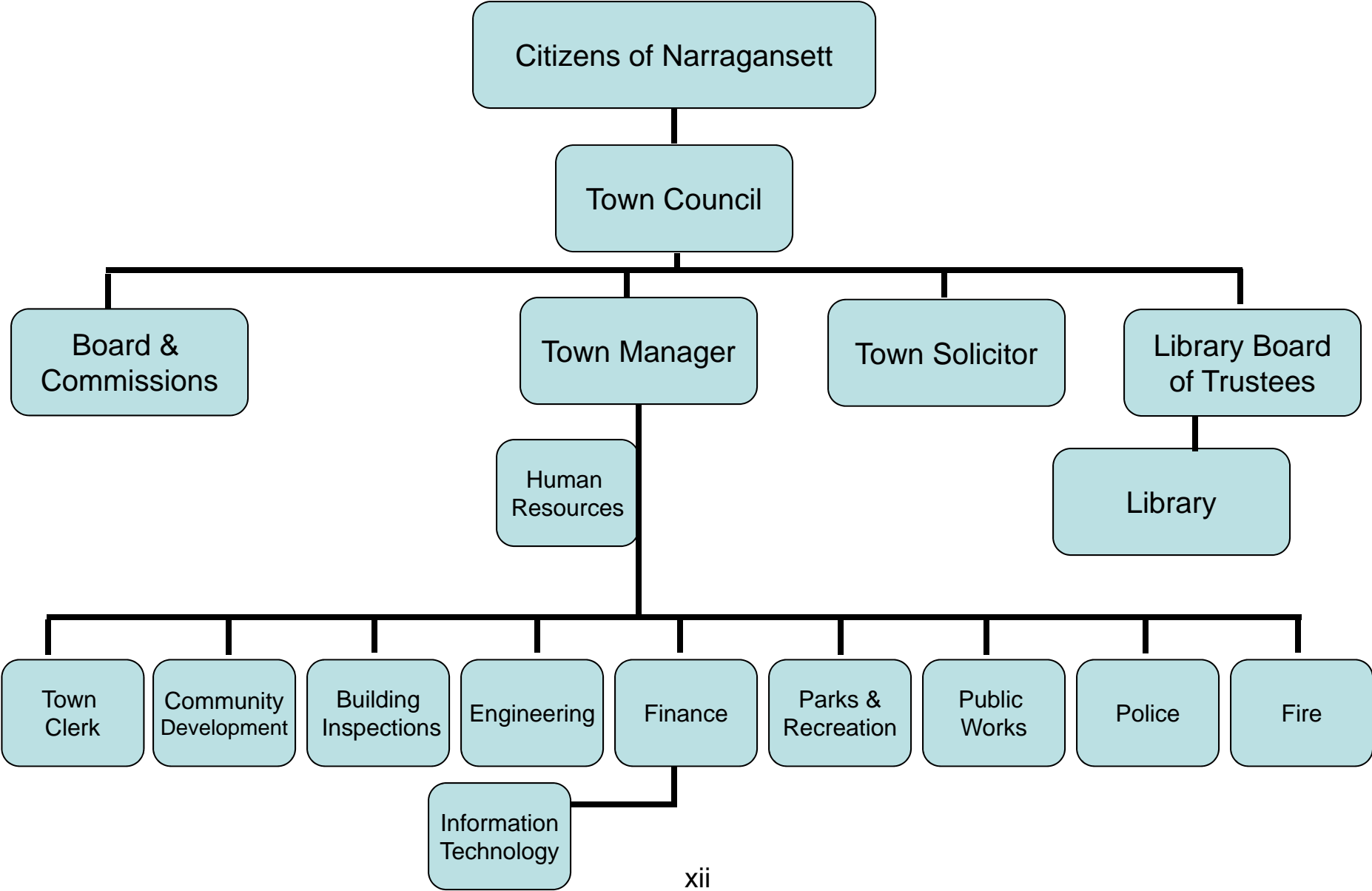
My appreciation is also extended to the other departments of the Town for their contributions in the compilation of data for this report. Thanks must be given to the Town Manager and Town Council for their support in maintaining the highest standards of professionalism in the management of the Town's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "Donald W. Goodrich". The signature is written in a cursive style with a large, looped initial "D".

Donald W. Goodrich
Director of Finance

Governmental Organization



TOWN OF NARRAGANSETT, RHODE ISLAND

LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2011

Elected Officials

Council President	Glenna M. Hagopian
President Pro Tempore	David J. Crook, Sr.
Council Member	Susan Cicilline-Buonanno
Council Member	Alisa Trainor Fleet
Council Member	Christopher Wilkins
School Committee, Chairperson	Tammy 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 Controller	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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2011 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 and other postemployment benefits information on pages 66 through 74 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.

Hefkaatz, Jan Jankel, Charpe & DeGonzal. C.

December 29, 2011

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, 2011 (FY2011) has been prepared. The Town administration encourages 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 (such as 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 77 and 78 of this report.

The Town adopts annual budgets for its General Fund, Water Fund, Sewer Fund, Internal Service Fund (Vehicle Maintenance), Library Fund, Beach Fund, Pension Fund and the OPEB Trust Fund. Budgets are also adopted for Debt Service, Capital Projects, Major Maintenance and non-capitalization expenses, the Kinney Bungalow, Sunset Farm, The Towers and the Galilee Landing Fund. The School Committee adopts a budget for the operation of the Town's three schools. Budgetary comparison statements have been provided for the General Fund and School Unrestricted Fund to demonstrate compliance with this budget.

The basic governmental fund 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 fund financial statements 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 66-74 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 \$95,925,692 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 are 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 17,745,539	\$ 15,784,828	\$ 15,880,465	\$ 17,391,791	\$ 33,626,004	\$ 33,176,619
Capital assets	99,985,783	101,521,522	32,967,133	33,206,536	132,952,916	134,728,058
Total assets	117,731,322	117,306,350	48,847,598	50,598,327	166,578,920	167,904,677
Long-term liabilities	57,065,345	50,536,924	5,843,212	12,290,527	62,908,557	62,827,451
Other liabilities	1,537,003	3,629,783	6,207,668	1,493,353	7,744,671	5,123,136
Total liabilities	58,602,348	54,166,707	12,050,880	13,783,880	70,653,228	67,950,587
Net assets:						
Invested in capital assets, net of related debt	75,633,301	76,328,788	27,123,921	26,525,585	102,757,222	102,854,373
Unrestricted	(16,504,327)	(13,189,145)	9,672,797	10,288,862	(6,831,530)	(2,900,283)
Total net assets	\$ 59,128,974	\$ 63,139,643	\$ 36,796,718	\$ 36,814,447	\$ 95,925,692	\$ 99,954,090

At June 30, 2011, 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 increase in the liability for other postemployment benefits (OPEB) of \$5,062,766.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Governmental Activities: Governmental activities decreased the Town's net assets by \$4,010,669, principally due to an increase of \$5,062,766 in the net OPEB obligation, and a related expense recorded in the government-wide financial statements.

Town of Narragansett's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4,560,722	\$ 4,175,126	\$ 6,851,382	\$ 7,045,231	\$ 11,412,104	\$ 11,220,357
Operating grants and contributions	4,200,924	3,945,898			4,200,924	3,945,898
Capital grants and contributions	1,146,219	638,539			1,146,219	638,539
General revenues, property taxes	44,522,795	42,585,105			44,522,795	42,585,105
Grants and contributions not restricted to specific programs	1,686,866	2,466,572			1,686,866	2,466,572
Other	511,495	365,358	354,455	500,853	865,950	866,211
Total revenues	56,629,021	54,176,598	7,205,837	7,546,084	63,834,858	61,722,682
Expenses:						
General administration	1,960,227	999,494			1,960,227	999,494
Financial administration	1,108,193	1,109,011			1,108,193	1,109,011
Public safety	11,627,180	10,922,031			11,627,180	10,922,031
Public works	4,523,343	3,921,244			4,523,343	3,921,244
Social services	187,285	362,588			187,285	362,588
Parks and recreation	1,387,846	1,460,487			1,387,846	1,460,487
Planning, engineering and inspection	1,491,691	1,282,366			1,491,691	1,282,366
Library	656,175	682,173			656,175	682,173
Food service	380,926	361,762			380,926	361,762
Other	6,862,883	6,816,208			6,862,883	6,816,208
Education	29,487,050	28,544,163			29,487,050	28,544,163
Interest on long-term debt	966,891	1,047,327			966,891	1,047,327
Water Fund			1,682,772	1,732,292	1,682,772	1,732,292
Sewer Fund			4,101,213	3,659,479	4,101,213	3,659,479
Beach Fund			1,439,581	1,383,501	1,439,581	1,383,501
Total expenses	60,639,690	57,508,854	7,223,566	6,775,272	67,863,256	64,284,126
Increase (decrease) in net assets	(4,010,669)	(3,332,256)	(17,729)	770,812	(4,028,398)	(2,561,444)
Net assets, beginning of year:						
As previously reported	63,139,643	53,209,814	36,814,447	36,043,635	99,954,090	89,253,449
Prior period adjustment		13,262,085				13,262,085
As restated	63,139,643	66,471,899	36,814,447	36,043,635	99,954,090	102,515,534
Net assets, end of year	\$ 59,128,974	\$ 63,139,643	\$ 36,796,718	\$ 36,814,447	\$ 95,925,692	\$ 99,954,090

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

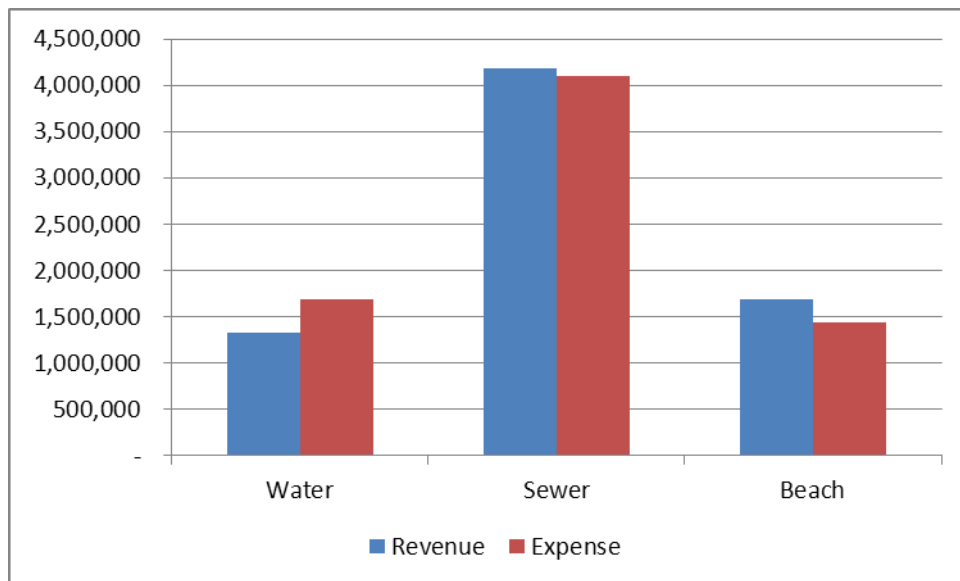
Government-wide Financial Analysis (Continued)

Property taxes budgeted for FY2011 increased by \$1,730,253 to \$43,007,334 from the amount budgeted for FY2010 of \$41,277,101. This was an increase of 4.2%, slightly less than the State-authorized cap increase of 4.5%, which is 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%. The calculated levy for FY2011 was \$43,979,133 with an estimated collection rate of 97.79%. The estimate of property taxes to be collected was \$43,007,334. Current year collections were \$43,613,626 compared to the budgeted amount of \$43,007,334, an increase of \$606,292 or 1.4%.

Business-type activities: Business-type activities decreased the Town’s net assets by \$17,729. Key elements of the decrease are as follows:

- a. Water Fund: The net assets of the Water enterprise are down \$351,176, or 5.7%.
- b. Sewer Fund: The net assets for the Sewer enterprise are up \$80,885, or .003%.
- c. Beach Fund: The net assets for the Beach enterprise are up \$252,562, or 4.7%.

Revenues and Expenses – Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the reporting period, the Town's governmental funds reported combined ending fund balances of \$15,325,673. Approximately 32.3% of this total amount (\$4,954,237) constitutes *unassigned 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, unassigned fund balance of the General Fund was \$5,911,242, while total fund balance was \$6,242,740. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers. Unassigned fund balance represents 11.6% of total General Fund expenditures and transfers, while total fund balance represents 12.2% of the same amount.

The fund balance of the Town's General Fund increased by \$1,763,040 due to the surplus from FY2011 operations. However, \$286,250 of this amount will be appropriated to the FY2012 budget as it will be needed to cover obligations entered into in FY2011. (See letter of transmittal for additional details).

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, 2011 totaled \$1,747,225.
- b. Sewer Fund: The unrestricted net assets of the Sewer Fund at June 30, 2011 amounted to \$6,558,560.
- c. Beach Fund: The unrestricted net assets of the Beach Fund at June 30, 2011 totaled \$1,367,012.

General Fund Budgetary Highlights

The annual capital, major maintenance and operating budgets were not radically altered once they were approved by the Town Council in June 2010. Minor transfers between budgetary line items within the same department are routinely administered by the Purchasing Agent subject to the approval of the Finance Director and Town Manager. There was \$875,350 in transfers from the Contingency Account to several departments in closing out the fiscal year. The major transfers were: \$244,000 to Tax Assessing to pay for the first year of the required revaluation; \$293,000 went to the Fire Department to cover the cost of the Fire collective bargaining settlement; and \$182,000 was transferred to the Retirement and Termination account to cover the cost of termination benefits for retiring Fire personnel. There were no supplemental budget appropriations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

General Fund Budgetary Highlights (Continued)

1. Taxation: Due to the vigorous follow-up on the late payment of current taxes, the collection of property taxes was strong throughout the year. Collections were \$43,613,626 and exceeded the budgeted amount of \$43,007,334 by \$606,292. Taxes from prior years' levies were budgeted at \$725,000 while collections reached \$794,228 or \$69,228 more than budgeted. Interest on delinquent taxes was budgeted at \$200,000 while collections were \$242,018, or \$42,018 more than budgeted. Current tax collections were 99.4% of the adjusted levy of \$44,053,922.
2. State Payment for Motor Vehicle Tax Phase-out: Due to State of Rhode Island (State) budget problems, the State continued the cancellation of a portion of the tax phase-out. Due to confusion over the continuation of the plan, no revenue was budgeted, while \$93,753 was realized, resulting in an overage of \$93,753. There is continued concern over whether the program will be eliminated in its entirety by the General Assembly when it meets in 2012.
3. The Town's other State-shared revenues for beach parking fees, hotel tax and the meal tax were budgeted at \$743,967 while \$790,761 was received, \$46,794 more than budgeted. Beach parking fees were \$58,588 higher and the hotel tax was up by \$6,780. The meals tax was \$18,574 less than budgeted. Total State aid was \$846,000 less than that received in FY2010.
4. The economic downturn, slow housing market and low investment interest rates caused user charges, permit fees and investment income to be \$246,135 less than the budgeted amount of \$3,250,979.

Capital Assets and Debt Administration

1. Capital assets: The Town's investment in capital assets as of June 30, 2011 amounted to \$132,952,916 (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 FY2011 was \$1,775,142, or 1.3% (a 1.5% decrease for governmental activities and a .7% decrease for business-type activities). Major capital asset events during the reporting period included the following:
 - a. The purchase of police cars and related equipment in the amount of \$111,668.
 - b. The continuation of the Narrow River Drainage Project in the amount of \$1,561,271.
 - c. The replacement of the Public Works Fuel Depot Canopy for \$74,850.
 - d. Enterprise capital expenditures of \$1,245,610.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010 (Restated)	2011	2010	2011	2010 (Restated)
Land	\$ 21,369,796	\$ 21,369,796	\$ 2,187,780	\$ 2,187,780	\$ 23,557,576	\$ 23,557,576
Construction in progress	171,550	793,160	816,852	212,449	988,402	1,005,609
Buildings and improvements	48,066,254	47,445,457	10,180,521	9,779,366	58,246,775	57,224,823
Machinery and equipment	6,751,299	6,593,525	2,395,511	2,348,160	9,146,810	8,941,685
Vehicles	7,543,786	7,136,711	537,916	537,916	8,081,702	7,674,627
Infrastructure	59,452,700	57,447,899	39,114,525	38,921,824	98,567,225	96,369,723
Total	\$ 143,355,385	\$ 140,786,548	\$ 55,233,105	\$ 53,987,495	\$ 198,588,490	\$ 194,774,043

2. Debt administration: At the end of the fiscal year, the Town had total bonds and notes outstanding of \$29,410,371, all of which is backed by the full faith and credit of the Town. Total debt was reduced by a net \$1,750,000 during FY2011.

The Town continues to have 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	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 21,126	\$ 22,270	\$ 314	\$ 430	\$ 21,440	\$ 22,699
Notes and loans	2,432	2,198	5,539	6,263	7,971	8,461
Total	\$ 23,558	\$ 24,468	\$ 5,853	\$ 6,693	\$ 29,411	\$ 31,160

Except as provided below, under Rhode Island General Law, 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 \$145,534,046 based on net assessed valuations of \$4,851,134,860 as of December 31, 2010. As of June 30, 2011, the Town had \$124,094,048 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 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

Current general obligation debt for Governmental Activities of \$23,650,989 and debt service of \$1,526,266 for FY2011 equates to the following:

5.1% Debt service as a Percent of the Operating Budget (FY2011 budget was \$49,622,082 while debt service was \$2,539,063).

0.49% Outstanding general obligation debt as a percentage of Net Assessed valuation

5.76% Debt service as a percent of tax levy

\$1,454 Outstanding general obligation debt per capita

As can be seen, the Town is well within the Debt Policy Guidelines.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Environmental Remediation (Continued)

Rose Hill Regional Landfill (continued):

The current estimated cost of completing the clean-up of Rose Hill is approximately \$21,600,000. The Town's share of this obligation is estimated to be \$4,767,000. The Town has paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill and approximately \$505,000 for its share of natural resource damages through June 30, 2011. The \$2,000,000 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, 2011 is \$1,331,625.

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's remaining share of the estimated cost of \$2,030,000, which includes an estimated \$277,000 for continued monitoring and site maintenance, will be paid to the State over a 27-year period which began in 2011. Accordingly, approximately \$2,030,000 has been reported as accrued claims and judgments in the 2011 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. Project costs paid to date total \$7,072,693, for which the Town was obligated to pay \$1,766,124. Through June 30, 2011, the Town has paid approximately \$1,476,000 of this amount. An additional \$290,000 for operation and maintenance costs will be paid over the next 27 years. The Town paid \$7,019 in FY2011 towards these costs.

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 Governmental Accounting Standards Board Statement No. 45. The Town's net OPEB obligation at June 30, 2011 of \$15,186,998 has been recorded as a liability in the government-wide financial statements.

Economic Factors and Next Year's Budget and Rates

The primary economic factor affecting fiscal year 2011 and beyond is the recession that is plaguing the entire nation and the world, especially Europe. Rhode Island has been identified as one of the three states most adversely affected by the downturn. The recession has negatively impacted investment earnings and state aid. Fortunately, tax and utility collections remain strong.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 16,192,064	\$ 2,000	\$ 16,194,064
Investments	5,036,598		5,036,598
Accounts receivable, less allowance for doubtful accounts of \$300,000:			
Property taxes	649,269		649,269
Federal and state government	606,441		606,441
Assessments and user fees:			
Current		358,370	358,370
Noncurrent		5,677,877	5,677,877
Other	515,374	427,278	942,652
Prepaid expenses and other	2,380,663		2,380,663
Due from fiduciary funds	1,445,229		1,445,229
Internal balances	(9,316,808)	9,316,808	-
Deferred charges	236,709		236,709
Capital assets not being depreciated	21,541,346	3,004,632	24,545,978
Capital assets being depreciated, net	78,444,437	29,962,501	108,406,938
Other assets		98,132	98,132
	<u>117,731,322</u>	<u>48,847,598</u>	<u>166,578,920</u>
LIABILITIES:			
Accounts payable and accrued expenses	1,532,060	287,547	1,819,607
Accrued compensated absences		291,034	291,034
Deferred revenue	4,943	5,629,087	5,634,030
Long-term obligations:			
Due within one year	1,685,702	840,840	2,526,542
Due in more than one year	28,041,473	5,002,372	33,043,845
Net pension obligation	12,151,172		12,151,172
OPEB obligation	15,186,998		15,186,998
	<u>58,602,348</u>	<u>12,050,880</u>	<u>70,653,228</u>
Commitments and contingencies (Note 11)			
NET ASSETS (DEFICIENCY):			
Invested in capital assets, net of related debt	75,633,301	27,123,921	102,757,222
Unrestricted	(16,504,327)	9,672,797	(6,831,530)
	<u>\$ 59,128,974</u>	<u>\$ 36,796,718</u>	<u>\$ 95,925,692</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,960,227	\$ 1,415,282	\$ 104,938	\$ 121,866	\$ (318,141)	\$	\$ (318,141)
Financial administration	1,108,193	656,167	-	-	(452,026)		(452,026)
Public safety	11,627,180	625,609	-	1,024,353	(9,977,218)		(9,977,218)
Public works	4,523,343	1,050	-	-	(4,522,293)		(4,522,293)
Social services	187,285	-	318,644	-	131,359		131,359
Parks and recreation	1,387,846	109,911	11,615	-	(1,266,320)		(1,266,320)
Planning, engineering and inspection	1,491,691	325,717	3,601	-	(1,162,373)		(1,162,373)
Library	656,175	8,412	119,489	-	(528,274)		(528,274)
Food service	380,926	229,198	117,606	-	(34,122)		(34,122)
Other	6,862,883	500,793	29,832	-	(6,332,258)		(6,332,258)
Education	29,487,050	688,583	3,495,199	-	(25,303,268)		(25,303,268)
Interest on long-term debt	966,891	-	-	-	(966,891)		(966,891)
Total governmental activities	60,639,690	4,560,722	4,200,924	1,146,219	(50,731,825)		(50,731,825)
Business-type activities:							
Water	1,682,772	1,291,766	-	-		\$ (391,006)	(391,006)
Sewer	4,101,213	3,900,155	-	-		(201,058)	(201,058)
Beach	1,439,581	1,659,461	-	-		219,880	219,880
Total business-type activities	7,223,566	6,851,382	-	-		(372,184)	(372,184)
Total	\$ 67,863,256	\$ 11,412,104	\$ 4,200,924	\$ 1,146,219	(50,731,825)	(372,184)	(51,104,009)
General revenues:							
Property taxes					44,522,795		44,522,795
Grants and contributions not restricted to specific programs					1,686,866		1,686,866
Investment earnings					65,845	354,455	420,300
Miscellaneous					445,650		445,650
Total general revenues					46,721,156	354,455	47,075,611
Change in net assets					(4,010,669)	(17,729)	(4,028,398)
Net assets, beginning of year					63,139,643	36,814,447	99,954,090
Net assets, end of year					\$ 59,128,974	\$ 36,796,718	\$ 95,925,692

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2011

ASSETS	General Fund	School Department	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 16,143,697	\$ 125	\$ 48,242	\$ 16,192,064
Investments	5,036,598			5,036,598
Accounts receivable:				
Property taxes, net	649,269			649,269
Federal and state government	178,600	416,578	11,263	606,441
Other	169,366	25,179	320,829	515,374
Prepaid and other expenses	811,699	1,568,964		2,380,663
Due from fiduciary funds	1,445,229			1,445,229
Due from other funds		3,453,430	5,188,144	8,641,574
Total assets	\$ 24,434,458	\$ 5,464,276	\$ 5,568,478	\$ 35,467,212
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 782,942	\$ 334,074	\$ 265,135	\$ 1,382,151
Accrued compensated absences	96,917			96,917
Due to other funds	16,915,786	48,003	976,837	17,940,626
Deferred revenue	396,073		325,772	721,845
Total liabilities	18,191,718	382,077	1,567,744	20,141,539
Fund balances:				
Nonspendable, not in spendable form	331,498			331,498
Restricted		150,589	90,340	240,929
Assigned		4,931,610	4,867,399	9,799,009
Unassigned	5,911,242		(957,005)	4,954,237
Total fund balances	6,242,740	5,082,199	4,000,734	15,325,673
Total liabilities and fund balances	\$ 24,434,458	\$ 5,464,276	\$ 5,568,478	\$ 35,467,212

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, 2011

Total fund balances for governmental funds		\$	15,325,673
Assets used in governmental activities which are not financial resources and therefore are not reported in the funds:			
Capital assets, net	\$	99,985,783	
Deferred charges		<u>236,709</u>	100,222,492
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			716,902
Internal service funds are used by management to charge the costs of fleet management services to individual departments			(27,224)
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		(24,286,319)	
Net pension obligation		(12,151,172)	
Other postemployment benefits		(15,186,998)	
Claims and judgments		(2,029,752)	
Compensated absences payable		(3,314,187)	
Accrued interest		<u>(140,441)</u>	<u>(57,108,869)</u>
Net assets of governmental activities			<u>\$ 59,128,974</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, 2011

	General Fund	School Department	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes and payments in lieu of taxes	\$ 44,897,780			\$ 44,897,780
State aid, unrestricted	1,686,866	\$ 942,335		2,629,201
Charges for services	3,133,736	688,583	\$ 738,403	4,560,722
Operating grants and contributions		1,580,862	704,864	2,285,726
Capital gains and contributions		38,057	1,146,219	1,184,276
Investment and interest income	28,854		36,991	65,845
State contribution to teachers' pension plan		933,945		933,945
Other revenues	400,000		65,288	465,288
	<u>50,147,236</u>	<u>4,183,782</u>	<u>2,691,765</u>	<u>57,022,783</u>
Total revenues				
Expenditures:				
Current:				
General government	1,737,178		30,237	1,767,415
Financial administration	1,118,473			1,118,473
Public safety	11,006,158		217,164	11,223,322
Public works	2,611,400		527,546	3,138,946
Social services	-		177,829	177,829
Parks and recreation	1,221,049		188,991	1,410,040
Planning, engineering and inspection	1,042,191		1,006,342	2,048,533
Library			649,384	649,384
Food service			380,926	380,926
Other	1,800,117			1,800,117
Education		27,366,920	292,302	27,659,222
Debt service:				
Principal			1,526,266	1,526,266
Interest			1,012,797	1,012,797
Capital outlay		38,057	973,008	1,011,065
	<u>20,536,566</u>	<u>27,404,977</u>	<u>6,982,792</u>	<u>54,924,335</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>29,610,670</u>	<u>(23,221,195)</u>	<u>(4,291,027)</u>	<u>2,098,448</u>
Other financing sources (uses):				
Note payable proceeds and capital lease inception	141,807		568,000	709,807
Gain on sale of capital asset	18,500			18,500
Transfers from other funds	-	24,377,345	3,989,714	28,367,059
Transfers to other funds	<u>(28,007,937)</u>	<u>(334,122)</u>	<u>(25,000)</u>	<u>(28,367,059)</u>
	<u>(27,847,630)</u>	<u>24,043,223</u>	<u>4,532,714</u>	<u>728,307</u>
Total other financing sources (uses)				
Excess of revenues and other financing sources over expenditures and other financing uses	1,763,040	822,028	241,687	2,826,755
Fund balance, beginning of year	<u>4,479,700</u>	<u>4,260,171</u>	<u>3,759,047</u>	<u>12,498,918</u>
Fund balance, end of year	<u>\$ 6,242,740</u>	<u>\$ 5,082,199</u>	<u>\$ 4,000,734</u>	<u>\$ 15,325,673</u>

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, 2011

Net change in fund balances for governmental funds		\$ 2,826,755
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	\$ 2,628,612	
Depreciation expense	<u>(4,164,351)</u>	(1,535,739)
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.		(20,110)
Deferred revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(412,262)
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	1,526,266	
Note payable proceeds and capital lease inception	(709,807)	
Amortization of:		
Deferred charge on refunding	(15,255)	
Bond premiums	<u>39,048</u>	840,252
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	(277,924)	
Accrued claims and judgments	33,483	
Allowance for doubtful accounts	-	
Pension contributions	(432,561)	
Other postemployment health benefits	<u>(5,062,766)</u>	(5,739,768)
Internal service funds are used by management to charge the costs of fleet management services to individual departments		8,090
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>22,113</u>
Change in net assets of governmental activities		<u>\$ (4,010,669)</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

JUNE 30, 2011

	Business-Type Activities – Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Beach Fund	Total	Internal Service Fund
ASSETS:					
Current assets:					
Cash and cash equivalents			\$ 2,000	\$ 2,000	
Accounts receivable:					
Assessments and user fees	\$ 90,984	\$ 267,386		358,370	
Other	191,358	233,366	2,554	427,278	
Due from other funds	1,614,490	6,223,329	1,478,989	9,316,808	
Total current assets	1,896,832	6,724,081	1,483,543	10,104,456	
Noncurrent assets:					
Assessments and user fees		5,677,877		5,677,877	
Capital assets not being depreciated	197,095	712,087	2,095,450	3,004,632	
Capital assets being depreciated, net	4,156,050	23,587,283	2,219,168	29,962,501	\$ 66,163
Other assets	10,246	87,886		98,132	
Total assets	6,260,223	36,789,214	5,798,161	48,847,598	66,163
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	79,005	97,088	111,454	287,547	9,468
Due to other funds					17,756
Accrued compensated absences	80,848	205,109	5,077	291,034	
Current portion of long-term debt	52,617	788,223		840,840	
Total current liabilities	212,470	1,090,420	116,531	1,419,421	27,224
Noncurrent liabilities:					
Deferred revenue		5,629,087		5,629,087	
Long-term debt, net of current portion	192,987	4,809,385	-	5,002,372	
Total noncurrent liabilities	192,987	10,438,472	-	10,631,459	
Total liabilities	405,457	11,528,892	116,531	12,050,880	27,224
NET ASSETS:					
Invested in capital assets, net of related debt	4,107,541	18,701,762	4,314,618	27,123,921	38,939
Unrestricted	1,747,225	6,558,560	1,367,012	9,672,797	
Total net assets	\$ 5,854,766	\$ 25,260,322	\$ 5,681,630	\$ 36,796,718	\$ 38,939

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, 2011

	Business-Type Activities – Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Beach Fund	Total	Activities Internal Service Fund
Operating revenues:					
Assessments and user fees	\$ 1,259,066	\$ 3,792,334		\$ 5,051,400	
Beach admittance and rental fees			\$ 1,659,461	1,659,461	
Vehicle maintenance changes					\$ 402,248
Other revenues	32,700	107,821		140,521	
Total operating revenues	1,291,766	3,900,155	1,659,461	6,851,382	402,248
Operating expenses:					
Salaries and benefits	472,521	803,570	762,284	2,038,375	274,705
Materials and supplies	638,533	1,219,777	244,640	2,102,950	137,875
Utilities	21,845	210,034	25,320	257,199	1,239
Administrative and miscellaneous	220,388	600,020	331,954	1,152,362	(19,661)
Depreciation and amortization	319,059	1,111,309	75,383	1,505,751	
Total operating expenses	1,672,346	3,944,710	1,439,581	7,056,637	394,158
Operating income (loss)	(380,580)	(44,555)	219,880	(205,255)	8,090
Nonoperating revenues (expenses):					
Interest revenue	39,830	281,943	32,682	354,455	
Interest expense	(10,426)	(156,503)	-	(166,929)	
Total nonoperating revenues (expenses)	29,404	125,440	32,682	187,526	
Change in net assets	(351,176)	80,885	252,562	(17,729)	8,090
Net assets, beginning of year	6,205,942	25,179,437	5,429,068	36,814,447	30,849
Net assets, end of year	\$ 5,854,766	\$ 25,260,322	\$ 5,681,630	\$ 36,796,718	\$ 38,939

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	<u>Business-Type Activities – Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:					
Cash received from customers	\$ 1,307,832	\$ 3,909,998	\$ 1,644,928	\$ 6,862,758	\$ 402,248
Cash received from other sources	32,700	107,821		140,521	
Cash paid to employees and for benefits	(489,227)	(812,748)	(757,207)	(2,059,182)	(274,705)
Cash paid to suppliers	(730,342)	(1,438,883)	(246,916)	(2,416,141)	(145,367)
Cash paid for administrative expenses	(220,388)	(600,020)	(331,954)	(1,152,362)	19,661
Net cash provided by (used in) operating activities	<u>(99,425)</u>	<u>1,166,168</u>	<u>308,851</u>	<u>1,375,594</u>	<u>1,837</u>
Cash provided by (used in) noncapital financing activities, interfund balances	<u>280,505</u>	<u>(135,926)</u>	<u>378,533</u>	<u>523,112</u>	<u>(1,837)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of fixed assets	(152,468)	(373,576)	(719,566)	(1,245,610)	
Principal paid on long-term debt	(58,016)	(782,243)	-	(840,259)	
Interest paid on long-term debt	(10,426)	(156,366)	-	(166,792)	
Cash used in capital and related financing activities	<u>(220,910)</u>	<u>(1,312,185)</u>	<u>(719,566)</u>	<u>(2,252,661)</u>	
Cash provided by investing activities, interest received	<u>39,830</u>	<u>281,943</u>	<u>32,682</u>	<u>354,455</u>	
Net increase in cash and cash equivalents	-	-	500	500	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)

YEAR ENDED JUNE 30, 2011

	Business-Type Activities – Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Beach Fund	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (380,580)	\$ (44,555)	\$ 219,880	\$ (205,255)	\$ 8,090
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	319,059	1,111,309	75,383	1,505,751	
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	48,766	923,136	(1,533)	970,369	
Increase (decrease) in:					
Accounts payable and accrued expenses	(69,964)	(9,072)	23,044	(55,992)	(6,253)
Accrued compensated absences	(16,706)	(9,178)	5,077	(20,807)	
Deferred revenue		(805,472)	(13,000)	(818,472)	
Net cash provided by (used in) operating activities	<u>\$ (99,425)</u>	<u>\$ 1,166,168</u>	<u>\$ 308,851</u>	<u>\$ 1,375,594</u>	<u>\$ 1,837</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2011

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS:		
Cash and cash equivalents		\$ 15,250
Due from other funds		91,852
Prepaid expenses	<u>\$ 224,329</u>	
	224,329	107,102
Investments, at fair value	<u>57,059,279</u>	<u>-</u>
Total assets	<u>57,283,608</u>	<u>107,102</u>
LIABILITIES:		
Due to other funds	1,537,081	
Accounts payable and accrued expenses	<u>11,906</u>	
	<u>1,548,987</u>	
NET ASSETS:		
Held in trust for pension benefits and other purposes	<u>\$ 55,734,621</u>	<u>\$ 107,102</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2011

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
Additions to net assets:		
Contributions:		
Employer	\$ 2,066,385	
Plan members	1,115,347	
Retiree health benefits	1,322,565	
Other		\$ 130
	<u>4,504,297</u>	<u>130</u>
Investment earnings:		
Net increase in fair value of investments	7,517,909	921
Interest and dividends	1,410,671	3,982
	<u>8,928,580</u>	<u>4,903</u>
Total additions	<u>13,432,877</u>	<u>5,033</u>
Deductions from net assets:		
Benefits	3,346,343	
Retiree health benefits	1,148,539	
Administrative and other expenses	276,959	
Refund of contributions	49,200	
Scholarship awards		1,050
Other	22,618	6,452
Total deductions	<u>4,843,659</u>	<u>7,502</u>
Change in net assets	8,589,218	(2,469)
Net assets, beginning of year	<u>47,145,403</u>	<u>109,571</u>
Net assets, end of year	<u>\$ 55,734,621</u>	<u>\$ 107,102</u>

See notes to basic financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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, 2011

1. Summary of significant accounting policies (continued):

Recent accounting pronouncement:

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

Basis of presentation:

Government-wide financial statements:

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

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

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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

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

Governmental funds:

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

The Town uses the following 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 and report all financial resources not accounted for and reported in another fund.

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

Capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays.

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

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Fund financial statements (continued):

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.

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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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; therefore they are recognized when received.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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.

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.

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 Law, 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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Investments:

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. 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.

Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.5% over that of the preceding fiscal year for 2011. 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."

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

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.

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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

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

Fund equity:

Government-wide financial statements:

Net assets:

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

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

1. Summary of significant accounting policies (continued):

Fund financial statements:

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

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

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

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

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

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

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

Unassigned – amounts available for any purpose

2. Fund balances:

At June 30, 2011, the following funds, which are all nonmajor, had a deficit (negative) fund balance:

	<u>Fund balance</u>
School Renovation Fund	\$ (112,249)
Grants Fund	(957,005)

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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, 2011, the carrying amount of the Town's deposits, including \$7,208,824 of cash equivalents, was \$16,194,064 and the total bank balance was \$17,208,514, of which \$4,017,421 was insured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

At June 30, 2011, the Town's deposits also include \$15,250 of fully insured fiduciary fund demand deposits, which are not included in the summary below.

At June 30, 2011, deposits are categorized as follows:

	Uninsured/ uncollateralized in Town's name	Rating	Maturities	Total bank balance	Carrying amount
Deposits:					
Demand deposits	\$ 5,382,588			\$ 6,111,323	\$ 5,096,873
Certificates of deposit	4,450,000	N/A	7/2011 to 8/2011	7,208,824	7,208,824
Money market	3,358,505			3,888,367	3,888,367
	<u>\$ 13,191,093</u>			<u>\$ 17,208,514</u>	<u>\$ 16,194,064</u>

Investments:

	General Fund	Pension Funds	Total
Annuities	\$ 286,821		\$ 286,821
Cash	744,970	\$ 77,577	822,547
Corporate stocks		20,268,431	20,268,431
Corporate bonds	158,131	5,044,831	5,202,962
Certificates of deposit	897,936		897,936
U.S. Government securities	2,948,740	2,607,804	5,556,544
Money market		2,639,781	2,639,781
Mutual funds		26,420,855	26,420,855
Total investments	<u>\$ 5,036,598</u>	<u>\$ 57,059,279</u>	<u>\$ 62,095,877</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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, 2011 are \$54,479,663 and \$5,133,120, respectively, which represent a 5% decrease and 2% increase, respectively, in the values since June 30, 2011. 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	\$ 5,556,544	\$ 275,122	\$ 1,570,321	\$ 982,507	\$ 2,728,594
Corporate bonds	5,202,962	193,049	2,778,287	2,083,709	147,917
Total	<u>\$ 10,759,506</u>	<u>\$ 468,171</u>	<u>\$ 4,348,608</u>	<u>\$ 3,066,216</u>	<u>\$ 2,876,511</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.

Credit risk:

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments (continued):

Investments (continued):

Credit risk (continued):

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, excluding U.S. Government securities, are listed below.

<u>Average rating</u>	<u>Corporate bonds</u>
Aaa	\$ 85,739
Aa1	30,069
Aa2	693,182
Aa3	614,295
A1	958,014
A2	1,307,488
A3	563,840
Baa1	317,929
Baa2	324,205
Baa3	95,701
Not rated	212,500
	<u>\$ 5,202,962</u>

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.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

3. Deposits and investments (continued):

Investments (continued):

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. All of the Town's investments are held by the Town's counterparty, not in the Town's name.

4. Interfund transactions:

Interfund receivables and payables arise principally from the use of one General Fund checking account for expenditure disbursements of the other funds.

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

Receivable Fund	Payable Fund	Amount
Due to/from:		
Governmental funds:		
General Fund	Governmental funds, Internal Service	\$ 17,756
General Fund	Fiduciary funds, Pension Trust Fund	<u>1,537,081</u>
		<u>1,554,837</u>
School Department	Governmental funds, General Fund	<u>3,466,198</u>

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

4. Interfund transactions (continued):

Receivable Fund	Payable Fund	Amount
Due to/from (continued):		
Governmental funds (continued):		
Nonmajor governmental funds	Governmental funds:	
	General Fund	\$ 4,150,539
	School Department	12,768
		<u>4,163,307</u>
Enterprise funds:		
Water Fund	Governmental funds, General Fund	<u>1,614,490</u>
Sewer Fund	Governmental funds, General Fund	<u>6,223,329</u>
Beach Fund	Governmental funds, General Fund	<u>1,478,989</u>
Fiduciary funds:		
Private purpose trust fund	Governmental funds, General Fund	<u>91,852</u>
		<u>\$ 18,593,002</u>

Operating transfers between funds for the year ended June 30, 2011 were as follows:

Transfer to Fund	Transfer from Fund	Amount
Governmental funds:		
School Unrestricted	Governmental funds, General Fund	<u>\$ 24,277,345</u>
Capital Projects	Other nonmajor governmental funds	<u>25,000</u>
Nonmajor governmental funds	Governmental funds:	
	General Fund	3,730,592
	School Department	<u>334,122</u>
		<u>4,064,714</u>
		<u>\$ 28,367,059</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

5. Capital assets:

Governmental activities:	Beginning balances	Increases	Decreases	Ending balances
Capital assets not being depreciated:				
Land	\$ 21,369,796			\$ 21,369,796
Construction in progress	793,160	\$ 1,964,841	\$ 2,586,451	171,550
Total capital assets not being depreciated	<u>22,162,956</u>	<u>1,964,841</u>	<u>2,586,451</u>	<u>21,541,346</u>
Capital assets being depreciated:				
Infrastructure	57,447,899	2,004,801	-	59,452,700
Buildings and improvements	47,445,457	620,797	-	48,066,254
Machinery and equipment	6,593,525	157,774	-	6,751,299
Vehicles	7,136,711	466,850	59,775	7,543,786
Total capital assets being depreciated	<u>118,623,592</u>	<u>3,250,222</u>	<u>59,775</u>	<u>121,814,039</u>
Less accumulated depreciation for:			-	
Infrastructure	17,964,007	1,200,756	-	19,164,763
Buildings and improvements	13,186,670	1,931,446	-	15,118,116
Machinery and equipment	3,240,449	347,093	-	3,587,542
Vehicles	4,873,900	685,056	59,775	5,499,181
Total accumulated depreciation	<u>39,265,026</u>	<u>4,164,351</u>	<u>59,775</u>	<u>43,369,602</u>
Total capital assets being depreciated, net	<u>79,358,566</u>	<u>(914,129)</u>	<u>-</u>	<u>78,444,437</u>
Governmental activities capital assets, net	<u>\$ 101,521,522</u>	<u>\$ 1,050,712</u>	<u>\$ 2,586,451</u>	<u>\$ 99,985,783</u>
Depreciation was charged to functions as follows:				
Governmental activities:				
General government		\$ 22,791		
Financial administration		2,584		
Public safety		504,623		
Public works		1,686,218		
Social services		9,456		
Parks and recreation		161,353		
Planning, engineering and inspection		82,451		
Education		1,694,875		
		<u>\$ 4,164,351</u>		

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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	212,449	\$ 665,889	\$ 61,486	816,852
Total capital assets not being depreciated	2,400,229	665,889	61,486	3,004,632
Capital assets being depreciated:				
System improvements and infrastructure	38,921,824	192,701	-	39,114,525
Buildings and improvements	9,779,366	401,155	-	10,180,521
Machinery and equipment	2,348,160	47,351	-	2,395,511
Vehicles	537,916	-	-	537,916
Total capital assets being depreciated	51,587,266	641,207	-	52,228,473
Less accumulated depreciation for:				
System improvements and infrastructure	13,833,888	971,740	-	14,805,628
Buildings and improvements	4,740,838	371,150	-	5,111,988
Machinery and equipment	1,712,233	107,155	-	1,819,388
Vehicles	494,000	34,968	-	528,968
Total accumulated depreciation	20,780,959	1,485,013	-	22,265,972
Total capital assets being depreciated, net	30,806,307	(843,806)	-	29,962,501
Business-type activities capital assets, net	\$ 33,206,536	\$ (177,917)	\$ 61,486	\$ 32,967,133

Depreciation was charged to business-type activities as follows:

Water Fund	\$ 315,553
Sewer Fund	1,094,077
Beach Fund	75,383
	<u>\$ 1,485,013</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

6. Accounts payable and accrued expenses:

	<u>Vendors</u>	<u>Other governments</u>	<u>Employees</u>	<u>Accrued interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 315,113	\$ 40,201	\$ 427,628		\$ 782,942
School Unrestricted Fund	300,005		34,069		334,074
Nonmajor funds	265,135				265,135
Internal Service Fund	6,726		2,742		9,468
Reconciliation of balances in fund financial statements to government- wide financial statements				\$ 140,441	140,441
	<u>\$ 886,979</u>	<u>\$ 40,201</u>	<u>\$ 464,439</u>	<u>\$ 140,441</u>	<u>\$ 1,532,060</u>
Business-type activities:					
Water Fund	\$ 49,595	\$ 19,348	\$ 6,330	\$ 3,732	\$ 79,005
Sewer Fund	41,034		10,205	45,849	97,088
Beach Fund	73,506		37,948		111,454
	<u>\$ 164,135</u>	<u>\$ 19,348</u>	<u>\$ 54,483</u>	<u>\$ 49,581</u>	<u>\$ 287,547</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 Law caps the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2010 was \$4,851,134,860, limiting the amount of nonexcepted general obligation bonds outstanding to \$145,534,046. At June 30, 2011, bonds outstanding totaled \$21,439,998.

Capital lease:

During 2011, the Town entered into a \$141,807 capital lease agreement for financing the acquisition of a public safety emergency rescue vehicle.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

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

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Bonds and notes	\$ 23,557,763	\$ 5,852,608	\$ 29,410,371
Deferred amounts:			
Loss on refundings	(61,016)	(9,533)	(70,549)
Premium	<u>696,346</u>		<u>696,346</u>
	24,193,093	5,843,075	30,036,168
Capital leases	93,226		93,226
Accrued compensated absences	3,411,104		3,411,104
Claims and judgments	<u>2,029,752</u>		<u>2,029,752</u>
	29,727,175	5,843,075	35,570,250
Less portion due within one year	<u>1,685,702</u>	<u>840,840</u>	<u>2,526,542</u>
	<u>\$ 28,041,473</u>	<u>\$ 5,002,235</u>	<u>\$ 33,043,708</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

	Date of issuance	Interest rate	Date of maturity	Authorized	Outstanding June 30, 2010	Additions	Retirements	Outstanding June 30, 2011	Amounts due within one year
Governmental activities:									
General obligation bonds payable:									
Refunding - open space	7/13/2004	2.5-4.0%	8/15/2015	\$ 473,835	\$ 124,826	\$ -	\$ 63,688	\$ 61,138	\$ 61,138
Pavement management and school refunding	7/13/2004	2.5-4.0%	8/15/2015	3,740,000	1,950,000		340,000	1,610,000	330,000
School renovation	5/14/2009	3.0-5.0%	4/1/2029	20,910,000	20,195,000		740,000	19,455,000	760,000
				<u>25,123,835</u>	<u>22,269,826</u>	<u>-</u>	<u>1,143,688</u>	<u>21,126,138</u>	<u>1,151,138</u>
Notes and loans payable:									
Towers rehabilitation note	5/15/2002	4.95%	5/15/2012	510,000	102,000	-	51,000	51,000	51,000
Rose Hill clean-up loan	9/3/2002	1.18%	9/1/2022	2,000,000	1,423,622		91,997	1,331,625	94,621
Narrow River clean-up loan	12/12/2007	1.38%	9/1/2029	600,000	600,000		25,000	575,000	26,000
Landfill closure costs	12/15/2005	1.34%	9/1/2025	350,000	290,000		16,000	274,000	16,000
Camp Jori loan	6/5/2003	3.70%	6/5/2013	500,000	150,000		50,000	100,000	50,000
School note	10/18/2006	4.62%	10/15/2011	500,000	200,000		100,000	100,000	100,000
				<u>4,460,000</u>	<u>2,765,622</u>	<u>-</u>	<u>333,997</u>	<u>2,431,625</u>	<u>337,621</u>
Less undrawn note proceeds					(568,000)	568,000			
Deferred amounts:									
Loss on refundings				29,583,835	24,467,448	568,000	1,477,685	23,557,763	1,488,759
Premiums on bonds					(76,271)		(15,255)	(61,016)	15,255
					735,394		39,048	696,346	39,048
Total bonds, notes and loans payable				<u>29,583,835</u>	<u>25,126,571</u>	<u>568,000</u>	<u>1,501,478</u>	<u>24,193,093</u>	<u>1,543,062</u>
Capital leases				141,807	-	141,807	48,581	93,226	45,723
Accrued compensated absences					3,474,301		63,197	3,411,104	96,917
Claims and judgments					2,063,235		33,483	2,029,752	
Total long-term obligations				<u>\$ 29,725,642</u>	<u>\$ 30,664,107</u>	<u>\$ 709,807</u>	<u>\$ 1,646,739</u>	<u>\$ 29,727,175</u>	<u>\$ 1,685,702</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

	Date of issuance	Interest rate	Date of maturity	Authorized	Outstanding June 30, 2010	Additions	Retirements	Outstanding June 30, 2011	Amounts due within one year
Business-type activities:									
Bonds:									
Refunding - Water	7/13/2004	2.5-4.00%	8/15/2015	\$ 585,000	\$ 310,000	\$ -	\$ 55,000	\$ 255,000	\$ 55,000
Refunding - Wastewater	7/21/2004	2.5-4.00%	8/15/2011	456,165	120,173	-	61,313	58,860	58,860
				1,041,165	430,173	-	116,313	313,860	113,860
Notes and loans payable:									
Point Judith water note - Water	6/2/1981	5.00%	6/15/2011	50,000	3,154	-	3,154	-	-
4.1 SRLF sewer projects - Sewer	3/11/1992	3.19%	9/1/2013	4,189,137	837,404	-	209,351	628,053	209,457
2.1 SRLF sewer projects - Sewer	6/29/1994	2.96%	9/1/2014	2,100,000	525,000	-	105,000	420,000	105,000
.78 SRLF sewer projects - Sewer	8/25/1999	2.75%	9/1/2019	780,000	442,583	-	39,053	403,530	40,127
3.5 SRLF sewer projects - Sewer	2/4/1999	2.50%	9/1/2019	3,500,000	1,965,246	-	175,388	1,789,858	179,779
Briggs Farm sewer project - Sewer	11/13/2003	1.26%	9/1/2024	4,200,000	2,489,307	-	192,000	2,297,307	195,000
				14,819,137	6,262,694	-	723,946	5,538,748	729,363
				15,860,302	6,692,867	-	840,259	5,852,608	843,223
					(11,916)		(2,383)	(9,533)	(2,383)
Deferred amounts, loss on refundings				\$ 15,860,302	\$ 6,680,951	\$ -	\$ 837,876	\$ 5,843,075	\$ 840,840
Total long-term obligations									

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

7. Long-term obligations (continued):

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

At June 30, 2011, 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:			
2012	\$ 1,488,759	\$ 991,240	\$ 2,479,999
2013	1,299,319	946,613	2,245,932
2014	1,268,095	879,039	2,147,134
2015	1,296,950	830,222	2,127,172
2016	1,319,886	792,336	2,112,222
2017-2021	5,696,487	3,309,132	9,005,619
2022-2026	6,633,267	2,017,096	8,650,363
2027-2031	4,555,000	458,734	5,013,734
	<u>\$ 23,557,763</u>	<u>\$ 10,224,412</u>	<u>\$ 33,782,175</u>
Capital lease:			
2012	\$ 45,723	\$ 3,629	\$ 49,352
2013	47,503	1,849	49,352
	<u>\$ 93,226</u>	<u>\$ 5,478</u>	<u>\$ 98,704</u>
Business-type activities:			
2012	\$ 843,223	\$ 155,435	\$ 998,658
2013	787,968	130,521	918,489
2014	802,397	134,346	936,743
2015	592,151	89,621	681,772
2016	502,195	75,641	577,836
2017-2021	2,142,366	281,632	2,423,998
2022-2026	182,308	58,558	240,866
	<u>\$ 5,852,608</u>	<u>\$ 925,754</u>	<u>\$ 6,778,362</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 2011 was \$12,035,379, including \$455,185 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, 2011

8. Pension plans (continued):

Teachers' Plan (continued)

Plan description (continued):

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with 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 Law relating to state employees and teachers' benefits was amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of ten years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

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

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

8. Pension plans (continued):

Teachers' Plan (continued):

Funding policy:

Rhode Island General Law sets the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of 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 Law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2011, actuarial required contributions were 11.89% 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 8.18% (\$933,945). The Town's required and actual contributions to the Teachers' Plan for fiscal years 2011, 2010, and 2009 were \$1,389,248, \$1,408,884, and \$1,149,017, 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% 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% 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, 2011

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% 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 the 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 \$76,814 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 2011 amounted to \$130,000.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 obligation for the preceding three years is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ - 0 -	\$ - 0 -	\$ - 0 -
Amortization of UAAL	71,714	71,714	77,093
Interest	10,930	10,930	(232)
Adjustment to annual required contribution	<u>(5,830)</u>	<u>(5,819)</u>	<u>232</u>
Annual pension cost	76,814	76,825	77,093
Contributions made	<u>(130,000)</u>	<u>(120,000)</u>	<u></u>
Increase (decrease) in net pension obligation	(53,186)	(43,175)	77,093
Net pension obligation (asset), beginning of year	<u>30,829</u>	<u>74,004</u>	<u>(3,089)</u>
Net pension obligation (asset), end of year	<u>\$ (22,357)</u>	<u>\$ 30,829</u>	<u>\$ 74,004</u>
Percentage of annual pension cost contributed	<u>169.2%</u>	<u>156.2%</u>	<u>0%</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 basic 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, 2011

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, 2011 was \$12,199,384.

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 ten 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, 2011

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 ten 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 ten 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 ten 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, 2011

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 ten 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, 2011

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 four years younger

Annual pension costs and net benefit obligation:

The actuarially determined employer contribution requirement of \$2,422,132 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 2011 amounted to \$3,051,732, of which \$1,936,385 and \$1,115,347 were made by the Town and its employees, respectively. Contributions made by the Town and employees represented 16% and 9%, respectively, of covered payroll for the year.

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 obligation for the preceding three years is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 1,232,343	\$ 1,232,343	\$ 1,232,343
Amortization of UAAL	1,058,699	1,058,699	1,230,527
Interest	983,585	983,585	730,506
Adjustment to annual required contribution	<u>(852,495)</u>	<u>(1,619,662)</u>	<u>(748,280)</u>
Annual pension cost	2,422,132	1,654,965	2,445,096
Contributions made	<u>(1,936,385)</u>	<u>(1,557,772)</u>	<u>(1,342,866)</u>
Increase in net pension obligation	485,747	97,193	1,102,230
Net pension obligation, beginning of year	<u>11,687,782</u>	<u>11,590,589</u>	<u>10,488,359</u>
Net pension obligation, end of year	<u>\$12,173,529</u>	<u>\$11,687,782</u>	<u>\$11,590,589</u>
Percentage of annual pension cost contributed	<u>79.9%</u>	<u>94.1%</u>	<u>54.9%</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 basic 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, 2011

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, 2011, expenditures for postemployment benefits totaled \$1,487,198, which is comprised of \$1,322,565 and \$164,633 from the Town and School, respectively; 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, 2011:

	<u>2011</u>	<u>2010</u>
Annual required contribution and OPEB cost	\$ 6,549,964	\$ 6,549,964
Contributions	<u>(1,487,198)</u>	<u>(1,447,706)</u>
Increase in net OPEB obligation	5,062,766	5,102,258
Net OPEB obligation, beginning of year	<u>10,124,232</u>	<u>5,021,974</u>
Net OPEB obligation, end of year	<u>\$ 15,186,998</u>	<u>\$ 10,124,232</u>
Percentage of ARC contributed	23%	22%

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2011

9. Other postemployment benefits (continued):

Funded status and progress of the plan as of July 1, 2010, the most recent actuarial valuation date, 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 Town and School budgeted \$507,000 and \$100,000, respectively, in fiscal 2011 for the purpose of funding the UAAL. As of June 30, 2011, the School had set aside a total of \$722,788 to fund its UAAL. Based upon the July 1, 2010 valuation report, the estimated 2011 ARC was \$6,632,282, comprised of \$6,245,761 and \$386,521 for Town and School, respectively.

In August 2011, a Town Council resolution authorized the creation of an OPEB Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008. When accumulated funds are remitted to the OPEB Trust in fiscal 2012, 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 basic 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, 2011

10. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$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, 2011.

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's share of this obligation is estimated to be \$4,767,000. In prior years, the Town paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill and approximately \$505,000 for its share of natural resource damages. In the current year, the Town paid annual maintenance costs of approximately \$72,000 related to the site. 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, 2011 is \$1,331,625, 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, 2011

11. Commitments and contingencies (continued):

Rose Hill Regional Landfill (continued):

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. 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 remaining share of the estimated cost, totaling \$1,753,000, will be paid to the State over a 27-year period which began in 2011. In addition to these costs, the Town estimates that \$277,000 will be incurred in connection with its continuing monitoring and maintenance at Rose Hill. Accordingly, approximately \$2,030,000 has been reported as accrued claims and judgments in the 2011 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, of 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 \$1,806,955 for the year ended June 30, 2011.

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, 2011

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, 2011, the reported premiums on deposit exceeded expenditures by \$1,687,040. Incurred but not reported (IBNR) claims, estimated at \$358,610, reduced the adjusted reserve to \$1,328,430.

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, 2011. 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, 2011

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, 2011	Year ended June 30, 2010
Beginning cumulative surplus	\$ 1,883,194	\$ 2,089,418
Premium deposits	5,710,917	5,600,400
Incurred claims (excluding IBNR)	(5,127,695)	(4,833,713)
Surplus reimbursement	(600,000)	(802,550)
Administrative fees	(179,376)	(170,361)
Ending cash deposit balance	1,687,040	1,883,194
Estimated IBNR	(358,610)	(307,781)
Net adjusted reserve	<u>\$ 1,328,430</u>	<u>\$ 1,575,413</u>

The WBCH agreement provides for an annual independent audit of its financial statements. For the year ended June 30, 2011, WBCH generated \$119,252,628 in operating revenues and net revenue of \$3,162,063. WBCH had \$28,938,757 in total assets and \$17,719,818 in total equity as of June 30, 2011.

WBCH retains certain levels of insurance risk and acquires reinsurance for specific losses in excess of \$450,000. As of June 30, 2011, 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

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance
Revenue:				
General property taxes:				
Taxes current year	\$ 43,007,334	\$ 43,007,334	\$ 43,769,202	\$ 761,868
Taxes prior year	725,000	725,000	568,479	(156,521)
Total general property taxes	43,732,334	43,732,334	44,337,681	605,347
Investment and interest income:				
Interest on delinquent payments	200,000	200,000	242,018	42,018
Interest on investments	200,000	200,000	28,854	(171,146)
Total investment and interest income	400,000	400,000	270,872	(129,128)
Intergovernmental:				
Motor vehicle tax reimbursement	-	-	93,753	93,753
State beach parking fees	200,000	200,000	258,588	58,588
State telephone tax	159,103	159,103	178,600	19,497
Meal and beverage tax	473,967	473,967	455,393	(18,574)
Hotel tax	70,000	70,000	76,780	6,780
Federal in lieu of taxes	-	-	58,775	58,775
State shared recycling revenue	-	-	5,822	5,822
RIHEBC housing aid	486,678	486,678	487,004	326
Storm damage reimbursement	-	-	51,251	51,251
Police grants – overtime reimbursement	-	-	20,900	20,900
Total intergovernmental	1,389,748	1,389,748	1,686,866	297,118
Licenses and permits:				
Building permits	323,900	323,900	249,172	(74,728)
Mooring fees	76,432	76,432	58,843	(17,589)
Variance and exception fees	18,450	18,450	8,909	(9,541)
Fire alarm inspection fees	5,125	5,125	6,792	1,667
Road permit fees	1,025	1,025	1,050	25
VIN inspections	4,100	4,100	1,391	(2,709)
Mooring sanitation permits	4,100	4,100	-	(4,100)
Total licenses and permits	433,132	433,132	326,157	(106,975)
Fines and forfeitures:				
Police fees and fines	10,300	10,300	10,478	178
Municipal court	309,000	309,000	333,500	24,500
Total fines and forfeitures	319,300	319,300	343,978	24,678

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance
Revenue (continued):				
Interfund:				
Beach in lieu of taxes	\$ 187,118	\$ 187,118	\$ 159,956	\$ (27,162)
Housing in lieu of taxes	10,000	10,000	1,310	(8,690)
Water in lieu of taxes	28,461	28,461	28,461	-
Sewer in lieu of taxes	128,354	128,354	128,354	-
Water administrative fees	135,038	135,038	135,038	-
Sewer administrative fees	415,592	415,592	415,592	-
Beach administrative fees	129,458	129,458	105,537	(23,921)
Transfer from pension fund	15,000	15,000	-	(15,000)
Total interfund	<u>1,049,021</u>	<u>1,049,021</u>	<u>974,248</u>	<u>(74,773)</u>
Miscellaneous:				
Town clerk general receipts	733,272	733,272	602,528	(130,744)
Town clerk alcoholic beverages	34,440	34,440	34,353	(87)
Police detail revenue	95,889	95,889	248,398	152,509
Miscellaneous receipts	41,000	41,000	93,139	52,139
Emergency medical services	307,500	307,500	331,364	23,864
Miscellaneous fire department	6,150	6,150	4,058	(2,092)
Miscellaneous police department	5,125	5,125	7,758	2,633
Fire marshall's plan review	55,350	55,350	14,250	(41,100)
Finger print requests	-	-	1,120	1,120
Renter's registration fee	152,008	152,008	136,105	(15,903)
WB health surplus withdrawal	400,000	400,000	400,000	-
Rent from cellular towers on water tanks	250,000	250,000	215,657	(34,343)
Total miscellaneous	<u>2,080,734</u>	<u>2,080,734</u>	<u>2,088,730</u>	<u>7,996</u>
Recreation receipts:				
Community center rental	2,563	2,563	8,793	6,230
Parks and recreation receipts	51,250	51,250	9,158	(42,092)
Basketball league	44,075	44,075	38,278	(5,797)
Workshops	20,500	20,500	14,135	(6,365)
Soccer	2,050	2,050	1,330	(720)
The Camp	76,875	76,875	47,010	(29,865)
Total recreation receipts	<u>197,313</u>	<u>197,313</u>	<u>118,704</u>	<u>(78,609)</u>
Other financing sources:				
Gain on sale of capital assets	20,500	20,500	18,500	(2,000)
Bond proceeds	-	-	141,807	141,807
Total other financing sources	<u>20,500</u>	<u>20,500</u>	<u>160,307</u>	<u>139,807</u>
Total revenue and other financing sources	<u>49,622,082</u>	<u>49,622,082</u>	<u>50,307,543</u>	<u>685,461</u>

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance
Expenditures:				
General government:				
Town manager	\$ 445,439	\$ 456,160	\$ 433,830	\$ 22,330
Town council	47,794	79,794	71,378	8,416
Town clerk	304,444	304,444	274,732	29,712
Town solicitor	96,605	96,605	94,072	2,533
Information resource center	369,893	378,643	352,376	26,267
Board of canvassers	115,946	115,946	95,977	19,969
Zoning board	14,210	14,210	9,876	4,334
Historic district	3,525	3,525	333	3,192
Conservation commission	1,150	1,150	354	796
Tree Board	1,135	1,135	29	1,106
Municipal Court	124,137	156,137	152,501	3,636
Planning Board	8,400	8,400	3,407	4,993
Pension Board	16,700	16,700	13,507	3,193
Special appropriations	258,000	247,279	227,596	19,683
Total general government	1,807,378	1,880,128	1,729,968	150,160
Financial administration:				
Financial and records administration	284,870	284,870	295,158	(10,288)
Accounting	354,558	354,558	371,577	(17,019)
Tax assessor	249,661	493,661	240,013	253,648
Treasury and tax collections	244,518	257,518	248,878	8,640
Total financial administration	1,133,607	1,390,607	1,155,626	234,981
Public safety:				
Public safety	866,145	866,145	832,913	33,232
Police administration	5,283,865	5,311,865	5,415,185	(103,320)
Fire administration	4,414,970	4,707,970	4,813,031	(105,061)
Emergency management	3,490	3,490	2,362	1,128
Harbor police	49,796	52,196	37,497	14,699
Animal control	162,861	162,861	137,204	25,657
Total public safety	10,781,127	11,104,527	11,238,192	(133,665)
Public works:				
Facilities maintenance	202,896	207,096	198,087	9,009
Highway	1,745,503	1,781,503	1,692,243	89,260
Public works	313,748	313,748	312,336	1,412
Total public works	2,262,147	2,302,347	2,202,666	99,681

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance
Expenditures (continued):				
Parks and recreation:				
Administration	\$ 141,789	\$ 141,789	\$ 140,277	\$ 1,512
Maintenance	591,242	591,242	624,951	(33,709)
Programs	535,612	535,612	465,771	69,841
Total parks and recreation	<u>1,268,643</u>	<u>1,268,643</u>	<u>1,230,999</u>	<u>37,644</u>
Planning, engineering and inspection:				
Community development	356,372	356,372	386,644	(30,272)
Building inspection	395,338	395,338	361,879	33,459
Engineering	230,684	230,684	234,569	(3,885)
Total planning, engineering and inspection	<u>982,394</u>	<u>982,394</u>	<u>983,092</u>	<u>(698)</u>
Other:				
Contingency	1,000,000	124,650	-	124,650
Retirement sinking fund	380,000	562,000	-	562,000
WB Community Health	-	-	-	-
Retiree benefits	1,322,565	1,322,565	1,322,565	-
Total other	<u>2,702,565</u>	<u>2,009,215</u>	<u>1,322,565</u>	<u>686,650</u>
Total expenditures	<u>20,937,861</u>	<u>20,937,861</u>	<u>19,863,108</u>	<u>1,074,753</u>
Excess of revenue and other financing sources over expenditures	<u>28,684,221</u>	<u>28,684,221</u>	<u>30,444,435</u>	<u>1,760,214</u>
Transfers to other funds:				
School Unrestricted Fund	24,277,345	24,277,345	24,277,345	-
Capital Project Funds – Town	1,003,978	1,003,978	1,003,978	-
Library Fund (CIP)	50,000	50,000	50,000	-
Internal Service Fund (CIP)	20,000	20,000	20,000	-
Debt Service Funds	2,555,329	2,555,329	2,539,063	16,266
Land Trust	140,000	140,000	140,000	-
Library	546,569	546,569	546,569	-
Kinney Bungalow	66,000	66,000	66,000	-
Sunset Farms	25,000	25,000	25,000	-
Total transfers	<u>28,684,221</u>	<u>28,684,221</u>	<u>28,667,955</u>	<u>16,266</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	1,776,480	<u>\$ 1,776,480</u>
Adjustments of budgetary basis to U.S. GAAP basis			<u>(13,440)</u>	
Net change in fund balance, U.S. GAAP basis			1,763,040	
Fund balance, beginning of year			<u>4,479,700</u>	
Fund balance, end of year			<u>\$ 6,242,740</u>	

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Revised Budget	Actual	Variance
Revenues:				
State aid	\$ 940,105	\$ 940,105	\$ 942,335	\$ 2,230
Charges for services	291,000	291,000	452,709	161,709
Other revenue	165,101	165,101	458,430	293,329
Total revenues	<u>1,396,206</u>	<u>1,396,206</u>	<u>1,853,474</u>	<u>457,268</u>
Expenditures:				
Instruction	13,430,093	13,701,734	13,497,690	204,044
Instructional support	4,509,132	4,440,540	4,252,303	188,237
Operations	4,429,929	4,402,839	4,057,674	345,165
Other Commitments – Non-Operating	1,884,593	1,730,975	1,535,828	195,147
Leadership	2,070,804	2,048,463	1,741,128	307,335
Total expenditures	<u>26,324,551</u>	<u>26,324,551</u>	<u>25,084,623</u>	<u>1,239,928</u>
Excess of expenditures over revenues before other financing sources (uses)	<u>(24,928,345)</u>	<u>(24,928,345)</u>	<u>(23,231,149)</u>	<u>1,697,196</u>
Other financing sources (uses):				
Operating transfer from General Fund	24,277,345	24,277,345	24,277,345	-
Operating transfer to other funds	(42,000)	(42,000)	(334,122)	(292,122)
Appropriated unreserved fund balance	693,000	693,000	-	(693,000)
Total other financing sources (uses)	<u>24,928,345</u>	<u>24,928,345</u>	<u>23,943,223</u>	<u>(985,122)</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	712,074	<u>\$ 712,074</u>
Adjustments of budgetary basis to U.S. GAAP basis, Other postemployment benefits			<u>100,000</u>	
Net change in fund balance, U.S. GAAP basis			812,074	
Fund balance, beginning of year			<u>4,119,536</u>	
Fund balance, end of year			<u>\$ 4,931,610</u>	

TOWN OF NARRAGANSETT, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAAL)	Funded Ratio	Covered Payroll	UAAAL as % of Covered Payroll
<i>Police Pension Plan (Police Plan)</i>						
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
July 1, 2011	N/A	N/A	N/A	N/A	-	N/A
<i>Town of Narragansett Pension Plan (Town Plan)</i>						
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%
July 1, 2011	N/A	N/A	N/A	N/A	12,199,384	N/A
<i>Town of Narragansett Other Postemployment Benefits (OPEB) Plan</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%
July 1, 2011	N/A	N/A	N/A	N/A	21,888,297	N/A

(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, 2011

Police Plan

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 76,814	169%
2010	76,825	156%
2009	77,093	0%
2008	80,157	269%
2007	80,150	0%
2006	71,561	98%

Town Plan

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 2,422,132	79.9%
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%

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, 2011

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:

	Police Pension Plan	Town Pension Plan	OPEB
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 -	Retirees
	Retirees	6	259
	Beneficiaries	6	15
			Retirees and beneficiaries
			167
		12	441

TOWN OF NARRAGANSETT, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

YEAR ENDED JUNE 30, 2011

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 2011.

Adjustments from the budgetary basis to the U.S. GAAP basis of accounting are as follows:

	General Fund	School Department
Transfer eliminated – budgetary basis to GASB 54	\$ (660,018)	
Expenses increased – budgetary basis to GASB 54	682,124	
Change in WB Community Health reserves and related liability	(477,552)	
Other postemployment benefits appropriated	442,006	\$ 100,000
	<u>\$ (13,440)</u>	<u>\$ 100,000</u>

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, 2011

Property taxes receivable:

Tax Roll Year	Balance, June 30, 2010	Current Year Assessment	Adjustments/abatements	Amount to be collected	Collections	Balance, June 30, 2011
2010		\$43,979,133	\$ 74,789	\$ 44,053,922	\$ 43,613,626	\$ 440,296
2009	\$ 833,076		(9,632)	823,444	663,864	159,580
2008	232,898		(11,077)	221,821	107,803	114,018
2007	20,317		22,181	42,498	-	42,498
2006	28,473		(62)	28,411	1,100	27,311
2005	30,548		(100)	30,448	956	29,492
2004	29,730		(68)	29,662	1,938	27,724
2003	30,477		-	30,477	6,947	23,530
2002	31,872		-	31,872	1,448	30,424
2001	42,762		-	42,762	4,926	37,836
2000	24,604		(13,502)	11,102	5,156	5,946
1999	4,875		-	4,875	45	4,830
1998	5,829		-	5,829	45	5,784
Total	\$ 1,315,461	\$ 43,979,133	\$ 62,529	\$ 45,357,123	\$ 44,407,854	949,269
					Less allowance for doubtful accounts	300,000
						\$ 649,269

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

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 4,660,076,700	\$ 42,157,132
Motor vehicles	148,770,654	1,259,999
Tangible personal	42,287,506	562,002
Total	4,851,134,860	43,979,133
Exemptions	106,420,088	
Current year assessment	<u>\$ 4,744,714,772</u>	<u>\$ 43,979,133</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 44,407,854
Revenue collected within 60 days subsequent to year ended June 30, 2011	341,709
	44,749,563
Prior year revenue received in current year	(337,720)
Current year real estate and personal property tax revenue	<u>\$ 44,411,843</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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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.

Land Trust Fund

Established to account for funds set aside for land acquisitions.

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.

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.

COMBINING FUND FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

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

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for capital outlay.

PERMANENT FUNDS

Permanent funds are used to account for and 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, 2011

	Town Special Revenue Funds	Capital Projects Funds	Food Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 29,962		\$ 18,280	\$ -	\$ 48,242
Accounts receivable:					
Federal and state government			11,263		11,263
Other	320,829				320,829
Due from other funds	1,762,407	\$ 3,424,751	986		5,188,144
Total assets	<u>\$ 2,113,198</u>	<u>\$ 3,424,751</u>	<u>\$ 30,529</u>	<u>\$ -</u>	<u>\$ 5,568,478</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 72,119	\$ 167,430	\$ 25,586	\$ -	\$ 265,135
Due to other funds	864,588	112,249			976,837
Deferred revenue	320,829		4,943		325,772
Total liabilities	<u>1,257,536</u>	<u>279,679</u>	<u>30,529</u>	<u>-</u>	<u>1,567,744</u>
Fund balances:					
Restricted	90,340		-	-	90,340
Assigned	1,722,327	3,145,072			4,867,399
Unassigned	(957,005)				(957,005)
Total fund balances	<u>855,662</u>	<u>3,145,072</u>	<u>-</u>	<u>-</u>	<u>4,000,734</u>
Total liabilities and fund balances	<u>\$ 2,113,198</u>	<u>\$ 3,424,751</u>	<u>\$ 30,529</u>	<u>\$ -</u>	<u>\$ 5,568,478</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, 2011

	Town Special Revenue Funds	Capital Projects Funds	Food Service Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:					
Charges for services	\$ 509,205		\$ 229,198		\$ 738,403
Operating grants and contributions	482,320	\$ 104,938	117,606		704,864
Capital grants and contributions	1,024,353	121,866			1,146,219
Investment and interest income	36,991				36,991
Other	65,288				65,288
Total revenues	2,118,157	226,804	346,804	-	2,691,765
Expenditures:					
Current:					
General government		30,237			30,237
Public safety	105,496	111,668			217,164
Public works	227,011	300,535			527,546
Social services	177,829	-			177,829
Parks and recreation	185,091	3,900			188,991
Planning, engineering and inspection	214,456	791,886			1,006,342
Library	649,384				649,384
Food service			380,926		380,926
Education		292,302			292,302
Debt service:					
Principal				\$ 1,526,266	1,526,266
Interest				1,012,797	1,012,797
Capital outlay	973,008	-			973,008
Total expenditures	2,532,275	1,530,528	380,926	2,539,063	6,982,792
Excess of expenditures over revenues	(414,118)	(1,303,724)	(34,122)	(2,539,063)	(4,291,027)
Other financing sources (uses):					
Note payable proceeds		568,000			568,000
Operating transfers from other funds	752,569	663,960	34,122	2,539,063	3,989,714
Operating transfers to other funds	(25,000)				(25,000)
Total other financing sources (uses)	727,569	1,231,960	34,122	2,539,063	4,532,714
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	313,451	(71,764)	-	-	241,687
Fund balances, beginning of year	542,211	3,216,836	-	-	3,759,047
Fund balances, end of year	\$ 855,662	\$ 3,145,072	\$ -	\$ -	\$ 4,000,734

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, 2011

	Grants Fund	Community Development Fund	Library Fund	Land Trust Fund	Forfeited Funds	Parks and Recreation Fund	Towers Committee Fund	Kinney Bungalow Fund	Galilee Landing Fees Fund	Historical Preservation Fund	Claims Fund	Total Town Special Revenue Funds
ASSETS												
Cash and cash equivalents		\$ 29,862					\$ 100					\$ 29,962
Accounts receivable, other		\$ 320,829										320,829
Due from other funds			234,638	366,079	24,138	91,245	61,690	135,795	534,237	209,609	104,976	1,762,407
Total assets	\$ -	\$ 320,829	\$ 264,500	\$ 366,079	\$ 24,138	\$ 91,245	\$ 61,790	\$ 135,795	\$ 534,237	\$ 209,609	\$ 104,976	\$ 2,113,198
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued expenses	\$ 2,077											
Due to other funds	954,928	(90,340)										864,588
Deferred revenue		\$ 320,829										320,829
Total liabilities	957,005	230,489		1,169			31,274	11,931	11,522	2,020	265	1,257,536
Fund balances:												
Restricted		90,340										90,340
Assigned			252,639	364,910	24,138	91,245	30,516	123,864	522,715	207,589	104,711	1,722,327
Unassigned	(957,005)											(957,005)
Total fund balances	(957,005)	90,340	252,639	364,910	24,138	91,245	30,516	123,864	522,715	207,589	104,711	855,662
Total liabilities and fund balances	\$ -	\$ 320,829	\$ 264,500	\$ 366,079	\$ 24,138	\$ 91,245	\$ 61,790	\$ 135,795	\$ 534,237	\$ 209,609	\$ 104,976	\$ 2,113,198

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
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS - TOWN

YEAR ENDED JUNE 30, 2011

	Grants Fund	Community Development Fund	Library Fund	Land Trust Fund	Forfeited Funds	Parks and Recreation Fund	Towers Committee Fund	Kimney Bungalow Fund	Galilee Landing Fees Fund	Historical Preservation Fund	Claims Fund	Total Town Special Revenue Funds
Revenues:												
Charges for services			\$ 8,412				\$ 287,227	\$ 129,576	\$ 83,990	\$ 29,832		\$ 509,205
Operating grants and contributions	\$ 318,644		119,489	\$ 2,740		\$ 11,615						482,320
Capital grants and contributions	1,024,353		9,207	3,711	\$ (46)	1,471	(288)	56	8,638	3,357	\$ 2,352	1,024,353
Investment and interest income		\$ 8,533			26,908							36,991
Other		38,138									242	65,288
Total revenues	1,342,997	46,671	137,108	6,451	26,862	13,086	286,939	129,632	92,628	33,189	2,594	2,118,157
Expenditures:												
Current:												
Public safety	69,125										36,371	105,496
Public works	227,011											227,011
Social services	177,829											177,829
Parks and recreation						8,404		75,074	78,414	23,199		185,091
Planning, engineering and inspection							214,456					214,456
Library			649,384									649,384
Capital outlay	973,008											973,008
Total expenditures	1,446,973		649,384			8,404	214,456	75,074	78,414	23,199	36,371	2,532,275
Excess (deficiency) of revenues over expenditures	(103,976)	46,671	(512,276)	6,451	26,862	4,682	72,483	54,558	14,214	9,990	(33,777)	(414,118)
Other financing sources (uses):												
Operating transfers from other funds			546,569	140,000			(25,000)	66,000				752,569
Operating transfers to other funds												(25,000)
Total other financing sources (uses)			546,569	140,000			(25,000)	66,000				727,569
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(103,976)	46,671	34,293	146,451	26,862	4,682	47,483	120,558	14,214	9,990	(33,777)	313,451
Fund balances, beginning of year	(853,029)	43,669	218,346	218,459	(2,724)	86,563	(16,967)	3,306	508,501	197,599	138,488	542,211
Fund balances, end of year	\$ (957,005)	\$ 90,340	\$ 252,639	\$ 364,910	\$ 24,138	\$ 91,245	\$ 30,516	\$ 123,864	\$ 522,715	\$ 207,589	\$ 104,711	\$ 855,662

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS - SCHOOL DEPARTMENT
 JUNE 30, 2011

ASSETS		Title I	Title I - ARRA	Title II	IDEA Part B	IDEA Part B - ARRA	PL 94-142 IDEA Preschool	IDEA Preschool - ARRA	Early Childhood - State Invest Fund	Literacy Set - Aside - State Invest Fund	Student Equity - State Invest Fund
Cash and cash equivalents	\$ 125								\$ -	\$ -	\$ -
Accounts receivable:											
Federal and state government	28,954	\$ 74,129	\$ 21,014	\$ 15,648	\$ 122,308	\$ 101,062	\$ 525	\$ 276			
Other	14,211										
Prepaid expenses	1,568,964										
Due from other funds, other postemployment benefits	522,788										
Due from other funds, all other	2,930,642										
Total assets	\$ 5,065,684	\$ 74,129	\$ 21,014	\$ 15,648	\$ 122,308	\$ 101,062	\$ 525	\$ 276	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable and accrued expenses	\$ 334,074										
Due to other funds	(200,000)	\$ 74,129	\$ 21,014	\$ 15,648	\$ 122,308	\$ 101,062	\$ 525	\$ 276	\$ (10,005)	\$ (1,147)	\$ (121,310)
Total liabilities	134,074	74,129	21,014	15,648	122,308	101,062	525	276	(10,005)	(1,147)	(121,310)
Fund Balances:											
Restricted	722,788										
Assigned:	4,208,822										
Other											
Total fund balances	4,931,610										
Total liabilities and fund balances	\$ 5,065,684	\$ 74,129	\$ 21,014	\$ 15,648	\$ 122,308	\$ 101,062	\$ 525	\$ 276	\$ -	\$ -	\$ -

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET

SPECIAL REVENUE FUNDS - SCHOOL DEPARTMENT
JUNE 30, 2011

	Language Assist - State Invest Fund	Technology - State Invest Fund	Casit, Inc. - AP Italian Program	Friends of Hockey	Achieve Algebra I & II Tests	Federal Stabilization Funds	School Support Implementation Plan	Athletic Gate Receipts	Title III - Language Acquisition - Allocation	Race to the Top - Standards & Curriculum	Tolerance Program	Total School Special Revenue Funds
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125
Accounts receivable:												
Federal and state government				\$ 10,968		\$ 51,922				\$ 740		416,578
Other												25,179
Prepaid expenses												1,568,964
Due from other funds, other postemployment benefits												522,788
Due from other funds, all other												2,930,642
Total assets	\$ -	\$ -	\$ -	\$ 10,968	\$ -	\$ 51,922	\$ -	\$ -	\$ -	\$ 740	\$ -	\$ 5,464,276
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued expenses												
Due to other funds	\$ -	\$ (43)	\$ (1,169)	\$ 10,968	\$ -	\$ 51,922	\$ -	\$ (13,352)	\$ -	\$ 740	\$ (3,563)	334,074
Total liabilities	\$ -	\$ (43)	\$ (1,169)	\$ 10,968	\$ -	\$ 51,922	\$ -	\$ (13,352)	\$ -	\$ 740	\$ (3,563)	382,077
Fund Balances:												
Restricted												
Assigned:												
Other postemployment benefits		43	1,169					13,352			3,563	150,589
Other												722,788
Total fund balances	\$ -	\$ 43	\$ 1,169	\$ -	\$ -	\$ -	\$ -	\$ 13,352	\$ -	\$ -	\$ 3,563	4,208,822
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 10,968	\$ -	\$ 51,922	\$ -	\$ -	\$ -	\$ 740	\$ -	\$ 5,464,276

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2011

	School Unrestricted	Title I	Title I - ARRA	Title II	IDEA Part B	IDEA Part B - ARRA	PL 94-142 IDEA Preschool	IDEA Preschool - ARRA	Early Childhood - State Invest Fund	Literacy Set - Aside - State Invest Fund	Student Equity - State Invest Fund
Revenues:											
State aide, unrestricted	\$ 942,335										
Charges for services	680,570	\$ 210,630	\$ 53,049	\$ 67,053	\$ 386,641	\$ 253,131	\$ 9,552	\$ 276	\$ 77,097	\$ 11,770	\$ 303,467
Operating grants and contributions											
Capital grants and contributions											
State contribution to the teachers' pension	933,945										
Total revenues	2,556,850	210,630	53,049	67,053	386,641	253,131	9,552	276	77,097	11,770	303,467
Expenditures:											
Current:											
Education	25,787,999	210,630	53,049	67,053	386,641	253,131	9,552	276	67,271	10,650	307,586
Capital outlay											
Total expenditures	25,787,999	210,630	53,049	67,053	386,641	253,131	9,552	276	67,271	10,650	307,586
Excess (deficiency) of revenues over expenditures	(23,231,149)	-	-	-	-	-	-	-	9,826	1,120	(4,119)
Other financing sources:											
Operating transfers from other funds	24,377,345										
Operating transfers to other funds	(334,122)										
Total other financing sources	24,043,223										
Excess (deficiency) of revenues and other financing sources over expenditures	812,074	-	-	-	-	-	-	-	9,826	1,120	(4,119)
Fund balances, beginning of year	4,119,536								179	27	125,429
Fund balances, end of year	\$ 4,931,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,005	\$ 1,147	\$ 121,310

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS - SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2011

	Language Assist - State Invest Fund	Technology - State Invest Fund	Casit, Inc. - AP Italian Program	Friends of Hockey	Achieve Algebra I & II Tests	Federal Stabilization Funds	Athletic Gate Receipts	Title III - Language Acquisition - Allocation	Race to the Top - Standards & Curriculum	Tolerance Program	Total School Special Revenue Funds
Revenues:											
State aide, unrestricted	\$ 4,781	\$ 38,057	\$ 1,000	\$ 10,698	\$ 1,580	\$ 184,438	\$ 8,013	\$ 118	\$ 740	\$ 4,841	\$ 942,335
Charges for services											688,583
Operating grants and contributions											1,580,862
Capital grants and contributions											38,057
State contribution to the teachers' pension											933,945
Total revenues	4,781	38,057	1,000	10,698	1,580	184,438	8,013	118	740	4,841	4,183,782
Expenditures:											
Current:											
Education	5,940		1,673	10,698	1,580	184,438	6,617	118	740	1,278	27,366,920
Capital outlay		38,057									38,057
Total expenditures	5,940	38,057	1,673	10,698	1,580	184,438	6,617	118	740	1,278	27,404,977
Excess (deficiency) of revenues over expenditures	(1,159)	-	(673)	-	-	-	1,396	-	-	3,563	(23,221,195)
Other financing sources:											
Operating transfers from other funds	-	-	-	-	-	-	-	-	-	-	24,377,345
Operating transfers to other funds											(334,122)
Total other financing sources	-	-	-	-	-	-	-	-	-	-	24,043,223
Excess (deficiency) of revenues and other financing sources over expenditures	(1,159)	-	(673)	-	-	-	1,396	-	-	3,563	822,028
Fund balances, beginning of year	1,159	43	1,842	-	-	-	11,956	-	-	-	4,260,171
Fund balances, end of year	\$ -	\$ 43	\$ 1,169	\$ -	\$ -	\$ -	\$ 13,352	\$ -	\$ -	\$ 3,563	\$ 5,082,199

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

JUNE 30, 2011

	<u>Town Capital Project Funds</u>	<u>School Renovation Funds</u>	<u>School Capital Project Funds</u>	<u>Total Capital Projects Funds</u>
ASSETS				
Due from other funds	\$ 2,695,738	\$ -	\$ 729,013	\$ 3,424,751
Total assets	<u>\$ 2,695,738</u>	<u>\$ -</u>	<u>\$ 729,013</u>	<u>\$ 3,424,751</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 167,430		\$ -	\$ 167,430
Due to other funds		\$ 112,249		112,249
Total liabilities	<u>167,430</u>	<u>112,249</u>	<u>-</u>	<u>279,679</u>
Fund balances, assigned	<u>2,528,308</u>	<u>(112,249)</u>	<u>729,013</u>	<u>3,145,072</u>
Total fund balances	<u>2,528,308</u>	<u>(112,249)</u>	<u>729,013</u>	<u>3,145,072</u>
Total liabilities and fund balances	<u>\$ 2,695,738</u>	<u>\$ -</u>	<u>\$ 729,013</u>	<u>\$ 3,424,751</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, 2011

	Town Capital Project Funds	School Renovation Funds	School Capital Project Funds	Total Capital Projects Funds
Revenues:				
Operating grants and contributions	\$ 104,938			\$ 104,938
Investment and interest income		\$ -		-
Capital grants and contributions			\$ 121,866	121,866
Total revenues	<u>104,938</u>	<u>-</u>	<u>121,866</u>	<u>226,804</u>
Expenditures:				
Current:				
General government	30,237	-		30,237
Public safety	111,668			111,668
Public works	300,535			300,535
Parks and recreation	3,900			3,900
Planning, engineering and inspection	791,886			791,886
Education			292,302	292,302
Total expenditures	<u>1,238,226</u>	<u>-</u>	<u>292,302</u>	<u>1,530,528</u>
Excess of expenditures over revenues	<u>(1,133,288)</u>	<u>-</u>	<u>(170,436)</u>	<u>(1,303,724)</u>
Other financing sources:				
Note payable proceeds	568,000	-		568,000
Operating transfers from other funds	463,960		200,000	663,960
Total other financing sources	<u>1,031,960</u>	<u>-</u>	<u>200,000</u>	<u>1,231,960</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(101,328)	-	29,564	(71,764)
Fund balances, beginning of year	<u>2,629,636</u>	<u>(112,249)</u>	<u>699,449</u>	<u>3,216,836</u>
Fund balances, end of year	<u>\$ 2,528,308</u>	<u>\$ (112,249)</u>	<u>\$ 729,013</u>	<u>\$ 3,145,072</u>

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

JUNE 30, 2011

	Police Plan	Town Plan	Total
ASSETS:			
Prepaid expenses	\$ 8,880	\$ 215,449	\$ 224,329
Investments, at fair value		57,059,279	57,059,279
Total assets	8,880	57,274,728	57,283,608
LIABILITIES:			
Due to General Fund	66,212	1,470,869	1,537,081
Accounts payable and accrued expenses		11,906	11,906
Total liabilities	66,212	1,482,775	1,548,987
NET ASSETS:			
Held in trust for pension benefits	\$ (57,332)	\$ 55,791,953	\$ 55,734,621

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS

YEAR ENDED JUNE 30, 2011

	Police Plan	Town Plan	Total
Additions to net assets:			
Contributions:			
Employer	\$ 130,000	\$ 1,936,385	\$ 2,066,385
Plan members		1,115,347	1,115,347
Retiree health benefits		1,322,565	1,322,565
Total contributions	130,000	4,374,297	4,504,297
Net increase in fair value of investments		7,517,909	7,517,909
Investment earnings, interest and dividends		1,410,671	1,410,671
Total additions	130,000	13,302,877	13,432,877
Deductions from net assets:			
Benefits	102,253	3,244,090	3,346,343
Retiree health benefits		1,148,539	1,148,539
Administrative and other expenses		276,959	276,959
Refund of contributions		49,200	49,200
Miscellaneous		22,618	22,618
Total deductions	102,253	4,741,406	4,843,659
Change in net assets	27,747	8,561,471	8,589,218
Net assets, beginning of year	(85,079)	47,230,482	47,145,403
Net assets, end of year	\$ (57,332)	\$ 55,791,953	\$ 55,734,621

**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.

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, 2011

	Barton 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	\$ 8,679	\$ 5,968	\$ -	\$ 603	\$ 6,625	\$ 3,599	\$ 2,672	\$ 78,956	\$ 15,250
Due from General Fund									91,852
Total assets	<u>\$ 8,679</u>	<u>\$ 5,968</u>	<u>\$ -</u>	<u>\$ 603</u>	<u>\$ 6,625</u>	<u>\$ 3,599</u>	<u>\$ 2,672</u>	<u>\$ 78,956</u>	<u>\$ 107,102</u>
NET ASSETS:									
Held in trust	<u>\$ 8,679</u>	<u>\$ 5,968</u>	<u>\$ -</u>	<u>\$ 603</u>	<u>\$ 6,625</u>	<u>\$ 3,599</u>	<u>\$ 2,672</u>	<u>\$ 78,956</u>	<u>\$ 107,102</u>

(continued)

SUPPLEMENTARY INFORMATION

TOWN OF NARRAGANSETT, RHODE ISLAND

COMBINING STATEMENT OF CHANGES IN NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

YEAR ENDED JUNE 30, 2011

	Barton 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	\$ 921	\$ 130							\$ 130
Net increase in fair value of investments	445	1	-	1	137	74	55	1,755	921
Investment earnings, interest and dividends	1,366	1,515	-	131	137	74	55	1,755	3,982
Total additions	1,366	1,515	-	131	137	74	55	1,755	5,033
Deductions from net assets:									
Scholarship awards	(500)	(250)	-	(300)	-	-	-	-	(1,050)
Other			(232)					(6,220)	(6,452)
Total deductions	(500)	(250)	(232)	(300)	-	-	-	(6,220)	(7,502)
Change in net assets	866	1,265	(232)	(169)	137	74	55	(4,465)	(2,469)
Net assets, beginning of year	7,813	4,703	232	772	6,488	3,525	2,617	83,421	109,571
Net assets, end of year	\$ 8,679	\$ 5,968	\$ -	\$ 603	\$ 6,625	\$ 3,599	\$ 2,672	\$ 78,956	\$ 107,102

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 SEVEN FISCAL YEARS
(UNAUDITED)

Exhibit 1

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Governmental activities:							
Invested in capital assets, net of related debt	\$ 75,633,301	\$ 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	(16,504,327)	(13,189,145)	(12,642,946)	(6,403,948)	(3,886,114)	(4,047,557)	(5,989,589)
Total governmental activities net assets	\$ 59,128,974	\$ 63,139,643	\$ 53,209,814	\$ 23,644,264	\$ 23,077,386	\$ 19,894,054	\$ 16,092,014
Business-type activities:							
Invested in capital assets, net of related debt	\$ 27,123,921	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410	\$ 22,693,334	\$ 23,942,896
Unrestricted	9,672,797	10,288,862	9,643,685	10,419,879	10,158,298	9,472,908	7,639,872
Total business-type activities net assets	\$ 36,796,718	\$ 36,814,447	\$ 36,043,635	\$ 35,330,081	\$ 33,690,708	\$ 32,166,242	\$ 31,582,768
Primary government:							
Invested in capital assets, net of related debt	\$ 102,757,222	\$ 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	(6,831,530)	(2,900,283)	(2,999,261)	4,015,931	6,272,184	5,425,351	1,650,283
Total primary government net assets	\$ 95,925,692	\$ 99,954,090	\$ 89,253,449	\$ 58,974,345	\$ 56,768,094	\$ 52,060,296	\$ 47,674,782

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Exhibit 2

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
Expenses:							
Governmental activities:							
General government	1,960,227	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633	\$ 2,941,590	\$ 2,095,847
Financial administration	1,108,193	1,109,011	868,872	951,634	1,029,179	1,035,841	1,047,539
Public safety	11,627,180	10,922,031	10,932,393	12,652,621	12,194,560	9,318,715	9,510,910
Public works and engineering	4,523,343	3,921,244	3,757,059	2,084,085	1,720,256	1,880,594	1,871,654
Social services	187,285	362,588	249,641	264,272	655,799	356,170	786,805
Parks and recreation	1,387,846	1,460,487	1,451,280	1,423,735	1,698,839	1,601,978	1,581,652
Planning, engineering and inspection	1,491,691	1,282,366	1,843,867	1,229,624	1,137,184	2,093,327	1,662,615
Library	656,175	682,173	727,401	667,178	-	-	-
Food service	380,926	361,762	357,069	343,724	363,427	419,440	419,192
Other	6,862,883	6,816,208	7,590,833	1,648,603	1,275,265	838,715	-
Education	29,487,050	28,544,163	27,651,643	27,177,622	25,829,729	24,897,064	25,304,922
Interest on long-term debt	966,891	1,047,327	1,152,315	536,422	318,649	226,897	482,638
Total governmental activities expenses	60,639,690	57,508,854	60,340,921	52,462,865	49,383,520	45,610,331	44,763,794
Business-type activities:							
Water Fund	1,682,772	1,732,292	1,722,238	1,611,942	1,420,822	1,815,665	1,425,268
Sewer Fund	4,101,213	3,659,479	3,497,571	3,009,609	2,998,432	3,070,767	3,285,810
Beach Fund	1,439,581	1,383,501	1,194,320	1,143,886	1,099,735	1,047,187	1,042,064
Total business-type activities expenses	7,223,566	6,775,272	6,414,129	5,765,437	5,518,989	5,933,619	5,753,142
Total primary government expenses	67,863,256	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	1,415,282	1,033,620	1,018,126	974,427	983,611	1,019,898	1,553,177
Financial administration	656,167	641,989	645,099	325,000	325,000	195,000	195,000
Public safety	625,609	593,592	507,740	621,966	524,600	494,861	461,177
Public works	1,050	1,100	1,625	1,075	1,250	-	17,934
Social services	-	-	31,499	31,499	-	15,632	7,746
Parks and recreation	109,911	131,421	135,667	548,215	629,984	668,716	501,016
Planning, engineering and inspection	325,717	313,100	228,230	421,343	376,977	367,820	242,445
Library	8,412	6,997	-	-	-	-	-
Food Service	229,198	215,034	234,592	264,559	295,032	303,682	329,454
Other	500,793	368,003	381,414	-	-	-	-
Education	688,583	870,270	342,412	472,852	202,797	273,618	587,178
Operating grants and contributions	4,200,924	3,945,898	2,996,995	4,718,839	3,376,402	3,316,221	4,336,928
Capital grants and contributions	1,146,219	638,539	1,190,259	3,717,528	2,059,431	2,455,066	2,142,157
Total governmental activities program revenues	9,907,865	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	1,291,766	1,371,384	1,263,442	1,305,178	1,212,254	1,275,912	1,063,350
Sewer Fund	3,900,155	3,995,311	3,935,886	3,842,147	3,818,004	3,682,157	3,590,886
Beach Fund	1,659,461	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	6,851,382	7,045,231	6,593,536	6,651,696	6,410,969	6,162,528	6,388,784
Total primary government program revenues	16,759,247	15,804,794	14,282,339	18,748,999	15,186,053	15,273,042	16,762,996
Net (Expense) Revenue:							
Governmental activities	(50,731,825)	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)	(36,499,817)	(34,389,582)
Business-type activities	(372,184)	269,959	179,407	886,259	891,980	228,909	635,642
Total primary government net expenses	(51,104,009)	(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 SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets:							
Governmental activities:							
Property taxes	\$ 44,522,795	\$ 42,585,105	\$ 41,433,378	\$ 38,699,963	\$ 37,454,608	\$ 36,424,752	\$ 34,777,052
State aid, unrestricted	1,686,866	2,466,572	2,501,803	2,828,020	3,651,506	3,297,710	2,495,003
Investment income	65,845	274,532	(172,041)	596,193	687,436	208,292	491,478
Other revenues	445,650	90,826	111,390	37,436	468,859	440,452	33,799
Gain (loss) on sale of capital				317,850	(17,663)	(69,349)	
Total governmental activities	46,721,156	45,417,035	43,876,530	42,479,462	42,244,746	40,301,857	37,797,332
Business-type activities:							
Investment income	354,455	500,853	534,147	753,114	651,007	354,565	302,370
Other revenues					(18,521)		483,318
Total business-type activities	354,455	500,853	534,147	753,114	632,486	354,565	785,688
Total primary government	47,075,611	45,917,888	44,410,677	43,232,576	42,877,232	40,656,422	38,583,020
Change in Net Assets:							
Governmental activities	(4,010,669)	(3,332,256)	(8,775,588)	2,113,900	3,183,332	3,802,040	3,407,750
Business-type activities	(17,729)	770,812	713,554	1,639,373	1,524,466	583,474	1,421,330
Total primary government	\$ (4,028,398)	\$ (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

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

Exhibit 3

	Fiscal Year						
	2011	2010	2009	2008	2007	2006	2005
General Fund:							
Nonspendable/Reserved	\$ 331,498	\$ 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
Unassigned/Undesignated	5,911,242	4,099,653	1,735,519	1,611,116	2,755,351	3,088,227	3,005,784
Total General Fund	6,242,740	4,479,700	2,172,593	2,921,597	3,824,113	4,060,216	3,749,777
All Other Governmental Funds:							
Restricted/Reserved	963,717			220,017	2,780	-	202,545
Unreserved:							
Designated for next year's budget				692,456	530,646	219,973	506,646
Unreserved, reported in:				859,171	792,456	530,646	119,973
School Department-Assigned	4,208,822						
Other Nonmajor Governmental Funds	3,910,394						
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	9,082,933	8,019,218	5,752,153	3,382,911	2,838,265	2,623,384	2,847,726
Grand Total	\$ 15,325,673	\$ 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)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:										
General property taxes and payments in lieu of taxes	\$ 44,897,780	\$ 43,132,950	\$ 40,314,466	\$ 38,503,227	\$ 37,441,499	\$ 36,476,981	\$ 34,839,274	\$ 33,552,332	\$ 32,418,011	\$ 30,956,706
State aide, unrestricted	2,629,201	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
Charges for services	4,560,722	4,175,126	3,501,549	3,189,383	2,669,414	3,168,384	3,505,203	3,106,553	2,680,731	2,145,390
Operating grants and contributions	2,285,726	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	1,184,276	638,539	1,190,259	3,717,528	2,062,900	2,562,125	2,142,157	1,000		
Investment income	65,845	274,532	49,041	601,366	707,448	208,292	452,438	(197,273)	182,293	294,688
State contribution to teachers pension plan	935,945	-	117,189	508,989	468,859	440,452	422,888	377,954	267,758	1,027,093
Other revenues	465,288	980,017	117,189	508,989	468,859	440,452	422,888	377,954	267,758	1,027,093
Total revenues	57,022,783	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
Expenditures:										
Current:										
General government	1,767,415	1,278,395	1,728,193	2,005,594	1,787,904	1,898,830	1,247,670	1,111,626	1,037,897	988,466
Financial administration	1,118,473	1,054,645	957,878	950,184	1,026,003	1,032,665	981,876	924,635	1,198,570	908,117
Public safety	11,223,322	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
Public works	3,138,946	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
Social services	177,829	333,678	226,346	256,836	662,110	421,544	721,123	728,494	700,969	483,536
Parks and recreation	1,410,040	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
Planning and inspection	2,048,533	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
Library	649,384	679,346	634,152							
Municipal court	380,926	-	357,069	343,724	363,427	419,440	419,192	424,704	384,549	
Other	1,800,117	2,075,712	1,389,536	1,658,389	1,275,265	838,715	853,015	612,948	681,753	2,211,207
Education	27,659,222	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
Debt service:										
Principal	1,526,266	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
Interest	1,012,797	1,072,286	1,290,766	1,466,592	1,771,334	1,466,592	1,771,334	1,466,592	1,771,334	666,290
Capital outlay	1,011,065	146,592	9,482,535	11,771,334	11,771,334	11,771,334	11,771,334	11,771,334	11,771,334	5,299,180
Total expenditures	54,924,335	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
Excess (deficiency) of revenues over expenditures	2,098,448	2,694,087	(31,640,172)	(10,527,870)	(861,722)	86,097	192,295	(520,300)	(538,598)	(2,838,486)
Other financing sources (uses):										
Bond anticipation note, net	-	-	-	9,800,000	840,500	-	-	-	-	-
Bond proceeds	-	-	11,548,271	20,930,000	840,500	-	39,040	-	2,500,000	-
Bond premium	-	-	780,950	-	-	-	4,213,835	-	5,924,804	-
Proceeds of refunding bonds	-	-	-	-	-	-	(4,156,083)	-	(5,911,578)	-
Payment to refunding bond escrow agent	709,807	-	-	-	-	-	617,175	-	-	-
Capital lease proceeds	28,367,059	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
Transfers from other funds	(28,367,059)	(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)
Transfers to other funds	-	-	-	360,000	-	-	-	-	-	-
Sale of capital assets	18,500	27,900	-	-	-	-	-	-	-	-
Total other financing sources (uses)	728,307	27,900	33,259,221	10,160,000	840,500	713,967	4,000	4,000	2,513,226	-
Net change in fund balances	\$ 2,826,755	\$ 2,721,987	\$ 1,619,049	\$ (367,870)	\$ (21,222)	\$ 86,097	\$ 906,263	\$ (516,300)	\$ 1,974,638	\$ (2,838,486)
Debt service as a percentage of noncapital expenditures	4.7%	6.3%	33.1%	4.2%	4.1%	4.3%	4.7%	4.5%	4.9%	5.2%

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	Estimated Actual Value	Assessed Valuations	Ratio of Total Assessed Valuation to Total Estimated Actual Value
	Assessed Valuations	Estimated Actual Value	Assessed Valuations	Estimated Actual Value				
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	4,617,076,700	4,821,005,221	189,473,696	197,842,431	4,806,550,396	5,018,847,652	95.77%	
2011	4,660,076,700	4,755,180,306	191,058,160	199,018,917	4,851,134,860	4,954,199,223	97.92%	

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 6

Taxpayer	Type of Business	2011			2002		
		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
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	41,264,467	38,670,037	93.71%
2010	44,923,670	43,608,209	97.07%
2011	45,357,123	44,407,854	97.91%

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

Fiscal Year	Residential Property Rate	Commercial Property Rate	Personal Property Rate	Motor Vehicle Rate	Inventory Rate
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
2011	\$8.97	\$13.45	\$13.46	\$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

Fiscal Year	Population	Assessed Valuation	Gross Bonded Debt	Debt payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita
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	15,868	4,825,966,196	31,728,315	6,692,867	25,035,448	0.52%	\$ 1,577.73
2011	15,868	4,744,714,772	29,410,371	5,852,608	23,557,763	0.50%	\$ 1,484.61

TOWN OF NARRAGANSETT, RHODE ISLAND

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

	2011	2010	2009	2008	2007	2006
Full assessed valuation	\$ 4,825,966,196	\$ 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	144,778,986	161,943,147	160,812,618	161,036,109	97,232,418
Total net debt applicable to limit	22,699,999	22,699,999	24,159,047	14,456,620	6,142,899	7,603,909
Legal debt margin	122,078,987	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%	15.68%	14.92%	8.99%	3.81%	7.82%

Exhibit 10

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
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	1,429,810	1,290,766	2,720,576	61,209,438	4.44%
2010	2,194,667	1,072,286	3,266,953	51,831,926	6.30%
2011	1,526,266	1,012,797	2,539,063	54,924,335	4.62%

Note:

(1) Modified accrual basis of accounting

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS

JUNE 30, 2011
(UNAUDITED)

Exhibit 12

Employer	Type of Business	Number of Employees
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

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Administration	11.0	10.0	9.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0
Financial administration	16.0	16.0	15.0	12.0	14.0	14.0	14.0	14.0	14.0	14.0
Public safety:										
Police:										
Officers	41.0	42.0	42.0	41.0	41.0	41.0	39.0	39.0	39.0	39.0
Civilians	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Fire:										
Firefighter and officers	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	89.0	90.0	90.0	88.0	88.0	88.0	86.0	86.0	86.0	86.0
Public works:										
Administration & Highway	13.0	13.0	13.0	13.0	13.0	14.0	14.0	14.0	14.0	14.0
Engineering	2.7	2.7	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Parks Maintenance	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Total	21.2	21.2	21.2	21.5	21.5	22.5	22.5	22.5	22.5	22.5
Parks and recreation	3.5	3.5	3.5	3.5	3.5	3.5	8.0	8.0	8.0	8.0
Planning and Development	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Education:										
Administrative, certified	8.0	8.0	9.0	9.0	10.0	9.0	9.0	9.0	9.0	9.0
Administrative, noncertified	11.0	11.0	11.0	11.0	12.0	11.0	10.0	10.0	11.0	11.0
Classroom aides	31.0	29.0	28.0	28.0	28.0	25.0	28.0	32.0	32.0	34.0
Teachers	158.0	158.0	154.0	158.0	159.0	163.0	179.0	181.0	186.0	183.0
Bus drivers, monitors, and bus aides	22.0	24.0	27.0	27.0	26.0	26.0	26.0	27.0	26.0	26.0
Clerks	11.0	11.0	12.0	13.0	14.0	15.0	15.0	16.0	17.0	16.0
Operation and maintenance	20.0	22.0	20.0	20.0	20.0	19.0	19.0	20.0	19.0	19.0
Total	261.0	263.0	261.0	266.0	269.0	268.0	286.0	295.0	300.0	298.0
Library	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Water	5.6	5.6	5.6	5.6	4.0	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	9.8	9.8	9.8	9.8	9.0	9.0	9.0	9.0	9.0	9.0
Beach	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	430.1	432.1	429.1	431.4	432.0	432.0	452.5	461.5	466.5	464.5

MISCELLANEOUS STATISTICS
 JUNE 30, 2011
 (UNAUDITED)

Exhibit 14

Town Incorporation	1901	Municipal buildings:	
Type of Government	Council / Town Manager	Town Hall	1
Population:		Fire Stations	3
Official U.S. Census:		Police Station	1
1950	2,288	Education	
1960	3,444	High School (Grades 9 – 12)	1
1970	7,138	Middle School (Grades 5 – 8)	1
1980	12,088	Elementary (Grades k – 4)	1
1990	15,004	Wastewater pumping stations	19
2000	16,361	Wastewater treatment plant	1
2010 (State of RI Est.)	17,454	Water pumping stations	1
2010 Census	15,876	Water storage tanks	3
Area of Town	18.3 square miles	Public works garage/maintenance facility	2
Shoreline	44.2 miles	Library	1
Miles of Streets:		Parks/recreation buildings	9
Local Paved	104	Beach cabana – 84 units	1
State Paved	25	Beach clubhouse	1
Construction (FY2011):		North Beach pavilion – 282 units	1
Permits Issued	749	South Beach pavilion – 218 units	1
Total Value	\$13,622,572	Kinney Bungalow	1
		Comfort station	1
		Community center	1
		The Towers	1
Elections – November 2008:		Recreation Facilities:	
Registered voters	11,604	Public squares	3
Number of votes cast	8,366	Acres for recreation (developed)	48
Percentage voting	72%	Playgrounds	6
		Tot lots	1
Fire Protection:		Play fields and major recreation facilities	7
Fire alarm boxes	175	Undeveloped sites	2
Fire hydrants	683	Municipal tennis courts	19
Education:		Bathing beaches	1
		Diamonds:	
		Hard ball	4
		Soft ball	1
Student Enrollments:		Basketball courts:	
Pre-Kindergarten	61	Outdoor	7
Elementary (grades k – 4)	485	Indoor (schools)	3
Middle School (grades 5 – 8)	445	Soccer fields	7
High (grades 9 – 12)	498	Pool	1
Total in all schools	1,489		
Home Instruction	11		
Resident pupils sent out	51		
Total	<u>1,551</u>		