

***TOWN OF NARRAGANSETT, RHODE ISLAND***  
***Comprehensive Annual Financial Report***  
***For the Fiscal Year Ended***  
***June 30, 2012***

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Finance Director

Prepared by: Finance Department

## **INTRODUCTORY SECTION**

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THE FOLLOWING:**

- **Table of Contents**
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- **Town of Narragansett Organizational Chart**
- **List of Elected and Appointed Town Officials**

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 For the Fiscal Year Ended June 30, 2012**

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

March 28, 2013

To the Honorable Members of the Town Council, the Interim 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, 2012** 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 have been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements.

Bacon & Company, LLC certified public accountants (the Firm), has issued an unqualified (“clean”) opinion on the Town of Narragansett’s financial statements for the year ended June 30, 2012. 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 western shore of Narragansett Bay. The Town was separated from South Kingstown in 1888 and incorporated as the Town of Narragansett in 1901. Plans are underway to celebrate the Town’s 125th Anniversary in 2013.

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 in the Pier section of Town, anchored on either side by curved towers, are a powerful reminder today of a glorious past now gone. The Towers, are all that remains of the famous Casino that burned in a fire in 1900, and 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 earlier stated, 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 official 2010 Census. The actual population served is much higher as the 2500 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. And this does not take into account the number of visitors at the State beaches and those who depart and return from Block Island on the ferries.

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 harvesting 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 governing fishing.

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.

Then in the 1930s, the State dredged an anchorage basin just inside the breachway and built wharves to provide the Village of Galilee with a harbor for large, ocean-going fishing vessels. Many of these diesel-powered trawlers are capable of traveling hundreds of miles 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 12<sup>th</sup> grade. The school system includes three schools: Narragansett Elementary School (Pre-K - 4), Narragansett Middle School (5 - 8) and Narragansett High School (9 - 12). Of total revenues for FY 2012, 92.34% (or \$24,277,345) of the School Department budget is funded locally, 5.42% (or \$1,423,886) is funded by the State, 1.13% (or \$298,311) is funded by the federal government while 1.11% or (\$292,366) is funded from other local sources. The following chart shows student enrollment for the past several years, as well as the projected enrollment for the next two years:

<b>FISCAL YEAR ENDING JUNE 30,</b>	<b>ENROLLMENT</b>
2002	1,761
2003	1,758
2004	1,685
2005	1,680
2006	1,600
2007	1,543
2008	1,485
2009	1,462
2010	1,469
2011	1,481
2012	1,466
Projected	
2013	1,453
2014	1,418



The Town provides the following major public services:

*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 6,450 accounts and 7,755 units.

Previous year information was as follows:

<b>CLASS</b>	<b>TYPE</b>	<b>NUMBER OF ACCOUNTS</b>	<b>NUMBER OF UNITS</b>
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 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 5,220 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 2012 and extending into 2013 were the re-painting of 2 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 \$2,124,008 for the fiscal year ended June 30, 2012 and budgeted \$2,473,649 for the fiscal year ending June 30, 2013.

### *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 \$6,301,657 for the fiscal year ended June 30, 2012 and budgeted \$6,628,124 for the fiscal year ending June 30, 2013.

The Narragansett Fire Department has three fire stations staffed by 35 full-time firefighters and a secretary. The Fire Department expended \$4,310,010 for the fiscal year ended June 30, 2012 and budgeted \$4,338,907 for the fiscal year ending June 30, 2013.

The Dispatching Function provides dispatch services for both Fire and Police Operations. This 9 person unit expended \$781,028 for the fiscal year ended June 30, 2012 and is budgeted to spend \$817,038 for the fiscal year ending June 30, 2013.

### *Emergency Notifications:*

The Town of Narragansett has contracted with the services of *Everbridge* for a communications system that allows the Town to contact every homeowner and business with important news and information relating to hurricanes, storms or other emergencies in a timely manner. *Everbridge* provides industry-leading interactive communication and mass notification solutions to organizations in all many major industries and government sectors.

### *Wide Area Network (WAN):*

The Town has a fully integrated wide area network utilizing fiber optic cable. The network connects all Town buildings allowing for resource sharing and the timely exchange of information. The network is entirely owned by the Town so there are no recurring charges for leased lines.

### *Emergency Communications:*

The Town's communication system utilizes cutting edge technology providing a robust and effective system. The Town has invested in an 800 MHz radio spectrum with the State of Rhode Island that allows for communications not only between departments but also with other communities and state agencies. The system has proven to be invaluable during State and Town wide emergencies, such as the recent hurricanes. The Town is also contracted with *Sprint, Inc.* for direct (*Nextel*) services, providing a secondary communications system and for non-public safety communications during normal operations.

### *Employee Relations:*

The Town currently employs 186 full-time equivalent employees, exclusive of those employed by the School Department. The School Department employs 162.9 professional employees and 93 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:

<b>BARGAINING GROUP</b>	<b>TERM &amp; EXPIRATION</b>
Fire Department	4 year contract expires June 30, 2013
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, 2015
School Non-Certified	3 year contract expires June 30, 2014

*Local Economy:*

Once again, the fiscal year faced a continuation of an economic downturn of epic proportions. The downturn was playing havoc on governmental operations. During the economic downturn, funding support from the State diminished as the State, facing its own looming and increasing budget shortfalls began to withhold revenue from the State’s municipalities. Narragansett has been fortunate for to date, the recession has not had an impact on property tax collections. The collection rate for current taxes has remained over 98% except for FY 2008-09 where a change in procedures caused collections to drip below 95%.

Narragansett has continued to weather the economic storm somewhat better than many of the other 38 Rhode Island cities and towns. The Town has not had to terminate any employees, still provides a strong level of 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:

<b>NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM</b>	<b>EMPLOYER</b>
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*

	<b>NUMBER OF UNITS</b>	<b>AVERAGE EMPLOYMENT</b>	<b>TOTAL WAGES</b>
Total Private & Government	476	3591	\$ 32,109,203
Total Private Only	457	2575	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*

	<b>NUMBER OF UNITS</b>	<b>AVERAGE EMPLOYMENT</b>	<b>TOTAL WAGES</b>
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.

Later data cannot be found on the State's web site

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, 2012:

<b>JUNE 2012</b>	<b>RHODE ISLAND</b>	<b>NARRAGANSETT</b>
Labor Force	555,397	9,240
Employed	497,872	8,617
Unemployment	57,525	623
Unemployment Rate	10.4%	6.7%

Source: Rhode Island Labor Force Statistics

### **Long-term Financial Planning**

Long-term financial planning is driven by four major concerns that the Town will continue to address in the coming years. First, the partnership between the State and local governments has deteriorated over the past several years. Budget deficits at the State level have caused the flow of financial resources to municipalities to be greatly reduced. General Revenue sharing was reduced by 50% in 2009 and was eliminated in its entirety for fiscal year 2010 and 2011. A planned phase-out of the motor vehicle personal property tax was enacted in 2000. The plan called for the State to exempt an increasing level of valuation until the entire tax was eliminated, with the loss of tax revenue to be offset by a reimbursement from the State. The reduction to the average retail value of vehicles assessed in the Town has been set at \$6,000 since FY2007. These losses, combined with the lack of a codified aid distribution formula for educational assistance, lead to uncertainty when planning municipal budgets.

Second, funding for the Town's \$43 million unfunded pension obligation continues to be addressed. The Town's Finance Committee has been addressing the issue and plans to issue a report in FY 2013. The report will address the sustainability of what the Town can contribute 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 Pension Plan was funded at about 62% but fell to 57% with the Actuarial Report of July 1, 2012. Earlier steps to address this problem have included increasing the Town's contribution from 11.5% to 16% in FY2011. The rate was continued for FY2012. An extra appropriation of \$280,108 was added to the FY2012 budget – with additional increases planned for future years. Since the Plan is now defined by the State as in "critical status", a Funding Improvement Plan (FIP) must be adopted by the Council and submitted to the State for approval. This will take place by June, 2013.

Third, the Town has quantified the Town's "other postemployment benefits" (OPEB) and recognizes that the unfunded liability for these benefits of approximately \$71,000,000 for current and future retirees must be addressed. While the FY2010-11 budget contained a 6% assessment applied to all full-time wages, these funds were reclassified by the Town's Auditors as surplus funds since the Town had not established an OPEB Trust Fund as of June 30, 2011. For FY 12, the amount of \$568,174 was transferred from the operating budgets to the OPEB Trust Fund. A decision was made to appropriate the \$442,006 disallowed in the

2011 audit to the OPEB Fund. In addition, another \$200,000 was transferred to the OPEB fund as part of a catch-up for funding the OPEB. In all, a total of \$1,210,180 was made to the OPEB fund. It is recognized that the \$1.2 million is a modest amount given the unfunded liability - but it is a start towards funding the liability. Going forward through FY2013 and beyond, the Town realizes that the employer's pension contribution will have to increase. The question is by how much.

The actual amount will depend on whether the RI General Assembly enacts any pension reform legislation that will impact local pension plans. Without pension reform, the Town may have to increase pension contributions from the current 16% to about 22% of applicable wages. At the same time, 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/undesignated fund balance must be sustained. The Town has had a policy of maintaining an Unreserved General Fund Balance equal to 7% to 10% of the General Fund budget. Following is a table of Unreserved General Fund Balances, with the June 30, 2012 amount as the "high watermark" in terms of percentage of the General Fund budget.

<b>FISCAL YEAR ENDING</b>	<b>UNDESIGNATED &amp; UNRESERVED FUND BALANCE</b>	<b>% OF THE GENERAL FUND BUDGET</b>
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	6,353,269	12.6%
June 30, 2012	8,136,149	16.1 %

It should be noted that \$728,256 of the June 30, 2011 fund balance was appropriated to the 2011-12 Fiscal Year to meet obligations that were entered into in 2010-11. These include the required revaluation, \$244,000, Town Clerk new software, \$3,500 and the study of the Fire Department, \$38,750 totaling \$286,250. As earlier noted, the Auditors backed out the 2010-11 OPEB Fund transfers from the General Fund of \$442,006 as the Town had not established a separate OPEB Trust Fund.

The June 30, 2011 Fund Balance total after adjusting for the \$286,250 that will be appropriated to the 2011-12 budget and the \$442,006 in OPEB funds would be \$5,625,013 or 11.1% of the 2011-12 General Fund Operating Budget.

The use of fund balance will be carefully reviewed and limited to amounts available that exceed a sustained goal of 9%. Future plans for the use of fund balance include financing the

\$1,776,000 rehabilitation and repair of the Public Safety Complex and loaning \$2,200,000 to the \$17 million Road Improvement Program recently approved by the voters. The Road Funds will be returned to the General Fund when road bonds are issued. Funds may also need be loaned to the Beach Fund to pay for storm damage.

Continuing discussions by the State of the unfunded nature of locally administered pension and OPEB plans may result in legislative action that could require municipalities to bring the funded level of such plans up to some pre-determined amount. If this happens, Narragansett could use some of the fund balance to help meet any legislative mandate and still retain a balance that will meet fund balance criteria recommended by the bond rating houses.

These concerns will continue to weigh heavily on the Town and Town operations. Regardless, the Town will strive to continue to offer the broad range municipal services that Narragansett citizens and taxpayers have come to expect, while providing services in a cost-effective and efficient manner.

### **Major Initiatives**

The uncertainty in the international and national economy may require that some General Fund initiatives be suspended. 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 as funds allow 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 report could not have been prepared 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.

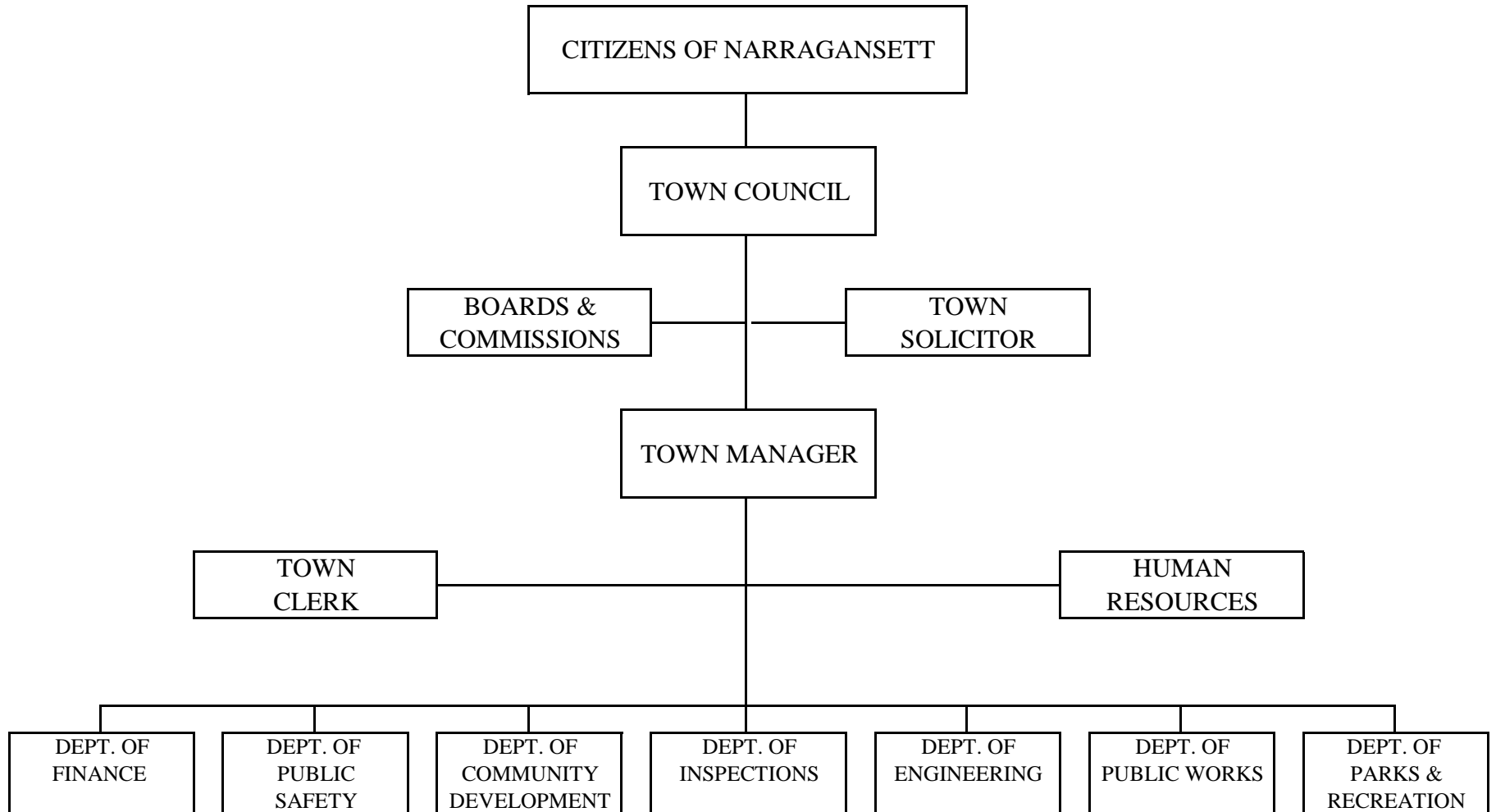
My appreciation is also extended to the other departments of the Town for their contributions in the compilation of data for this report. Thanks must be given to the Interim Town Manager and Town Council for their support in maintaining the highest standards of professionalism in the management of the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

Respectfully submitted,



Donald W. Goodrich  
Director of Finance

**THE TOWN OF NARRAGANSETT**  
GOVERNMENTAL ORGANIZATION





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

**JUNE 30, 2012**

**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	Frank White
School Committee, Member	Susan Pandolfo
School Committee, Member	Raymond Ranaldi

**Appointed Officials**

Town Manager	F. Dean Hoxsie, Interim
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
Parks & Recreation Director	Steven T. Wright
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	Patti A. Arkwright
Superintendent of Schools	Katherine E. Sipala
Director of Finance, School Department	Karen M. Hagan

## **FINANCIAL SECTION**

**THIS SECTION CONTAINS THE FOLLOWING:**

- **Independent Auditor's Report**
- **Management Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Other Supplementary Information**

*INDEPENDENT AUDITORS' REPORT*

To the Honorable President  
and Members of the Town Council  
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, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town of Narragansett, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 previously 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, 2012, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 on our consideration of the Town of Narragansett, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and supplementary pension and other postemployment benefit information on pages 3 through 13 and 62 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Narragansett, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements and other supplementary information are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Narragansett, Rhode Island's basic financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Bacon & Company, LLC*

Warwick, Rhode Island  
March 28, 2013

## 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, 2012 (FY2012) 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 14 and 15 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 71-78 of this report.

The Town adopts annual budgets for its General Fund, Water Fund, Sewer Fund, Internal Services Fund (Vehicle Maintenance), Library Fund, Beach Fund, Middlebridge Recreation, Pension Fund, the Streets Improvement 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 to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 16-19 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, Wastewater, Middlebridge Recreation and Beach operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for its fleet of vehicles and for its management information systems.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater, Middlebridge Recreation 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 20-23 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 24-25 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 26-61 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 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 62-70 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 \$51,273,096 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 18,719,085	\$ 16,052,482	\$ 14,600,368	\$ 16,701,019	\$ 33,319,453	\$ 32,753,501
Capital assets	<u>95,138,020</u>	<u>97,141,403</u>	<u>34,010,139</u>	<u>32,825,071</u>	<u>129,148,159</u>	<u>129,966,474</u>
Total assets	<u>113,857,105</u>	<u>113,193,885</u>	<u>48,610,507</u>	<u>49,526,090</u>	<u>162,467,612</u>	<u>162,719,975</u>
Current liabilities	4,269,688	2,855,931	1,120,066	1,105,139	5,389,754	3,961,070
Noncurrent liabilities	<u>58,314,321</u>	<u>55,115,723</u>	<u>10,414,771</u>	<u>11,794,111</u>	<u>68,729,092</u>	<u>66,909,834</u>
Total liabilities	<u>62,584,009</u>	<u>57,971,654</u>	<u>11,534,837</u>	<u>12,899,250</u>	<u>74,118,846</u>	<u>70,870,904</u>
Net assets:						
Invested in capital assets, net of related debt	73,998,792	72,788,921	29,081,792	26,981,862	103,080,584	99,770,783
Restricted	5,465,023	5,048,391			5,465,023	5,048,391
Unrestricted	<u>(28,190,719)</u>	<u>(22,615,081)</u>	<u>7,993,878</u>	<u>9,644,978</u>	<u>( 20,196,841)</u>	<u>(12,970,103)</u>
Total net assets	<u>\$51,273,096</u>	<u>\$55,222,231</u>	<u>\$37,075,670</u>	<u>\$36,626,840</u>	<u>\$88,348,766</u>	<u>\$91,849,071</u>

At June 30, 2012, the Town is able to report positive balances in both categories of net assets for its business-type activities. For governmental activities, the deficit in the Town's unrestricted net assets increased, due principally to the recording of a liability for other postemployment benefits (OPEB) of \$16,438,358.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (Continued)

*Governmental Activities:* Governmental activities decreased the Town's net assets by \$(3,949,135).

#### Town of Narragansett's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 4,345,055	\$ 4,560,722	\$ 7,621,179	\$ 6,851,382	\$11,966,234	\$11,412,104
Operating grants and contributions	4,556,277	4,200,924			4,556,277	4,200,924
Capital grants and contributions	981,500	1,146,219			981,500	1,146,219
General revenues, property taxes	44,908,921	44,522,795			44,908,921	44,522,795
Grants and contributions not restricted to specific programs	1,422,516	1,686,866			1,422,516	1,686,866
Other	369,619	224,909	80,336	354,455	449,955	579,364
<b>Total revenues</b>	<b>56,583,888</b>	<b>56,342,435</b>	<b>7,701,515</b>	<b>7,205,837</b>	<b>64,285,403</b>	<b>63,548,272</b>
<b>Expenses:</b>						
General administration	4,000,306	1,960,227			4,000,306	1,960,227
Financial administration	1,977,199	1,108,193			1,977,199	1,108,193
Public safety	14,678,919	11,627,180			14,678,919	11,627,180
Public works	4,113,151	4,523,343			4,113,151	4,523,343
Social Services	93,959	187,285			93,959	187,285
Parks and recreation	2,327,089	1,387,846			2,327,089	1,387,846
Plan, engineer & inspection	1,231,157	1,491,691			1,231,157	1,491,691
Library	697,801	656,175			697,801	656,175
Food service		380,926				380,926
Other		5,953,585				5,953,585
Education	30,434,094	29,487,050			30,434,094	29,487,050
Interest on Long term debt	979,348	966,891			979,348	966,891
Water Fund			1,873,817	1,682,772	1,873,817	1,682,772
Sewer Fund			3,764,890	4,101,213	3,764,890	4,101,213
Beach Fund			1,613,978	1,439,581	1,613,978	1,439,581
<b>Total expenses</b>	<b>60,533,023</b>	<b>59,730,392</b>	<b>7,252,685</b>	<b>7,223,566</b>	<b>67,785,708</b>	<b>66,953,958</b>
<b>Change in net assets</b>	<b>(3,949,135)</b>	<b>(3,387,957)</b>	<b>448,830</b>	<b>(17,729)</b>	<b>(3,500,305)</b>	<b>(3,405,686)</b>
<b>Net assets, beginning of year, restated</b>	<b>55,222,231</b>	<b>58,610,188</b>	<b>36,626,840</b>	<b>36,644,569</b>	<b>91,849,071</b>	<b>95,254,757</b>
<b>Net assets, end of year</b>	<b>\$ 51,273,096</b>	<b>\$ 55,222,231</b>	<b>\$ 37,075,670</b>	<b>\$ 36,626,840</b>	<b>\$88,348,766</b>	<b>\$91,849,071</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (Continued)

Property taxes budgeted for FY 2011-12 increased by \$760,998 to \$43,768,332 from the amount budgeted for 2010-11 of \$43,007,334. This was an increase of 1.77%, less than one-half of the State mandated cap increase of 4.25%, 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 FY 2012 was \$43,979,132 with an estimated collection rate of 97.79%. The estimate of property taxes to be collected was \$43,768,322. Current year collections were \$44,493,185 compared to the budgeted amount of \$43,768,332, an increase of \$724,853 or 1.7%.

*Business-type activities:* Business-type activities increased the Town's net assets by \$448,830. Key elements of the increase are as follows:

- a. Water Fund: The net assets of the Water enterprise are down \$-317,179, or -5.4%.
- b. Sewer Fund: The net assets for the Sewer enterprise are up \$ 469,065, or 1.9%
- c. Beach Fund: The net assets for the Beach enterprise are up \$ 296,944, or 5.4%.

### 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 governmental funds reported combined ending fund balances of \$15,872,893. Approximately 43% of this total amount or \$6,828,861 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 \$6,947,180, while total fund balance was \$12,354,406. 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 13.2% of total General Fund expenditures and transfers, while total fund balance represents 23.5% of the same amount.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Analysis of the Town's Funds (Continued)

The Town's General Fund – Fund Balance increased by \$1,936,952 due to the surplus from FY2012 operations. However, \$80,000 of this amount will be appropriated to the 2012-13 budget as it will be used for engineering and architectural services related to the rehabilitation and repair of the Public Safety Complex.

*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, 2012 totaled \$1,551,375.
- b. Sewer Fund: The unrestricted net assets of the Sewer Fund at June 30, 2012 amounted to \$6,296,625.
- c. Beach Fund: The unrestricted net assets of the Beach Fund at June 30, 2012 totaled \$145,878.

### General Fund Budgetary Highlights

The general fund operating budget was amended by \$728,256 in supplemental appropriations. These were all related to commitments made as on June 30 that the previous auditor's disallowed as expenditures. They included the following: \$244,000 for revaluation, \$3,500 for the new Town Clerk's records recording program and \$38,750 for a study of fire operations. The balance of \$442,006 was Other Post-employment Benefits charges to the operating budgets that were disallowed as the OPEB Trust Fund was not established until after June 30, 2011. 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 were \$385,270 in transfers from the Contingency Account, \$35,000 to the Town Clerk's office to fund a new position, \$48,425 for duct cleaning work in several town buildings and \$301,845 to various departments in closing out the fiscal year.

1. Taxation: Due to the strong follow-up effort on the late payment of current taxes, property tax collections were strong throughout the year. Collections were \$44,493,185 and exceeded the budget amount of \$43,768,332 by \$724,853. Taxes from prior year's levies were budgeted at \$709,900 while collections only reached \$188,960 or \$520,940 less than budgeted. Part of this shortage was that the 60 day rule had been included in prior year taxes and not current taxes. Interest on delinquent taxes was budgeted at \$161,700 while collections were \$205,350 or \$43,650 more than budgeted. Current tax collections were 99.46% of the adjusted levy of \$44,736,568.
2. State Payment for Motor Vehicle Tax Phase-out: The Town received \$95,050 in phase-out payments. There is concern over whether the program will be eliminated in its entirety by the General Assembly. The Town continued the motor vehicle exemption at \$6,000.
3. The Town's other State-shared revenues for beach parking fees, hotel tax and the meal tax were budgeted at \$803,434 while \$726,783 was received or \$76,651 less than budgeted. Beach parking fees were \$98,953 less while the hotel tax was up by \$9,777. The meals tax was \$12,525 more than budgeted. Total State aid was \$896,492 less than that received in FY 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### General Fund Budgetary Highlights (Continued)

4. The economic downturn, slow housing market and low investment interest rates caused total user charges, permit fees and investment income to be \$132,272 less than the budgeted amounts of \$2,319,809. Private Police Detail receipts were \$82,152 less than budgeted.

### Capital Assets and Debt Administration

1. Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounted to \$129,148,159 (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 FY2012 was -\$818,315, or -.063% (a 2.1% decrease for governmental activities and a 3.6% increase for business-type activities). Major capital asset events during the reporting period included the following:
  - a. The purchase of police cars, trucks and related equipment in the amount of \$406,835.
  - b. The Angler's Court Sewer project, \$171,160 and Scarborough Plant repairs, \$390,342.
  - c. Repairs to Beach facilities, \$1,704,537.

Many expenditures formerly classified as capital improvements are now accounted for in the new Major Maintenance and Non-capitalization expenditure fund pursuant to new accounting rules. These totaled \$1,327,862.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$43,983,624	\$ 43,983,624	\$ 2,187,780	\$ 2,187,780	\$ 46,171,404	\$ 46,171,404
Construction in progress	352,106	398,560	601,382	707,616	953,488	1,106,176
Buildings and improvements	29,579,976	30,807,674	9,873,998	7,901,753	39,453,974	38,709,427
Machinery and equipment	2,758,198	3,009,529	612,799	696,794	3,370,997	3,706,323
Vehicles	1,519,733	1,618,821	23,477	45,359	1,543,210	1,664,180
Infrastructure	16,944,383	17,323,195	20,710,703	21,285,769	37,655,086	38,608,964
<b>Total</b>	<b>\$95,138,020</b>	<b>\$97,141,403</b>	<b>\$ 34,010,139</b>	<b>\$ 32,825,071</b>	<b>\$129,148,159</b>	<b>\$129,966,474</b>

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

**Capital Assets and Debt Administration (Continued)**

- Debt administration: At the end of the fiscal year, the Town had total bonds and notes outstanding of \$22,221,849, all of which is backed by the full faith and credit of the Town. Total debt was reduced by \$1,429,140 during FY2012.

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	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 19,975	\$ 21,126	\$ 200	\$ 314	\$ 20,175	\$ 21,440
Notes and loans	2,247	2,525	5,595	6,324	7,842	8,849
<b>Total</b>	<b>\$ 22,222</b>	<b>\$ 23,651</b>	<b>\$ 5,795</b>	<b>\$ 6,638</b>	<b>\$ 28,017</b>	<b>\$ 30,289</b>

Except as provided below, under Rhode Island general laws, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$142,924,988 based on net assessed valuations of \$4,764,166,250 as of December 31, 2010. As of June 30, 2012, the Town had \$120,975,138 of debt that could be issued under the 3% debt limit provision.

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:

<b>Debt Issuance Ratios</b>	<b>Limitation</b>
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 \$22,833,383 and debt service of \$2,503,932 for FY 2012 equates to the following (excludes compensated absences, pollution remediation obligations and pension and OPEB obligations):

- 4.96% Debt service as a Percent of the Operating Budget (FY 12 budget was \$50,608,249 while debt service was \$2,503,932).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Assets and Debt Administration (Continued)

0.48% Outstanding general obligation debt as a percentage of Net Assessed valuation \$4,764,166,250  
5.6% Debt service as a percent of net tax levy of \$44,736,568  
\$1,438 Outstanding general obligation debt per capita of 15,876

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

### MAXIMUM TO STAY WITHIN DEBT LIMITS

	LIMITS	CURRENT	
Debt service at 7% of operating budget	\$ 3,542,577	\$ 2,503,932	4.96%
Debt at 2.5% of assessed value	\$119,104,156	\$ 22,833,383	0.48%
Debt service at 8% of the tax levy	\$ 3,578,925	\$ 2,503,932	5.6%
Debt per capita at \$2,500	\$ 39,690,000	\$ 1,438	57.5%

To stay within the debt policy, and focusing just on annual debt service payments at 7% of the operating budget and debt service at 8% of the tax levy, the Town could add \$1 million to annual debt service. In reviewing tables from the Town's financial advisors, the Town could issue approximately \$15 million with level debt payments (annual debt service would be \$1,275,000) or if \$10 million were issued with descending debt payments (annual debt service would be \$850,000).

### Environmental Remediation

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

#### *Rose Hill Regional Landfill:*

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

The current estimated cost of completing the clean-up of Rose Hill is approximately \$21,955,000. The Town of Narragansett paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill. The amount was funded through a 20-year general obligation bond sold in September 2002 with interest at 1.18%. The outstanding bond balance at June 30, 2012 is \$1,237,004. The Town also paid \$504,931 for its share of natural resource damages.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Environmental Remediation (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. Such costs are currently estimated at \$3,586,000 and will be shared equally by the two towns. The Town of Narragansett's share of the estimated cost of \$2,063,000, which includes an estimated \$270,000 for continued monitoring and site maintenance, will be paid to the State over a 27-year period beginning in 2011. As such, approximately \$1,976,000 has been reported as a pollution remediation obligation in the 2012 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 were \$7,072,693, for which the Town was obligated to pay \$1,766,124. The balance of the \$290,000 for operation and maintenance costs will be paid over the next 27 years and as such been reported as a pollution remediation obligation in the 2012 government-wide financial statements.

### Other Postemployment Benefits

The Town's annual Other Post Employment Benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Town's net OPEB obligation at June 30, 2012 of \$16,438,358 composed of \$16,039,012 for the Town and \$399,346 for schools has been recorded as a long-term obligation in the government-wide financial statements.

### Economic Factors and Next Year's Budget and Rates

The primary economic factor affecting fiscal year 2012 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.

### 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  
Town of Narragansett  
25 Fifth Avenue  
Narragansett, RI 02882

## **BASIC FINANCIAL STATEMENTS**

### **THE BASIC FINANCIAL STATEMENTS INCLUDE:**

#### **Government-Wide Financial Statements**

#### **Fund Financial Statements:**

- Governmental Funds**
- Proprietary Funds**
- Fiduciary Funds**

**In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.**



**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Statement of Net Assets  
June 30, 2012*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 18,378,200	\$ 3,000	\$ 18,381,200
Investments	3,880,059	-	3,880,059
Accrued interest receivable	-	124,827	124,827
Real estate and personal property tax receivable (net)	439,833	-	439,833
Sewer use and assessments receivable	-	623,925	623,925
Due from federal and state government	537,747	785,693	1,323,440
Due from fiduciary funds	2,026,697	-	2,026,697
Other receivables	341,534	10,751	352,285
Internal balances	(7,882,049)	7,882,049	-
Inventories	40,645	-	40,645
Prepaid expenses	296,122	-	296,122
<b>Total current assets</b>	<u>18,058,788</u>	<u>9,430,245</u>	<u>27,489,033</u>
<b>Noncurrent assets:</b>			
Sewer assessments receivable	-	5,096,129	5,096,129
Capital assets: (Note 2)			
Land and land easements	43,983,624	2,187,780	46,171,404
Depreciable buildings, property, equipment, infrastructure (net)	50,802,290	31,220,977	82,023,267
Construction in progress	352,106	601,382	953,488
Other assets (net)	660,297	73,994	734,291
<b>Total noncurrent assets</b>	<u>95,798,317</u>	<u>39,180,262</u>	<u>134,978,579</u>
<b>Total assets</b>	<u>113,857,105</u>	<u>48,610,507</u>	<u>162,467,612</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	1,889,443	200,290	2,089,733
Accrued interest payable	136,578	43,793	180,371
Customer deposits payable	-	13,900	13,900
Unearned revenue	51,255	7,507	58,762
Compensated absences payable	733,920	66,714	800,634
Pollution remediation obligations	77,331	-	77,331
Long-term debt - due within one year (Note 6)	1,381,161	787,862	2,169,023
<b>Total current liabilities</b>	<u>4,269,688</u>	<u>1,120,066</u>	<u>5,389,754</u>
<b>Noncurrent Liabilities:</b>			
Long-term debt - due in more than one year (Note 6)	21,452,222	5,000,171	26,452,393
Compensated absences payable	2,758,230	358,134	3,116,364
Unearned revenue	-	5,056,466	5,056,466
Pollution remediation obligations	2,188,932	-	2,188,932
Net pension obligation	15,476,579	-	15,476,579
Net other post employment benefit obligation	16,438,358	-	16,438,358
<b>Total noncurrent liabilities</b>	<u>58,314,321</u>	<u>10,414,771</u>	<u>68,729,092</u>
<b>Total liabilities</b>	<u>62,584,009</u>	<u>11,534,837</u>	<u>74,118,846</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	73,998,792	29,081,792	103,080,584
Restricted for:			
Education programs	4,635,610	-	4,635,610
Public safety programs	44,777	-	44,777
Historical records preservation	209,236	-	209,236
Community service programs	424,386	-	424,386
Parks and recreation programs	102,416	-	102,416
Capital projects	3,845	-	3,845
Other programs	44,753	-	44,753
Unrestricted	(28,190,719)	7,993,878	(20,196,841)
<b>Total net assets</b>	<u>\$ 51,273,096</u>	<u>\$ 37,075,670</u>	<u>\$ 88,348,766</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Assets</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Governmental Activities:</b>							
General government	\$ 4,000,306	\$ 1,271,041	\$ 41,862	\$ -	\$ (2,687,403)	\$ -	\$ (2,687,403)
Financial administration	1,977,199	656,167	-	-	(1,321,032)	-	(1,321,032)
Public safety	14,678,919	568,833	46,430	11,500	(14,052,156)	-	(14,052,156)
Public works	4,113,151	400	238,769	795,265	(3,078,717)	-	(3,078,717)
Social services	93,959	-	92,847	-	(1,112)	-	(1,112)
Parks and recreation	2,327,089	598,997	13,450	-	(1,714,642)	-	(1,714,642)
Planning, engineering and inspection	1,231,157	402,698	-	-	(828,459)	-	(828,459)
Library	697,801	10,619	124,362	-	(562,820)	-	(562,820)
Education	30,434,094	836,300	3,512,222	174,735	(25,910,837)	-	(25,910,837)
Interest on long-term debt	979,348	-	486,335	-	(493,013)	-	(493,013)
<b>Total governmental activities</b>	<b>60,533,023</b>	<b>4,345,055</b>	<b>4,556,277</b>	<b>981,500</b>	<b>(50,650,191)</b>	<b>-</b>	<b>(50,650,191)</b>
<b>Business-Type Activities:</b>							
Water	1,873,817	1,541,433	-	-	-	(332,384)	(332,384)
Sewer	3,764,890	4,177,713	-	-	-	412,823	412,823
Beach	1,613,978	1,902,033	-	-	-	288,055	288,055
<b>Total business-type activities</b>	<b>7,252,685</b>	<b>7,621,179</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368,494</b>	<b>368,494</b>
<b>Total</b>	<b>\$ 67,785,708</b>	<b>\$ 11,966,234</b>	<b>\$ 4,556,277</b>	<b>\$ 981,500</b>	<b>(50,650,191)</b>	<b>368,494</b>	<b>(50,281,697)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					44,908,921	-	44,908,921
State aid and in lieu of taxes, not restricted for a specific purpose					1,422,516	-	1,422,516
Investment earnings					168,042	80,336	248,378
Miscellaneous					201,577	-	201,577
<b>Total general revenues</b>					<b>46,701,056</b>	<b>80,336</b>	<b>46,781,392</b>
<b>Change in net assets</b>					<b>(3,949,135)</b>	<b>448,830</b>	<b>(3,500,305)</b>
<b>Net assets - beginning of year, restated</b>					<b>55,222,231</b>	<b>36,626,840</b>	<b>91,849,071</b>
<b>Net assets - end of year</b>					<b>\$ 51,273,096</b>	<b>\$ 37,075,670</b>	<b>\$ 88,348,766</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 18,368,464	\$ 9,736	\$ 18,378,200
Investments	3,880,059	-	3,880,059
Real estate and personal property tax receivable	739,833	-	739,833
Due from federal and state governments	138,366	399,381	537,747
Due from other funds	6,526,109	3,781,831	10,307,940
Other receivables	22,065	319,469	341,534
Inventory	40,645	-	40,645
Prepaid expenditures	296,122	-	296,122
Other assets	461,146	-	461,146
<b>Total assets</b>	<b>\$ 30,472,809</b>	<b>\$ 4,510,417</b>	<b>\$ 34,983,226</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenditures	\$ 704,773	\$ 169,664	\$ 874,437
Due to other funds	16,518,315	498,513	17,016,828
Deferred revenues	761,068	323,753	1,084,821
Other liabilities	134,247	-	134,247
<b>Total liabilities</b>	<b>18,118,403</b>	<b>991,930</b>	<b>19,110,333</b>
<b>Fund Balances:</b>			
Nonspendable:			
Inventory	40,645	-	40,645
Prepaid expenditures	296,122	-	296,122
Restricted for:			
Education programs	4,626,282	9,328	4,635,610
Public safety programs	-	44,777	44,777
Historical records preservation	-	209,236	209,236
Community service programs	-	108,319	108,319
Parks and recreation programs	-	102,416	102,416
Library programs	29,419	-	29,419
Capital projects	-	3,845	3,845
Other programs	-	15,334	15,334
Committed for:			
Capital projects	-	2,582,359	2,582,359
Assigned to:			
2013 budget	80,000	-	80,000
Parks and recreation programs	92,983	-	92,983
Towers	25,206	-	25,206
Kinney Bungalow	115,436	-	115,436
Sunset Farm	101,133	-	101,133
Capital projects	-	561,192	561,192
Unassigned	6,947,180	(118,319)	6,828,861
<b>Total fund balances</b>	<b>12,354,406</b>	<b>3,518,487</b>	<b>15,872,893</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,472,809</b>	<b>\$ 4,510,417</b>	<b>\$ 34,983,226</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Assets**  
**June 30, 2012**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 15,872,893</b>
 <i>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 2 to the financial statements.	95,076,129
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	316,067
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred revenue (a liability) in Governmental Funds financial statements.	417,499
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(136,578)
The Internal Service Fund is used by management to charge the costs of vehicle maintenance to individual funds. The assets and liabilities of the Internal Service Fund are included in Governmental Activities in the Government-Wide Statement of Net Assets.	34,668
Long-term liabilities (including bonds, notes, loans, and capital leases payable, compensated absences, pollution remediation obligations, net pension obligation and net other post employment benefit obligation) are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements.	(60,506,733)
Debt issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements.	<u>199,151</u>
 <b>Net Assets of Governmental Activities</b>	 <b><u><u>\$ 51,273,096</u></u></b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
General property taxes and payments in lieu of taxes	\$ 45,232,567	\$ -	\$ 45,232,567
State and federal aid	4,283,523	169,502	4,453,025
Charges for services	3,742,514	355,004	4,097,518
Operating grants and contributions	12,500	1,337,698	1,350,198
Capital grants and contributions	-	811,998	811,998
Investment and interest income	151,843	16,199	168,042
Other revenues	417,954	30,368	448,322
<b>Total revenues</b>	<u>53,840,901</u>	<u>2,720,769</u>	<u>56,561,670</u>
<b>Expenditures:</b>			
<i>Current:</i>			
General government	1,819,734	74,401	1,894,135
Financial administration	1,546,220	-	1,546,220
Public safety	10,624,004	52,082	10,676,086
Public works	2,124,008	-	2,124,008
Social services	189	100,590	100,779
Parks and recreation	1,778,507	88,918	1,867,425
Planning, engineering and inspection	858,718	-	858,718
Library	670,406	-	670,406
Food service	-	376,509	376,509
Education	26,486,320	1,023,777	27,510,097
Other	2,346,879	-	2,346,879
Debt Service	-	2,503,932	2,503,932
Capital outlay	-	2,367,389	2,367,389
<b>Total expenditures</b>	<u>48,254,985</u>	<u>6,587,598</u>	<u>54,842,583</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>5,585,916</u>	<u>(3,866,829)</u>	<u>1,719,087</u>
<b>Other financing sources (uses):</b>			
Capital related debt issued	142,041	-	142,041
Sale of capital assets	12,375	-	12,375
Transfers from other funds	475,000	7,647,110	8,122,110
Transfers to other funds	(4,278,380)	(3,843,730)	(8,122,110)
<b>Total other financing sources (uses)</b>	<u>(3,648,964)</u>	<u>3,803,380</u>	<u>154,416</u>
<b>Net change in fund balances</b>	1,936,952	(63,449)	1,873,503
<b>Fund balances - beginning of year, restated</b>	<u>10,417,454</u>	<u>3,581,936</u>	<u>13,999,390</u>
<b>Fund balances - end of year</b>	<u>\$ 12,354,406</u>	<u>\$ 3,518,487</u>	<u>\$ 15,872,893</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and  
Changes in the Fund Balances to Government-Wide Statement of Activities  
For the Year Ended June 30, 2012*

**Net Changes in Fund Balances - Total Governmental Funds** \$ 1,873,503

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period. 2,053,728

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements. (4,022,986)

Loss on disposal of capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, the loss on disposal of capital assets is not reported as an expenditure in the Governmental Funds financial statements. (29,854)

Long-term compensated absences are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds financial statements. This is the amount of the change in long-term compensated absences in the current period. (308,301)

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of debt principal is an expenditure in the Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Assets.  
This amount represents new debt issued during the current period. (142,041)  
This amount represents debt principal payments during the current period. 1,571,181

Accrued interest on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year. 3,863

The Internal Service Fund is used by management to charge the costs of vehicle maintenance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements. (4,271)

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Debt issuance costs and loss on refundings are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.  
This amount represents amortization on loss on refundings during the current period. (15,252)  
This amount represents amortization of premium on debt during the current period. 39,048  
This amount represents amortization of debt issuance costs during the current period. (37,557)

Other long-term liabilities are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, other long-term liabilities are not reported as expenditures in Governmental Funds financial statements.  
This amount represents the change in pollution remediation obligations during the current period. 53,489  
This amount represents the change in the net pension obligation during the current period. (2,161,207)  
This amount represents the change in the net OPEB obligation during the current period. (2,839,142)

Revenues in the Government-Wide Statement of Activities that are not measurable and available in Governmental Funds are not reported as revenue in the Governmental Funds. 16,664

**Change in Net Assets of Governmental Activities** \$ (3,949,135)

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Statement of Net Assets  
Proprietary Funds  
June 30, 2012*

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Total</u>	<u>Internal</u> <u>Service Fund</u>
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 3,000	\$ 3,000	\$ -
Accounts receivable:					
Water and sewer use fees	275,461	310,470	-	585,931	-
Sewer assessment	-	37,994	-	37,994	-
Accrued interest	-	124,827	-	124,827	-
Other	5,797	2,400	2,554	10,751	-
Due from federal and state government	-	785,693	-	785,693	-
Due from other funds	1,552,536	6,122,315	207,198	7,882,049	-
<b>Total current assets</b>	<u>1,833,794</u>	<u>7,383,699</u>	<u>212,752</u>	<u>9,430,245</u>	<u>-</u>
<b>Noncurrent assets:</b>					
Sewer assessments receivable	-	5,096,129	-	5,096,129	-
Capital assets:					
Non-depreciable assets	357,211	618,581	1,813,370	2,789,162	-
Depreciable assets - net	3,881,849	23,504,336	3,834,792	31,220,977	61,891
Other assets - net	3,339	70,655	-	73,994	-
<b>Total noncurrent assets</b>	<u>4,242,399</u>	<u>29,289,701</u>	<u>5,648,162</u>	<u>39,180,262</u>	<u>61,891</u>
<b>Total assets</b>	<u>6,076,193</u>	<u>36,673,400</u>	<u>5,860,914</u>	<u>48,610,507</u>	<u>61,891</u>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	124,010	26,852	49,428	200,290	9,237
Due to other funds	-	-	-	-	17,986
Accrued interest payable	2,983	40,810	-	43,793	-
Accrued compensated absences	23,668	41,500	1,546	66,714	-
Customer deposits payable	-	-	13,900	13,900	-
Unearned revenue	-	5,507	2,000	7,507	-
Current portion of bonds, notes and loans payable	50,000	737,862	-	787,862	-
<b>Total current liabilities</b>	<u>200,661</u>	<u>852,531</u>	<u>66,874</u>	<u>1,120,066</u>	<u>27,223</u>
<b>Noncurrent liabilities:</b>					
Accrued compensated absences	131,758	226,376	-	358,134	-
Unearned revenue	-	5,056,466	-	5,056,466	-
Bonds, notes and loans payable	142,850	4,857,321	-	5,000,171	-
<b>Total noncurrent liabilities</b>	<u>274,608</u>	<u>10,140,163</u>	<u>-</u>	<u>10,414,771</u>	<u>-</u>
<b>Total liabilities</b>	<u>475,269</u>	<u>10,992,694</u>	<u>66,874</u>	<u>11,534,837</u>	<u>27,223</u>
<b>Net Assets</b>					
Investment in capital assets, net of related debt	4,049,549	19,384,081	5,648,162	29,081,792	61,891
Unrestricted	1,551,375	6,296,625	145,878	7,993,878	(27,223)
<b>Total net assets</b>	<u>\$ 5,600,924</u>	<u>\$ 25,680,706</u>	<u>\$ 5,794,040</u>	<u>\$ 37,075,670</u>	<u>\$ 34,668</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Total</u>	<u>Internal</u>
					<u>Service Fund</u>
<b>Operating revenues</b>					
Assessments and user fees	\$ 1,512,483	\$ 4,016,489	\$ -	\$ 5,528,972	\$ -
Beach admittance and rental fees	-	-	1,873,770	1,873,770	-
Vehicle maintenance charges	-	-	-	-	450,598
Other revenues	28,950	161,224	28,263	218,437	-
<b>Total operating revenues</b>	<u>1,541,433</u>	<u>4,177,713</u>	<u>1,902,033</u>	<u>7,621,179</u>	<u>450,598</u>
<b>Operating expenses</b>					
Salaries and benefits	584,095	939,939	712,415	2,236,449	279,196
Materials, supplies and maintenance	652,812	1,113,523	295,753	2,062,088	166,944
Utilities	16,942	183,119	16,425	216,486	1,275
Administrative and miscellaneous	227,898	618,148	378,627	1,224,673	3,183
Depreciation and amortization	381,404	770,807	210,758	1,362,969	4,271
<b>Total operating expenses</b>	<u>1,863,151</u>	<u>3,625,536</u>	<u>1,613,978</u>	<u>7,102,665</u>	<u>454,869</u>
<b>Operating income (loss)</b>	<u>(321,718)</u>	<u>552,177</u>	<u>288,055</u>	<u>518,514</u>	<u>(4,271)</u>
<b>Nonoperating revenues (expenses)</b>					
Investment income	15,205	56,242	8,889	80,336	-
Amortization expense	(2,384)	-	-	(2,384)	-
Interest expense	(8,282)	(139,354)	-	(147,636)	-
<b>Total nonoperating revenues (expenses)</b>	<u>4,539</u>	<u>(83,112)</u>	<u>8,889</u>	<u>(69,684)</u>	<u>-</u>
<b>Change in net assets</b>	<u>(317,179)</u>	<u>469,065</u>	<u>296,944</u>	<u>448,830</u>	<u>(4,271)</u>
<b>Total net assets - beginning of year, restated</b>	<u>5,918,103</u>	<u>25,211,641</u>	<u>5,497,096</u>	<u>36,626,840</u>	<u>38,939</u>
<b>Total net assets - end of year</b>	<u>\$ 5,600,924</u>	<u>\$ 25,680,706</u>	<u>\$ 5,794,040</u>	<u>\$ 37,075,670</u>	<u>\$ 34,668</u>

*The accompanying notes are an integral part of the basic financial statements.*



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2012

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Beach Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>					
Cash received from vehicle maintenance charges	\$ -	\$ -	\$ -	\$ -	\$ 450,598
Cash received from customers	1,517,170	4,086,076	1,875,770	7,479,016	-
Cash payments to suppliers for goods and services	(717,440)	(1,509,361)	(735,582)	(2,962,383)	(169,281)
Cash payments to employees for services	(546,587)	(918,317)	(430,214)	(1,895,118)	(281,547)
Payments for interfund services used	(164,638)	(415,592)	(292,655)	(872,885)	-
Other operating receipts	28,950	161,224	28,263	218,437	-
Customer deposits received	-	-	41,275	41,275	-
Customer deposits repaid	-	-	(37,700)	(37,700)	-
<b>Net cash provided by (used for) operating activities</b>	<b>117,455</b>	<b>1,404,030</b>	<b>449,157</b>	<b>1,970,642</b>	<b>(230)</b>
<b>Cash flows from non-capital financing activities</b>					
Interfund transactions	61,954	101,014	1,271,791	1,434,759	230
<b>Net cash provided by non-capital related financing activities</b>	<b>61,954</b>	<b>101,014</b>	<b>1,271,791</b>	<b>1,434,759</b>	<b>230</b>
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(130,445)	(628,775)	(1,728,837)	(2,488,057)	-
Payment of interest on bonds and loans	(9,031)	(144,393)	-	(153,424)	-
Payment of principal on bonds and loans	(55,138)	(788,118)	-	(843,256)	-
<b>Net cash used for capital and related financing activities</b>	<b>(194,614)</b>	<b>(1,561,286)</b>	<b>(1,728,837)</b>	<b>(3,484,737)</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Investment income	15,205	56,242	8,889	80,336	-
<b>Net cash provided by investing activities</b>	<b>15,205</b>	<b>56,242</b>	<b>8,889</b>	<b>80,336</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>-</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ -</b>

(Continued)

The accompanying notes are an integral part of the basic financial statements.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Statement of Cash Flows (Continued)*  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Total</u>	<u>Activities</u> <u>Internal</u> <u>Service Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>					
Operating income (loss)	\$ (321,718)	\$ 552,177	\$ 288,055	\$ 518,514	\$ (4,271)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>					
Depreciation and amortization	381,404	770,807	210,758	1,362,969	4,271
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	6,878	606,809	-	613,687	-
Increase (decrease) in accounts payable and accrued expenses	7,103	(21,416)	(51,700)	(66,013)	(230)
Increase (decrease) in accrued compensated absences	43,788	62,767	(3,531)	103,024	-
Increase (decrease) in customer deposits payable	-	-	3,575	3,575	-
Increase (decrease) in unearned revenue	-	(567,114)	2,000	(565,114)	-
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 117,455</u>	<u>\$ 1,404,030</u>	<u>\$ 449,157</u>	<u>\$ 1,970,642</u>	<u>\$ (230)</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2012*

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,875,695	\$ 550,005	\$ 604	\$ -
Investments at fair value:				
U.S. government obligations	1,041,436	-	-	-
Municipal obligations	55,449	-	-	-
Corporate bonds	4,475,766	-	-	-
Mortgage backed securities	1,257,537	-	-	-
Common stock	19,133,938	-	-	-
Preferred stock	116,280	-	-	-
Mutual and exchange traded funds - equities	15,207,638	-	5,525	-
Mutual and exchange traded funds - fixed income	7,427,511	-	560	-
Mutual and exchange traded funds - other	2,323,967	-	-	-
Hedge fund	2,300,000	-	-	-
Other	225,806	-	7,238	-
Total investments	<u>53,565,328</u>	<u>-</u>	<u>13,323</u>	<u>-</u>
Due from other funds	-	636,212	84,565	150,745
Accrued interest receivable	68,298	-	-	-
Prepaid expenses	305,016	-	-	-
<b>Total assets</b>	<u>56,814,337</u>	<u>1,186,217</u>	<u>98,492</u>	<u>150,745</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	-	14,386	-	-
Due to other funds	2,026,697	-	-	-
Deposits held in custody for others	-	-	-	150,745
<b>Total liabilities</b>	<u>2,026,697</u>	<u>14,386</u>	<u>-</u>	<u>150,745</u>
<b>Net Assets</b>				
Held in trust for pension benefits, post-employment benefits and other purposes	<u>\$ 54,787,640</u>	<u>\$ 1,171,831</u>	<u>\$ 98,492</u>	<u>\$ -</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 2,279,765	\$ 2,532,745	\$ -
Plan member	1,053,081	-	-
Total contributions	<u>3,332,846</u>	<u>2,532,745</u>	<u>-</u>
Investment income:			
Net increase (decrease) in fair value of investments	(1,775,349)	-	(654)
Interest and dividends	1,484,143	5	992
Less: investment expense	(318,365)	-	-
Net investment income	<u>(609,571)</u>	<u>5</u>	<u>338</u>
<b>Total additions</b>	<u>2,723,275</u>	<u>2,532,750</u>	<u>338</u>
<b>Deductions</b>			
Benefits	3,586,321	1,345,519	-
Refunds of contributions	154,518	-	-
Administrative expenses	74,457	15,400	-
Scholarships	-	-	750
Miscellaneous	-	-	8,198
<b>Total deductions</b>	<u>3,815,296</u>	<u>1,360,919</u>	<u>8,948</u>
<b>Change in net assets</b>	(1,092,021)	1,171,831	(8,610)
<b>Net assets - beginning of year, restated</b>	<u>55,879,661</u>	<u>-</u>	<u>107,102</u>
<b>Net assets - end of year</b>	<u>\$ 54,787,640</u>	<u>\$ 1,171,831</u>	<u>\$ 98,492</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

The financial statements of the Town of Narragansett, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Town of Narragansett was founded in 1888. The Town is governed largely under the 1966 Narragansett Home Rule Charter. In some matters, including the issuance of short and long-term debt, the Town is governed by the general laws of the State of Rhode Island. The Town operates under a Town Council/Town Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and emergency services); public works (highways, streets, and facilities management); parks and recreation; planning, engineering and inspection; education; social services; and general administrative services.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, 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 of Narragansett does not have any component units.

**B. BASIS OF PRESENTATION AND ACCOUNTING**

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

**Government-Wide Financial Statements**

The Town’s Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions. 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 eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The Town applies to the Business-Type Activities and the Enterprise Funds all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure.

### **Governmental Fund Financial Statements**

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**Major Governmental Funds:**

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

**Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the Governmental Activities in the Government-Wide Financial Statements.

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

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

The Town has three Enterprise Funds. The Town considers all Enterprise Funds to be major funds for financial statement purposes. The Town’s Enterprise Funds are as follows:

**Water Fund** – The Water Fund is used to account for the water use fees and the expenses associated with providing water services to Town residents and businesses.

**Sewer Fund** – The Sewer Fund is used to account for the sewer use fees, the assessments, and the expenses associated with providing sewer services to Town residents and businesses.

**Beach Fund** – The Beach Fund is used to account for the fees and the expenses associated with the operation of the Town beach.

The Town has one Internal Service Fund as follows:

**Vehicle Maintenance Fund** – The Vehicle Maintenance Fund is used to account for vehicle repair and maintenance services provided to Town departments.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2012*

**Fiduciary Fund Financial Statements**

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The Town's Fiduciary Funds include the Pension Trust Funds, the Other Post-Employment Benefits Trust Fund, the Private Purpose Trust Funds, and the Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds and the Agency Funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting.

***Pension Trust Funds*** – The Pension Trust Funds account for contributions made by the Town and its participating employees to provide pension benefits to these employees at retirement.

***Other Post-Employment Benefits Trust Fund*** – This fund was established by Town Ordinance effective August 1, 2011 to account for funds to finance other post-employment benefits paid by the Town and the payment of these benefits as they come due.

***Private Purpose Trust Funds*** – The Private Purpose Trust Funds account for funds 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 funds, including any earnings on investments, may be used. There is no requirement that any portion that these resources be preserved as capital.

***Agency Funds*** – These funds account for assets held by the Town as agent for various student groups. The Agency Funds include the Student Activity Funds.

**C. CASH EQUIVALENTS**

For the purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**D. INVESTMENTS**

The Town has implemented Governmental Accounting Standards Board Statement Number 31. As such, investments are recorded at fair value, except for nonparticipating interest earning investment contracts (i.e. certificates of deposit) which are recorded at amortized cost.

**E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE**

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

Property taxes which were levied on June 6, 2011 and other delinquent balances are recorded as receivables.



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2012*

**F. UNBILLED SERVICES RECEIVABLE**

Water and sewer revenue is recorded when earned. Customers are billed quarterly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

**G. INVENTORY**

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

**H. CAPITAL ASSETS AND DEPRECIATION**

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

All capital assets are capitalized at historical or estimated historical cost. Donated capital assets are recorded at fair market values as of the date received. The Town follows the policy of not capitalizing assets with a cost of less than \$10,000 and a useful life of less than 1 year.

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

<u>Description</u>	<u>Useful Life</u>
Land improvements	5 – 65 years
Buildings and improvements	25 – 65 years
Machinery and equipment	5 – 30 years
Vehicles	6 years
Infrastructure	15 -65 years

**I. DEBT PREMIUMS AND ISSUANCE COSTS**

In the Governmental Fund Financial Statements, debt premiums and issuance costs are treated as period costs in the year of issue. Debt issuance costs are shown as an “expenditure” and debt premiums are reflected as an “other financing source”.

In the Government-Wide Statements, debt premiums and issuance costs are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable whereas issuance costs are recorded as other assets.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**J. DEFERRED REVENUE**

In the Governmental Fund Financial Statements, deferred revenue represents funds received in advance of being owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, deferred revenues relate to property tax receivables which are assessed on December 31, and are due and payable between July 1 and July 31, (with provisions for quarterly payments), plus delinquent balances less property tax amounts due as of the balance sheet date and received sixty days thereafter.

**K. PROPERTY TAXES**

The Town is permitted by Rhode Island General Law to levy property taxes. Current tax collections for the Town were approximately 99.2% of the total 2011 levy. The tax rate of the Town is established in accordance with Town Ordinance.

The Town's fiscal 2011-2012 property taxes were levied on June 6, 2011, on assessed valuation as of December 31, 2010. Upon levy, taxes are due and payable between July 1 and July 31 or may be paid quarterly on July 31, October 31, January 31 and April 30. Failure to mail payments by due dates will result in lien on taxpayer's property. Taxable assessed values are established by Tax Assessor's Office and are currently calculated at 100% of the full and fair value for real estate and tangible personal property and the value, as determined by the RI Vehicle Valuation Commission, for motor vehicles. A full revaluation of all property was completed as of December 31, 2011.

Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.25% over that of the preceding fiscal year for 2012. The rate decreases to 4% in 2013.

**L. COMPENSATED ABSENCES**

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2012.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees who have resigned or retired.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
*June 30, 2012*

**M. ACCRUED LIABILITIES AND LONG-TERM DEBT**

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

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

**N. ESTIMATES**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land and land easements	\$ 43,983,624	\$ -	\$ -	\$ 43,983,624
Construction in progress	398,560	244,661	291,115	352,106
	<u>44,382,184</u>	<u>244,661</u>	<u>291,115</u>	<u>44,335,730</u>
Depreciable assets:				
Land improvements and infrastructure	38,965,192	949,763	-	39,914,955
Buildings and improvements	45,985,142	562,288	-	46,547,430
Machinery and equipment	6,819,647	90,929	-	6,910,576
Vehicles	7,433,169	497,202	230,930	7,699,441
	<u>99,203,150</u>	<u>2,100,182</u>	<u>230,930</u>	<u>101,072,402</u>
<b>Total capital assets</b>	<u>143,585,334</u>	<u>2,344,843</u>	<u>522,045</u>	<u>145,408,132</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	21,641,997	1,328,575	-	22,970,572
Buildings and improvements	15,177,468	1,789,986	-	16,967,454
Machinery and equipment	3,810,118	342,260	-	4,152,378
Vehicles	5,814,348	566,436	201,076	6,179,708
<b>Total accumulated depreciation</b>	<u>46,443,931</u>	<u>4,027,257</u>	<u>201,076</u>	<u>\$ 50,270,112</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 97,141,403</u>	<u>\$ (1,682,414)</u>	<u>\$ 320,969</u>	<u>\$ 95,138,020</u>
<b>Business-Type Activities:</b>				
Nondepreciable assets:				
Land	\$ 2,187,780	\$ -	\$ -	\$ 2,187,780
Construction in progress	707,616	2,323,161	2,429,395	601,382
	<u>2,895,396</u>	<u>2,323,161</u>	<u>2,429,395</u>	<u>2,789,162</u>
Depreciable assets:				
System improvements and infrastructure	35,657,464	171,230	-	35,828,694
Buildings and improvements	13,751,657	2,453,695	-	16,205,352
Machinery and equipment	2,287,592	-	-	2,287,592
Vehicles	446,411	11,000	-	457,411
	<u>52,143,124</u>	<u>2,635,925</u>	<u>-</u>	<u>54,779,049</u>
<b>Total capital assets</b>	<u>55,038,520</u>	<u>4,959,086</u>	<u>2,429,395</u>	<u>57,568,211</u>
Less accumulated depreciation for:				
System improvements and infrastructure	14,371,695	746,296	-	15,117,991
Buildings and improvements	5,849,904	481,450	-	6,331,354
Machinery and equipment	1,590,798	83,995	-	1,674,793
Vehicles	401,052	32,882	-	433,934
<b>Total accumulated depreciation</b>	<u>22,213,449</u>	<u>1,344,623</u>	<u>-</u>	<u>23,558,072</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 32,825,071</u>	<u>\$ 3,614,463</u>	<u>\$ 2,429,395</u>	<u>\$ 34,010,139</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 171,642
Public safety	416,915
Public works	1,476,168
Parks and recreation	245,562
Library	8,860
Education	1,708,110
<b>Total Depreciation Expense</b>	<b><u><u>\$ 4,027,257</u></u></b>

Depreciation expense was charged to the business-type functions as follows:

Water	\$ 380,290
Sewer	753,575
Beach	210,758
<b>Total Depreciation Expense</b>	<b><u><u>\$1,344,623</u></u></b>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LEGAL DEBT MARGIN**

The Town's legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value which approximates \$142,924,988. As of June 30, 2012, the Town's debt subject to the legal debt margin is \$21,949,850 and the Town is under the debt limit by \$120,975,138. The debt subject to the debt limitation is based on the type of debt that is issued.

**B. DEFICIT FUND BALANCES**

The following nonmajor governmental funds have deficits in unassigned fund balance: Grants Fund - \$(115,754) and Forfeited Funds - \$(2,565).

**NOTE 4 – CASH DEPOSITS**

**DEPOSITS** – are in six financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and Statement of Net Assets as “Cash and Cash Equivalents”.

	<b><i>Carrying</i></b>
	<b><i>Amount</i></b>
Total Deposits	<u>\$20,733,049</u>
Add: Petty Cash	9,900
Add: Cash on Hand	62,736
Add: Investments classified as cash equivalents	2,894,080
Less: Cash classified as investments	<u>(1,892,261)</u>
<b>Total Cash and Cash Equivalents Reported in the Financial Statements</b>	<b><u><u>\$21,807,504</u></u></b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**CUSTODIAL CREDIT RISK** – custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State Laws as described below. As of June 30, 2012, \$9,005,127 of the Town’s bank balance of \$21,749,679 was exposed to custodial credit risk as follows:

	<b><i>Bank Balance</i></b>
Insured (federal depository insurance funds)	\$12,744,552
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	-
Uninsured and uncollateralized	9,005,127
<b><i>Total</i></b>	<b>\$21,749,679</b>

Under Rhode Island General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2012, the Town's uncollateralized deposits with institutions were \$9,005,127. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

**NOTE 5 – INVESTMENTS**

The Town has investment policies for the Pension Trust Funds:

- Equities (including convertible securities) may represent up to 70% of the account’s market value with a minimum requirement of 25%.
- International Securities should not exceed 20% of the total plan assets.
- Fixed income (including preferred stocks) is not to exceed 75% of the account’s market value with a minimum requirement of 30%.
- Cash equivalents (including all senior debt securities with under 1 year to maturity) may be held to a maximum of 30% of the account’s market value.
- No manager shall hold greater than 15% of the total pension plan assets, calculated on an annual basis.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

- Manager's investments in any one equity security (except mutual funds, exchange traded funds (ETFs), and U.S. Government and Agency securities) should not exceed 5% at cost of the total market value of the respective manager's portfolio, and should not exceed 10% of the portfolio at any time.
- No more than 25% of the equity portfolio should be invested in any one of the following S&P 500 sectors: consumer cyclical, consumer staple, basic industrial, transportation, energy, capital goods and construction, utilities, finance, health care, and technology.
- Fixed income investments will be diversified by industry and by maturity. Not more than 5% of the portfolio value will be invested in any one issuer with the exception of the U.S. Government or its agencies.
- Average effective duration for the fixed income portfolio will not exceed six (6) years.
- At the time of purchase, all holdings must have a rating of A or higher from Moody's or a comparable established rating agency.
- Fixed income investments must be rated at least Baa2 or its equivalent by at least one recognized bond rating service. At least 80% of the fixed income portfolio must carry a rating of A or its equivalent by one rating agency.
- Current holdings that are not rated at least Baa2 or its equivalent by one rating agency must be sold within a reasonable period of time, not to exceed six (6) months.
- The Manager is prohibited from investing in private placements and from speculating in fixed income or interest rate futures.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

As of June 30, 2012 the Town had the following investments:

<u><b>Investments</b></u>	<u><b>Fair Value</b></u>	<u><b>Rating (Moody's)</b></u>
Corporate Bonds	\$ 798,201	A1
Corporate Bonds	731,036	A2
Corporate Bonds	1,124,076	A3
Corporate Bonds	25,400	AA1
Corporate Bonds	72,618	AA2
Corporate Bonds	747,200	AA3
Corporate Bonds	35,231	AAA
Corporate Bonds	236,709	BAA1
Corporate Bonds	622,830	BAA2
Corporate Bonds	74,739	BAA3
Corporate Bonds	217,500	Not rated
Municipal Obligations	34,267	A2
Municipal Obligations	21,182	AA3
US Government Obligations	1,041,436	AAA
US Gov. Agency Obligations	125,638	AA2
US Gov. Agency Obligations	713,453	AAA
Mortgage Backed Securities	113,554	AA2
Mortgage-Backed Securities	1,173,516	AAA
Mortgage-Backed Securities	359,922	AAA
Mutual Funds & ETFs - Fixed Income	1,925,726	Average AA
Mutual Funds & ETFs - Fixed Income	1,483,915	Average AA-
Mutual Funds & ETFs - Fixed Income	224,282	Average B
Mutual Funds & ETFs - Fixed Income	3,869,271	Average BBB
Mutual Funds & ETFs - Equities	15,213,162	Not applicable
Common Stock	19,133,938	Not applicable
Preferred Stock	116,280	Not applicable
Money Market Funds	83,589	Not rated
Money Market Funds	2,828,043	Aaa - mf
Hedge Fund	2,300,000	Not applicable
Fund of Funds	7,238	Not applicable
Mutual Fund - US Gov. Obligations	560	Not applicable
Mutual Fund - Other	1,084,776	Not applicable
Exchange Traded Fund - Bond	1,239,191	Average A+
Dollar Index Trust	130,933	Not applicable
Real Estate Investment Trust	94,874	Not applicable
Annuity	426,725	Not applicable
Other	29,518	Not applicable
	<hr/>	
	58,460,529	
Less: Investment classified as cash and cash equivalents	(2,894,080)	
Add: Cash classified as investments	1,892,261	
	<hr/>	
<b><i>Total investments reported in the financial statements</i></b>	<b><u><u>\$ 57,458,710</u></u></b>	



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**Interest Rate Risk** – Except as discussed above for the Pension Trust Funds, the Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the exposure of the Town’s securities to this risk is presented below:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>						
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>	<u>21-25 Years</u>	<u>26-30 Years</u>
Corporate Bonds	\$ 4,685,540	\$ 1,163,225	\$ 1,434,066	\$ 2,088,249	\$ -	\$ -	\$ -	\$ -
Municipal Obligations	55,449	-	21,182	34,267	-	-	-	-
US Government Obligations	1,041,436	200,508	488,813	352,115	-	-	-	-
US Agency Obligations	839,091	-	-	125,638	77,283	-	575,518	60,652
Mortgage-Backed Securities	1,646,992	-	1,043,350	252,955	110,335	-	10,689	229,663
Mutual Funds & ETFs -								
Fixed Income	7,503,194	-	4,216,641	3,286,553	-	-	-	-
Money Market Funds	2,911,632	2,911,632	-	-	-	-	-	-
Exchange Traded Fund - Bond	1,239,191	-	-	1,239,191	-	-	-	-
<b>Total</b>	<b>\$19,922,525</b>	<b>\$ 4,275,365</b>	<b>\$ 7,204,052</b>	<b>\$ 7,378,968</b>	<b>\$187,618</b>	<b>\$ -</b>	<b>\$ 586,207</b>	<b>\$ 290,315</b>

Mutual fund and exchange traded fund maturity based on average maturity of the fund.

**Credit Risk** – The Town is governed by State Laws that limit investment choices to short-term investments for its public deposits (General Fund). Except as discussed above for the Pension Trust Funds, the Town has no investment policy that would further limit its investment choices. The ratings for the Town’s investments are presented above.

**Concentration of Credit Risk** – Except as discussed above for the Pension Trust Funds, the Town does not have any policies that limit the amount that can be invested with one issuer.

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure 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 an outside party. The Town does not have a policy related to custodial credit risk. The Town’s investments are held by the Town’s counterparty not in the Town’s name.

**Foreign Currency Risk** – Except as discussed above for the Pension Trust Funds, the Town does not have any policies related to foreign currency risk. Information about exposure of the Town’s securities to this risk is presented below:

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

<u>Currency</u>	<u>Fair Value</u>	
	<u>Equities</u>	<u>Fixed Income Securities</u>
Australian dollar	\$ 244,384	\$ 37,182
Bermudian dollar	80,456	-
Brazilian real	46,423	-
British pound	1,350,153	166,721
Canadian dollar	177,896	25,400
Danish krone	63,795	-
Euro	1,343,352	326,716
Hong Kong dollar	147,190	-
Israeli new shekel	147,111	-
Japanese yen	459,856	-
Mexican peso	-	26,787
New Zealand dollar	56,608	-
Norwegian krone	48,715	-
Russian ruble	33,250	-
South African rand	74,939	-
Swedish krona	73,953	-
Swiss franc	362,426	-
<b>Total</b>	<b>\$ 4,710,507</b>	<b>\$ 582,806</b>

The Town's investment in mutual funds and ETFs – fixed income includes \$1,228,496 in international bond funds.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 6 – LONG TERM LIABILITIES**

**A. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds, notes, loans and capital leases payable:</b>					
General obligation bonds	\$ 21,126,138	\$ -	\$ 1,151,138	\$ 19,975,000	\$ 1,110,000
Notes and loans payable	2,431,625	-	337,621	2,094,004	189,319
Capital leases payable	93,226	142,041	82,422	152,845	81,842
	<u>23,650,989</u>	<u>142,041</u>	<u>1,571,181</u>	<u>22,221,849</u>	<u>1,381,161</u>
Plus amortized premium on bonds	696,346	-	39,048	657,298	-
Less deferred amount of refundings	(61,016)	-	(15,252)	(45,764)	-
<b>Total bonds, notes, loans and capital leases</b>	<u>24,286,319</u>	<u>142,041</u>	<u>1,594,977</u>	<u>22,833,383</u>	<u>1,381,161</u>
<b>Other liabilities:</b>					
Compensated absences	3,280,766	308,301	96,917	3,492,150	733,920
Pollution remediation obligations	2,319,752	18,907	72,396	2,266,263	77,331
Net pension obligation	13,315,372	2,161,207	-	15,476,579	-
Net other post employment benefit obligation	13,599,216	2,839,142	-	16,438,358	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$ 56,801,425</u>	<u>\$ 5,469,598</u>	<u>\$ 1,764,290</u>	<u>\$ 60,506,733</u>	<u>\$ 2,192,412</u>
<b>Business Type Activities:</b>					
<b>Bonds, notes and loans payable:</b>					
General obligation bonds	\$ 313,860	\$ -	\$ 113,860	200,000	\$ 50,000
Notes and loans payable	6,324,441	-	729,258	5,595,183	737,862
	<u>6,638,301</u>	<u>-</u>	<u>843,118</u>	<u>5,795,183</u>	<u>787,862</u>
Less deferred amount on refundings	(9,533)	-	(2,383)	(7,150)	-
<b>Total bonds, notes and loans</b>	<u>6,628,768</u>	<u>-</u>	<u>840,735</u>	<u>5,788,033</u>	<u>787,862</u>
<b>Other liabilities:</b>					
Compensated absences	377,096	49,472	1,720	424,848	66,714
<b>Business-Type Activities Long-Term Liabilities</b>	<u>\$ 7,005,864</u>	<u>\$ 49,472</u>	<u>\$ 842,455</u>	<u>\$ 6,212,881</u>	<u>\$ 854,576</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

All debt of the Governmental Activities is general obligation debt. The payments on the bonds, notes and loans are made from the Debt Service Fund. The capital leases are paid from the General Fund and Debt Service Fund. The compensated absences from Governmental Activities are paid from the General Fund.

**B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2012, were as follows:

<u>Fiscal Year Ended June 30,</u>	<i>Governmental Activities General Obligation Bonds</i>		<i>Business-Type Activities General Obligation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2013	\$1,110,000	\$882,900	\$50,000	\$7,000
2014	1,125,000	846,500	55,000	4,900
2015	1,150,000	809,550	45,000	2,900
2016	1,170,000	767,900	50,000	1,000
2017	890,000	731,600	-	-
2018-2022	5,120,000	2,975,250	-	-
2023-2027	6,395,000	1,711,750	-	-
2028-2029	3,015,000	228,000	-	-
	<u>\$19,975,000</u>	<u>\$8,953,450</u>	<u>\$200,000</u>	<u>\$15,800</u>

**C. NOTES AND LOANS PAYABLE DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2012, were as follows:

<u>Fiscal Year Ending June 30,</u>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2013	\$189,319	\$36,778	\$737,862	\$132,225
2014	143,095	32,539	747,608	110,393
2015	146,950	30,072	547,151	92,099
2016	149,885	27,536	452,195	79,152
2017	153,906	24,929	462,394	67,676
2018-2022	832,927	82,653	1,914,973	171,096
2023-2027	371,922	23,281	733,000	23,422
2028-2030	106,000	3,296	-	-
	<u>\$2,094,004</u>	<u>\$261,084</u>	<u>\$5,595,183</u>	<u>\$676,063</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2012**

**D. CAPITAL LEASE COMMITMENTS**

Obligations of governmental activities under capital leases at June 30, 2012 were as follows:

<u><i>Fiscal Year Ended June 30,</i></u>	<u><i>Lease Payment Requirements</i></u>
2013	\$ 86,051
2014	36,699
2015	36,699
Total minimum lease payments	<u>159,449</u>
Less: Amount representing interest cost	<u>(6,604)</u>
Present value of minimum lease payments	<u><u>\$152,845</u></u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
 June 30, 2012

**E. BONDS, NOTES AND LOANS PAYABLE**

<i>Purpose</i>	<i>Date Issued</i>	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Authorized and Issued</i>	<i>Outstanding June 30, 2011</i>	<i>New Issues</i>	<i>Maturities During Year</i>	<i>Outstanding June 30, 2012</i>
<b>Governmental Activities:</b>								
<b>Bonds Payable:</b>								
Open Space	07/13/2004	2.50-3.75%	08/15/2011	\$ 473,835	\$ 61,138	\$ -	\$ 61,138	\$ -
Pavement Management/Pier School	07/13/2004	2.50-4.00%	08/15/2015	3,740,000	1,610,000	-	330,000	1,280,000
School Construction	05/14/2009	3.00-5.00%	04/01/2029	20,910,000	19,455,000	-	760,000	18,695,000
<b>Total Governmental Bonds</b>					<u>21,126,138</u>	<u>-</u>	<u>1,151,138</u>	<u>19,975,000</u>
<b>Notes and Loans Payable:</b>								
Towers Rehabilitation	05/15/2002	4.95%	05/15/2012	510,000	51,000	-	51,000	-
Rose Hill Closing and Capping	09/03/2002	1.68%	09/01/2022	2,000,000	1,331,625	-	94,621	1,237,004
Narrow River	12/12/2007	1.64-2.04%	09/01/2029	600,000	575,000	-	26,000	549,000
Landfill Closure	12/15/2005	1.59-2.00%	09/01/2025	350,000	274,000	-	16,000	258,000
Camp Jori	06/05/2003	3.70%	06/05/2013	500,000	100,000	-	50,000	50,000
School Emergency Power	10/18/2006	4.62%	10/15/2011	500,000	100,000	-	100,000	-
<b>Total Governmental Notes and Loans</b>					<u>2,431,625</u>	<u>-</u>	<u>337,621</u>	<u>2,094,004</u>
<b>Total Governmental Activities</b>					<u>23,557,763</u>	<u>-</u>	<u>1,488,759</u>	<u>22,069,004</u>
<b>Business-Type Activities:</b>								
<b>Bonds Payable:</b>								
Water Bond	07/13/2004	2.50-4.00%	08/15/2015	585,000	255,000	-	55,000	200,000
Sewer Bond	07/13/2004	2.50-3.75%	08/15/2011	456,165	58,860	-	58,860	-
<b>Total Business-Type Bonds</b>					<u>313,860</u>	<u>-</u>	<u>113,860</u>	<u>200,000</u>
<b>Notes and Loans Payable:</b>								
Sewer Projects	03/12/1992	4.19%	09/01/2013	4,189,137	628,053	-	209,351	418,702
Sewer Projects	06/29/1994	3.46%	09/01/2014	2,100,000	420,000	-	105,000	315,000
Sewer Projects	08/25/1999	3.25%	09/01/2019	780,000	403,530	-	40,127	363,403
Sewer Projects	02/04/1999	3.00%	09/01/2019	3,500,000	1,789,858	-	179,780	1,610,078
Briggs Farm Sewer Project	11/13/2003	0.97-2.12%	09/01/2024	4,200,000	3,083,000	-	195,000	2,888,000
<b>Total Business-Type Notes and Loans</b>					<u>6,324,441</u>	<u>-</u>	<u>729,258</u>	<u>5,595,183</u>
<b>Total Business-Type Activities</b>					<u>6,638,301</u>	<u>-</u>	<u>843,118</u>	<u>5,795,183</u>
<b>Total Bonds, Notes and Loans Payable</b>					<u>\$ 30,196,064</u>	<u>\$ -</u>	<u>\$ 2,331,877</u>	<u>\$ 27,864,187</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**F. POLLUTION REMEDIATION OBLIGATIONS**

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 \$21,955,416. The Town's share of this obligation is estimated to be \$4,625,621. In prior years, the Town paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill and \$504,931 for its share of natural resource damages. The Final Consent Decree also requires reimbursement to the State of 30% of the costs associated with remediation of this landfill and ongoing operation and maintenance costs. These costs will be shared equally by the two towns. The Town's remaining share of the estimated cost, totaling \$1,976,263 at June 30, 2012, will be paid to the State over a 26-year period. Accordingly, \$1,976,263 has been reported as a pollution remediation obligation in the 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 Towns of Narragansett and South Kingstown and the University of Rhode Island (URI) were named as potentially responsible parties. The Towns of Narragansett and South Kingstown and URI have agreed to participate in the remediation of the site under State landfill closure regulations. A consent decree was entered for the site as well. The current estimated cost of completing the clean-up of Plains Road is \$7,652,693. The Town's share of this obligation is estimated to be \$1,766,124. In prior years, the Town paid \$1,476,124 related to its obligation with an estimated \$290,000 remaining for ongoing operation and maintenance costs at June 30, 2012. Accordingly, \$290,000 has been reported as a pollution remediation obligation in the government-wide financial statements.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**NOTE 7 – INTERFUND BALANCES**

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

	<i>Due From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Internal Service Fund</i>	<i>Pension Trust Funds</i>	
<b><i>Due To:</i></b>					
General Fund	\$ 3,982,913	\$ 498,513	\$ 17,986	\$ 2,026,697	\$ 6,526,109
Nonmajor Governmental Funds	3,781,831	-	-	-	3,781,831
Water Fund	1,552,536	-	-	-	1,552,536
Sewer Fund	6,122,315	-	-	-	6,122,315
Beach Fund	207,198	-	-	-	207,198
OPEB Trust Fund	636,212	-	-	-	636,212
Private Purpose Trust Funds	84,565	-	-	-	84,565
Agency Funds	150,745	-	-	-	150,745
<b><i>Total</i></b>	<b><u>\$ 16,518,315</u></b>	<b><u>\$ 498,513</u></b>	<b><u>\$ 17,986</u></b>	<b><u>\$ 2,026,697</u></b>	<b><u>\$ 19,061,511</u></b>

The balances primarily result from the time lag between the dates the 1) transactions are recorded in the accounting system and 2) payments between funds are made.

**NOTE 8 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>		<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	
<b><i>Transfer To:</i></b>			
General Fund	\$ -	\$ 475,000	\$ 475,000
Nonmajor Governmental Funds	4,278,380	3,368,730	7,647,110
<b><i>Total</i></b>	<b><u>\$ 4,278,380</u></b>	<b><u>\$ 3,843,730</u></b>	<b><u>\$ 8,122,110</u></b>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them.



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**NOTE 9 – NET ASSETS/FUND BALANCES**

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

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

***Restricted Net Assets*** – This category represents external restrictions imposed by grantors or laws and regulations.

***Unrestricted Net Assets*** – This category represents net assets of the Town, not restricted for any project or other purpose.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

***Nonspendable Fund Balance*** – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories and prepaid expenditures).

***Restricted Fund Balance*** – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

***Committed Fund Balance*** – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority.

***Assigned Fund Balance*** – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

***Unassigned Fund Balance*** – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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Committed fund balances are established, modified or rescinded by an ordinance adopted by the Town Council. 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. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

**NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**A. ACCOUNTS RECEIVABLE**

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year, except for sewer assessments, sewer lot development fees and community development loans receivable. The real estate and personal property tax receivable includes an allowance for doubtful accounts of \$300,000.

**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2012, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<b>Governmental activities:</b>				
General Fund	\$ 388,310	\$ 270,786	\$ 1,051,446	\$ 1,710,542
Other Governmental Funds	168,231	1,433	-	169,664
Internal Service Fund	8,846	391	-	9,237
<b>Total</b>	<u>\$ 565,387</u>	<u>\$ 272,610</u>	<u>\$ 1,051,446</u>	<u>\$ 1,889,443</u>
<b>Business-Type activities:</b>				
Water Fund	\$ 106,803	\$ 50	\$ 17,157	\$ 124,010
Sewer Fund	25,892	960	-	26,852
Beach Fund	18,404	31,024	-	49,428
<b>Total</b>	<u>\$ 151,099</u>	<u>\$ 32,034</u>	<u>\$ 17,157</u>	<u>\$ 200,290</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2012**

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

***Plan Description***

The Town of Narragansett administers a single-employer, defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 16. The plan provides medical, dental and life insurance for eligible retirees and their dependents through the Town's group insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions or as established by the Town Ordinance for non-union employees. On August 1, 2011 the Town Council authorized the creation of an OPEB Trust Fund. As such, the plan will be reported as a Trust Fund in the Town's financial statements in fiscal year 2012. The plan does not issue a publicly available financial report.

The plan provides the following benefits based on employee group:

**Municipal Employees** – Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental and life insurance benefits. Employees retiring prior to January 1, 2010 have no employee contribution. If the employee has a spouse, then the Town shall provide an individual health plan for the spouse. The following employee contribution requirements apply to employees retiring on/after January 1, 2010:

- Council 94 – date of retirement prior to January 1, 2012 – 2% of monthly pension; date of retirement on/after January 1, 2012 – 10% of health and dental premiums; date of retirement on/after July 1, 2012 – 12% of health and dental premiums; date of retirement on/after July 1, 2013 – 15% of health and dental premiums
- Local 1033 – date of retirement prior to January 1, 2012 – 2% of monthly pension; date of retirement on/after January 1, 2012 – 10% of health and dental premiums; date of retirement on/after July 1, 2013 – 12% of health and dental premiums; date of retirement on/after July 1, 2014 – 15% of health and dental premiums
- Non-Union – 2% of monthly pension

**Firefighters** – Employees who have 20 years of service are eligible for lifetime medical, dental and life insurance benefits. Employees retiring prior to January 1, 2011 have no employee contribution. Employees retiring on/after January 1, 2011 must contribute 20% of their health premium.

**Police Officers** – Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental and life insurance benefits. Employees retiring prior to January 1, 2010 have no employee contribution. Employees retiring on/after January 1, 2010 but prior to January 1, 2011 must contribute 2% of their monthly pension and employees retiring on/after January 1, 2011 must contribute 5% of their monthly pension towards health, dental and life insurance costs.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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Current and future Town retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed a percentage of the Town’s group health and dental cost depending on their coverage level (municipal and fire employees – 50% and police employees – 60%).

**Certified Teachers** – Employees are eligible for health and dental benefits until Medicare eligibility once they meet the retirement eligibility requirements of the Employees Retirement System. Retirees are responsible for 100% of the premium cost plus a 2% administrative fee once any accrued sick leave balance which is converted to pay for health and dental insurance has been exhausted.

**Other School Employees** – Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for health and dental benefits until Medicare eligibility. Retirees are responsible for 100% of the premium cost plus a 2% administrative fee once any accrued sick leave balance which is converted to pay for health and dental insurance has been exhausted.

School Department employees may convert accumulated vacation and sick pay, as applicable, to be used to purchase health and dental insurance based on requirements applicable to their employee group.

As of July 1, 2012 the plan membership data is as follows:

	<i><b>Town</b></i>	<i><b>School</b></i>	<i><b>Total</b></i>
Active employees (with and without coverage)	164	257	421
Retirees and beneficiaries	114	55	169
	278	312	590

***Funding Policy***

Contribution requirements are negotiated between the Town and the respective unions or are established by Town Ordinance for non-union employees. The Town is required to contribute the cost of medical, dental and life benefits, less the amount of any applicable employee share of premiums. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the Town contributed \$3,343,632 to the plan. Administrative costs are paid from plan assets.

***Summary of Significant Accounting Policies***

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

**Method Used to Value Investments** – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Annual required contribution (ARC)	\$5,960,237	\$445,449	\$6,405,686
Interest on net OPEB obligation	601,516	10,449	611,965
Adjustment to annual required contribution	(820,622)	(14,255)	(834,877)
Annual OPEB cost	5,741,131	441,643	6,182,774
Contributions made	(3,069,142)	(274,490)	(3,343,632)
Increase in net OPEB obligation	2,671,989	167,153	2,839,142
Net OPEB obligation, beginning of year	13,367,023	232,193	13,599,216
Net OPEB obligation, end of year	<u>\$16,039,012</u>	<u>\$399,346</u>	<u>\$16,438,358</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/10	\$6,549,964	22.1%	\$10,124,232
6/30/11	5,615,691	38.1%	13,599,216
6/30/12	6,182,774	54.1%	16,438,358

**Funded Status and Funding Progress**

The funded status of the Town's plan as of July 1, 2011, the most recent actuarial valuation, is as follows:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$60,598,047	\$3,721,274	\$64,319,321
Actuarial Value of Plan Assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$60,598,047</u>	<u>\$3,721,274</u>	<u>\$64,319,321</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%	0%	0%
Annual Covered Payroll (Active Plan Members)	\$8,644,525	\$15,293,489	\$23,938,014
UAAL as a Percentage of Covered Payroll	701.0%	24.3%	268.7%

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

***Actuarial Methods and Assumptions***

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

The July 1, 2011 actuarial valuation used the projected unit credit funding actuarial cost method (with linear proration to decrement). Under this funding method, projected benefits are assumed to accrue on a straight line basis from the date of hire to the date of retirement for each participant. Normal cost for a participant is the present value of the projected benefit which accrues in the current plan year. Normal cost for the plan is the sum of the normal costs for all participants. The actuarial assumptions included: a) 4.5% discount rate; b) 3% inflation rate; and c) healthcare trend rates –

<u><i>FYE</i></u>	<u><i>Medical</i></u>	<u><i>Dental</i></u>	<u><i>Part B</i></u>
2013	10.00%	5.00%	3.00%
2014	9.00%	4.50%	3.25%
2015	8.00%	4.00%	3.50%
2016	7.00%	3.50%	3.75%
2017	6.50%	3.00%	4.00%
2018	6.00%	3.00%	4.25%
2019	5.50%	3.00%	4.25%
2020+	5.00%	3.00%	4.25%

The unfunded actuarial accrued liability as of July 1, 2011 is being amortized using level dollar amortization over 30 years based on an open group. The plan had no assets as of the July 1, 2011 actuarial valuation.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT 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 \$1,355,682 for the year ended June 30, 2012.

The Town is a party to various 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.

**NOTE 13 – RISK MANAGEMENT**

The Town of Narragansett 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 and School Department participate in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims for the Town and School Department and workers' compensation claims for the Town. Upon joining the Trust, the Town and School Department signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town/School Department. The agreement states that for premiums paid by the Town/School Department, the Trust will assume financial responsibility for losses up to the maximum amount of insurance purchased, minus any 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. The School Department has purchased commercial insurance for workers' compensation claims. Settled claims resulting from these risks have not exceeded the Trust or commercial insurance coverage in any of the past three fiscal years.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
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**NOTE 14 – RESTATEMENTS**

The following restatements were recorded to beginning net assets and fund balances in the accompanying financial statements:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>School Department</u>	<u>Nonmajor Governmental Funds</u>	
Net assets/fund balances as previously reported , June 30, 2011	\$ 59,128,974	\$ 6,242,740	\$ 5,082,199	\$ 4,000,734	
Reclassify funds that do not meet the GASB 54 definition of a fund	-	5,547,936	(4,944,961)	(602,975)	
Reclassify to Nonmajor Governmental Funds	-	-	(137,238)	137,238	
Correct prior year due from state	50,000	-	-	50,000	
Correct erroneous reporting of WB Community Health net assets	(1,328,430)	(1,328,430)	-	-	
Correct prior year revenues	(56,017)	(56,017)	-	-	
Correct prior year expenditures	8,164	11,225	-	(3,061)	
Correct prior year accumulated depreciation	(3,074,329)	-	-	-	
Correct prior year capital asset balances	229,949	-	-	-	
Correct prior year accrued compensated absences payable	130,338	-	-	-	
Record prior year pollution remediation liability	(290,000)	-	-	-	
Correct prior year net pension obligation	(1,164,200)	-	-	-	
Correct prior year net OPEB obligation	1,587,782	-	-	-	
<b>Net assets/fund balances as restated , June 30, 2011</b>	<b>\$ 55,222,231</b>	<b>\$ 10,417,454</b>	<b>\$ -</b>	<b>\$ 3,581,936</b>	
	<u>Business-Type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Pension Trust Funds</u>
Net assets as previously reported, June 30, 2011	\$ 36,796,718	\$ 5,854,766	\$ 25,260,322	\$ 5,681,630	\$ 55,734,621
Correct prior year accumulated depreciation	(27,944)	94,127	62,463	(184,534)	-
Correct prior year capital asset balances	(114,115)	-	(114,115)	-	-
Correct prior year accrued compensated absences payable	(62,680)	(30,790)	(31,890)	-	-
Correct prepaid expenses	-	-	-	-	68,145
Correct accrued interest receivable	34,861	-	34,861	-	76,895
<b>Net assets as restated, June 30, 2011</b>	<b>\$ 36,626,840</b>	<b>\$ 5,918,103</b>	<b>\$ 25,211,641</b>	<b>\$ 5,497,096</b>	<b>\$ 55,879,661</b>



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**NOTE 15 – SUBSEQUENT EVENT**

- A. On October 18, 2012 the Town issued \$974,000 in general obligation bonds. The bonds mature October 18, 2013 – October 18, 2019 and bear interest of 2.45%.
- B. In July 2012, the School Department entered in to a \$193,495 capital lease agreement for the purchase of computers and related equipment. The lease term is four years and has an interest rate of 2.25%.

**NOTE 16 – PENSION PLANS**

**A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND**

All Narragansett Public School certified school personnel participate in the Employees' Retirement System of the State of Rhode Island ("ERS"), a cost-sharing multiple-employer defined benefit plan administered by the State of Rhode Island. The payroll for employees covered by the ERS for the year ended June 30, 2012 was \$11,998,690 which consisted of \$362,033 for employees charged to federal programs and \$11,636,657 for all other employees.

The State of Rhode Island's Employees' Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Avenue, Warwick, Rhode Island 02886 or at [www.ersri.org](http://www.ersri.org).

***Plan Description***

Eligibility and benefit provisions are established by Rhode Island General Laws, Title 16, Chapter 16-16, which are subject to amendment by the General Assembly. All Narragansett School Department certified school personnel are eligible to participate in the System if they are certified by the Board of Regents, engaged in teaching as principal occupation and are regularly employed on at least a half time basis. Superintendents, principals, business agents and other administrators participate as teachers. The plan provides retirement and disability benefits, annual cost-of-living adjustments (COLAs), and death benefits to plan members and beneficiaries.

***Funding Policy***

The funding policy is established by Rhode Island General Laws, Title 16, Chapter 16-16. Covered employees were required by State Statute to contribute 9.5% of their salary to the plan. The State and the School Department are required to contribute an amount determined annually by the actuary and as provided by State Statute. The split between the State and the School Department is specified by State Statute. The contribution requirement for the year ended June 30, 2012 was 22.32%. The Teachers' Plan cost is paid 60% by the School Department and 40% by the State. However, the State will pay the total cost of the contribution deferrals which were .27% for the year ended June 30, 2012. This results in a contribution requirement for Schools of 13.23% and a contribution requirement for the State of 9.09%.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

The State contribution for the cut off year ended June 30, 2012 was \$1,057,772, which represented 8.82% of covered payroll. The payments made by the State to the Employees' Retirement System are considered on behalf of payments and are reported as a revenue and as an expenditure in the financial statements. The contribution requirement for the cut off year ended June 30, 2012 was \$2,755,863, which consisted of \$1,617,408 from the School Department (\$78,686 for federal employees and \$1,538,722 for other employees), and \$1,138,455 from employees. These contributions represented 13.48% and 9.5% of covered payroll respectively. The annual required contribution was determined as part of the June 30, 2009 actuarial valuation.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contribution represented 1.12% of total contributions required of all participating entities.

**Three-Year Trend Information**

<i>Fiscal Year</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2010	\$1,408,884	100%
2011	1,389,248	100%
2012	1,617,408	100%

***Pension Reform Impacting Future Periods***

In November 2011, the Rhode Island General Assembly enacted comprehensive pension reform legislation which included implementing a supplemental defined contribution plan and other benefit and eligibility changes including changes in the automatic COLA, including suspension/reduction of COLAs. The above changes and other provisions of the reform enacted are effective July 1, 2012.

**B. 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 Town Ordinance. The Police Plan, which is closed to new entrants, is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Police Plan that includes financial statements and required supplementary information (RSI).

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

At July 1, 2012, the date of the latest actuarial valuation, employee membership related to the plan was as follows:

Retirees and beneficiaries	<u>12</u>
<b>Total</b>	<u><u>12</u></u>

The following eligibility and benefit provisions were established and may be amended by Town Ordinance. A police officer may retire upon the earlier of attainment of age 65 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% joint and 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 67.5% of the member's accrued benefit continuing until his/her death or remarriage.

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

***Summary of Significant Accounting Policies***

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

**Method Used to Value Investments** – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

***Funding Policy***

Contribution requirements are established and maybe amended by Town Ordinance. Employees are not required to contribute to the Police Plan since there are not 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.

***Annual Pension Cost and Net Pension Obligation***

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution (ARC)	\$131,117	\$125,293	\$77,093
Interest on net pension obligation	1,950	2,312	5,551
Adjustment to ARC	<u>(2,048)</u>	<u>(2,428)</u>	<u>(5,830)</u>
Annual pension cost	131,019	125,177	76,814
Contributions made	<u>(102,200)</u>	<u>(130,000)</u>	<u>(120,000)</u>
Increase (decrease) in net pension obligation	28,819	(4,823)	(43,186)
Net pension obligation, beginning of year	<u>26,006</u>	<u>30,829</u>	<u>74,015</u>
Net pension obligation, end of year	<u>\$54,825</u>	<u>\$26,006</u>	<u>\$30,829</u>
Percentage of annual pension cost contributed	78.00%	103.85%	156.22%

The annual required contribution was determined as part of the July 1, 2011 actuarial valuation. The actuarial method used is the entry age normal actuarial cost method. In determining the annual required contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over the expected future lifetime of the plan participants. Significant actuarial assumptions used in the July 1, 2011 valuation include the following:

- 1) Investment return – 7.5%
- 2) Projected salary increases – not applicable – no active employees

The actuarial value of assets is equal to the market value of assets on the valuation date. The unfunded actuarial accrued liability is being amortized using level dollar amortization over the average expected lifetime of the participants based on a closed group. The remaining amortization period at July 1, 2011 was 10 years.

***Funded Status and Funding Progress***

As of July 1, 2012, the Police Plan was 0% funded. The actuarial accrued liability for benefits was \$1,150,580 and the actuarial value of assets was (\$3,065), resulting in an unfunded actuarial accrued liability (UAAL) of \$1,153,645. There is no covered payroll as there are no active participants. The July 1, 2012 actuarial valuation used the same methods and assumptions discussed above under Annual Pension Cost and Net Pension Obligation, except the amortization period was changed from 10 to 13 years and a 3% cost of living adjustment has been applied for eligible employees.

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 Financial Statements**  
**June 30, 2012**

**C. 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 Employees' Retirement System of Rhode Island and any police officer covered under the Police Plan who has refused to join the Town Plan. The Town Plan was established by the Town in accordance with Town Ordinance. The Town Plan is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Town Plan that includes financial statements and required supplementary information (RSI). Covered payroll for the Town Plan for the year ended June 30, 2012 was \$11,765,753.

As of July 1, 2012, the date of the latest actuarial valuation, employee membership data related to the Town Plan is as follows:

Active employees	258
Terminated vested participants	13
Retirees and beneficiaries	168
	<u>439</u>

The following eligibility and benefit provisions were established and may be amended by Town Ordinance. 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 hired prior to July 1, 2011 may retire upon completion of 20 years of credited service. A firefighter hired on or after July 1, 2011, may retire upon completion of 23 years from their date of hire with a minimum of 20 years of credited service. For employees hired prior to July 1, 2011, 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). For Council 94 and Local 1033 employees hired on or after July 1, 2011, the normal retirement benefit is equal to 2% of final average compensation multiplied by years of credited service up to 20 and 2.5% of final average compensation multiplied by years of service in excess of 20, limited to 14 (subject to a maximum benefit of 75% of final average compensation). Chapter 1666 participants are entitled to a benefit equal to 50% of final earnings. Final average compensation is the average annual basic compensation during the highest three consecutive years of service. In lieu of the normal form of benefit, any member 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.

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

The Town Plan includes death benefits. Beneficiaries of municipal employees receiving death benefits for nonoccupational causes shall be entitled to the greater of a) 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) or b) for municipal employees with 10 or more years of credited service, a refund of employee contributions with interest plus a monthly benefit of 50% of the member's accrued benefit. For occupational causes, the death benefit is a refund of the municipal employee's contributions with interest, plus a benefit equal to 50% of compensation.

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

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

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

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 final average compensation multiplied by years of credited service (subject to a minimum of 25% and a maximum of 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 the date of disability, reduced by the monthly value of any payments provided for the member under any workers' compensation law.

Retirees receive cost of living adjustments (COLA) as follows:

- a) **Municipal Employees** – who retire, except for employees of the school department, on or after July 1, 2002 shall receive annual 3% compounded COLAs beginning on the July 1 of the year that the employee turns 58 years old.
- b) **Firefighters** – who retire on or after July 1, 2002 shall receive annually 3% compounded COLAs beginning on the July 1 of the year that the firefighter turns 52 years old.
- c) **Police Officers** – who retire on or after July 1, 2002 shall receive annual 3% compounded COLAs 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 police officer's retirement.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

**Summary of Significant Accounting Policies**

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

**Method Used to Value Investments** – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

**Funding Policy** – Contribution requirements are established and may be amended by Town Council Ordinance or union contract.

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

Police	9% of base salary, holiday, incentive and longevity
Fire	9% of base salary, holiday, incentive and longevity increasing to 9.5% as of 12/1/2011
Mid-managers; laborers; clerical	9% of base salary and longevity
Council 94; Local 1033; non-union; school	9% of base salary

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

**Annual Pension Cost and Net Pension Obligation**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual required contribution (ARC)	\$4,359,974	\$3,581,961	\$2,462,870
Interest on net pension obligation (NPO)	996,702	876,584	811,757
Adjustment to ARC	<u>(1,046,723)</u>	<u>(920,576)</u>	<u>(852,495)</u>
Annual pension cost	4,309,953	3,537,969	2,422,132
Contributions made	<u>(2,177,565)</u>	<u>(1,936,385)</u>	<u>(1,557,772)</u>
Increase in net pension obligation	2,132,388	1,601,584	864,360
Net pension obligation, beginning of year	<u>13,289,366</u>	<u>11,687,782</u>	<u>10,823,422</u>
Net pension obligation, end of year	<u>\$15,421,754</u>	<u>\$13,289,366</u>	<u>\$11,687,782</u>
Percentage of annual pension cost contributed	50.52%	54.73%	64.31%

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2012**

The annual required contribution was determined as part of the July 1, 2011 actuarial valuation using the entry age normal cost actuarial 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 a closed 30 year period. Significant actuarial assumptions used in July 1, 2011 valuation are summarized as follows:

- 1) Investment return – 7.5%
- 2) Projected salary increases – 4% compounded annually
- 3) Cost of living adjustment – Council 94 – 3% increase once eligible with a simple COLA occurring once the benefit reaches \$35,000; Local 1033 – 3% increase once eligible and for employees retiring after January 1, 2012, a 3% increase with a simple COLA occurring once the benefit reaches \$45,000; all others – 3% once eligible

The actuarial value of assets is equal to the fair market value of assets adjusted for a 5 year phase-in of gains and losses on fair market value of assets.

**Funded Status and Funding Progress** – As of July 1, 2012, the most recent actuarial valuation, the Town Plan was 57.5% funded. The actuarial accrued liability for benefits was \$98,815,043, and the actuarial value of assets was \$56,809,355, resulting in an unfunded actuarial accrued liability (UAAL) of \$42,005,688. The covered payroll (annual payroll of active employees covered by the plan) was \$12,485,365, and the ratio of the UAAL to covered payroll was 336.5%. The July 1, 2012 actuarial valuation used the same assumptions and methods discussed above under Annual Pension Cost and Net Pension Obligation, except the projected salary increase assumption was changed to 4-6% based on age.

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



## **REQUIRED SUPPLEMENTARY INFORMATION**

**Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:**

- **Schedule of Funding Progress - Pension Plans and Other Postemployment Benefit Plans**
- **Budgetary Comparison Schedule - General Fund**

**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 - Pension Plans and Other Post-Employment Benefit Plan**  
**Schedule of Funding Progress (1)**  
**"Unaudited"**

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) (2)</i>	<i>Unfunded Liability/ (Funding Excess)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability/ (Funding Excess) as a Percentage of Covered Payroll</i>
<b>Police Pension Plan</b>							
	7/1/2007	\$ (106,318)	\$ 846,266	\$ 952,584	0.0%	\$ -	N/A
	7/1/2008	3,525	914,018	910,493	0.4%	-	N/A
	7/1/1009	(103,557)	872,021	975,578	0.0%	-	N/A
	7/1/2010	(76,563)	840,010	916,573	0.0%	-	N/A
	7/1/2011	(48,816)	844,181	892,997	0.0%	-	N/A
	7/1/2012	(3,065)	1,150,580	1,153,645	0.0%	-	N/A
<b>Town Pension Plan</b>							
	7/1/2007	\$ 50,566,985	\$ 64,920,534	\$ 14,353,549	77.9%	\$ 9,803,980	146.4%
	7/1/2008	53,153,249	66,594,667	13,441,418	79.8%	9,620,655	139.7%
	7/1/2009	53,379,846	70,750,626	17,370,780	75.4%	9,620,655	180.6%
	7/1/2010	53,870,256	77,014,388	23,144,132	69.9%	11,975,586	193.3%
	7/1/2011	55,636,412	87,849,253	32,212,841	63.3%	11,393,405	282.7%
	7/1/2012	56,809,355	98,815,043	42,005,688	57.5%	12,482,365	336.5%
<b>Other Post-Employment Benefit Plan</b>							
	7/1/2009	\$ -	\$ 72,792,463	\$ 72,792,463	0.0%	\$ 21,069,482	345.5%
	7/1/2010	-	64,319,321	64,319,321	0.0%	23,938,014	268.7%
	7/1/2011	-	71,347,783	71,347,783	0.0%	23,951,615	297.9%

(1) The information was obtained from the annual actuarial valuation as of the date indicated.

(2) Police Pension Plan and Town Pension Plan - entry age normal actuarial cost method.  
Other Post-Employment Benefit Plan - projected unit credit actuarial cost method.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Required Supplementary Information*  
**Pension Plans and Other Post-Employment Benefit Plan**  
*Schedule of Annual Required Contributions*  
*"Unaudited"*

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***Police Plan***

<b><i>Year Ended June 30</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2012	\$ 131,117	77.94%
2011	125,293	103.76%
2010	77,093	155.66%
2009	77,093	0.00%
2008	80,656	267.50%
2007	80,656	0.00%

***Town Plan***

<b><i>Year Ended June 30</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2012	\$ 4,359,974	49.94%
2011	3,581,961	54.06%
2010	2,462,870	63.24%
2009	2,462,870	54.50%
2008	2,630,851	44.30%
2007	2,653,919	39.60%

***OPEB***

<b><i>Year Ended June 30</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2012	\$ 6,405,686	52.20%
2011	5,781,643	37.00%
2010	6,549,864	22.10%

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2012*

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance With</i>
	<i>Original</i>	<i>Final</i>	<i>Amounts</i> <i>(Budgetary</i> <i>Basis)</i>	<i>Final Budget</i> <i>Positive</i> <i>(Negative)</i>
<b>Revenues:</b>				
<b>General property taxes:</b>				
Taxes current year	\$ 43,768,332	\$ 43,768,332	\$ 44,493,185	\$ 724,853
Taxes prior year	709,900	709,900	188,960	(520,940)
	<u>44,478,232</u>	<u>44,478,232</u>	<u>44,682,145</u>	<u>203,913</u>
<b>Investment and interest income:</b>				
Interest on delinquent payments	161,700	161,700	205,350	43,650
Interest on investments	110,000	110,000	148,279	38,279
	<u>271,700</u>	<u>271,700</u>	<u>353,629</u>	<u>81,929</u>
<b>Intergovernmental:</b>				
State shared recycling revenue	5,822	5,822	-	(5,822)
Motor vehicle tax reimbursement	97,870	97,870	95,050	(2,820)
Storm damage reimbursement	-	-	107,971	107,971
Police grants - overtime reimbursement	6,000	6,000	6,303	303
Federal in lieu of taxes	-	-	64,639	64,639
State beach parking fees	258,588	258,588	159,635	(98,953)
State telephone tax	159,103	159,103	190,972	31,869
Hotel tax	71,800	71,800	81,577	9,777
Meal and beverage tax	473,046	473,046	485,571	12,525
RIHEBC housing aid	486,990	486,990	486,335	(655)
	<u>1,559,219</u>	<u>1,559,219</u>	<u>1,678,053</u>	<u>118,834</u>
<b>Licenses and permits:</b>				
Building permits	260,500	260,500	250,365	(10,135)
Mooring fees	65,500	65,500	58,889	(6,611)
Variance and exception fees	12,500	12,500	11,273	(1,227)
Fire alarm inspection fees	5,125	5,125	7,980	2,855
Road permit fees	1,550	1,550	400	(1,150)
VIN inspections	3,100	3,100	2,270	(830)
Rental registration	290,000	290,000	141,060	(148,940)
	<u>638,275</u>	<u>638,275</u>	<u>472,237</u>	<u>(166,038)</u>
<b>Fines and forfeitures:</b>				
Police fees and fines	10,300	10,300	11,445	1,145
Municipal court	313,250	313,250	285,614	(27,636)
	<u>323,550</u>	<u>323,550</u>	<u>297,059</u>	<u>(26,491)</u>
<b>Interfund:</b>				
Beach in lieu of taxes	187,118	187,118	187,118	-
Housing in lieu of taxes	1,310	1,310	-	(1,310)
Water in lieu of taxes	28,461	28,461	29,600	1,139
Sewer in lieu of taxes	128,354	128,354	128,354	-
Water administrative fees	139,089	139,089	135,038	(4,051)
Sewer administrative fees	428,060	428,060	415,592	(12,468)
Beach administrative fees	133,342	133,342	105,537	(27,805)
	<u>1,045,734</u>	<u>1,045,734</u>	<u>1,001,239</u>	<u>(44,495)</u>

(Continued)

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Miscellaneous:</b>				
Finger print requests	650	650	2,170	1,520
Town clerk general receipts	595,000	595,000	647,932	52,932
Town clerk alcoholic beverages	35,000	35,000	33,977	(1,023)
Police detail revenue	150,000	150,000	67,848	(82,152)
Cellular tower rents	258,864	258,864	222,348	(36,516)
Miscellaneous receipts	41,000	41,000	48,356	7,356
Emergency medical services	364,730	364,730	384,913	20,183
Federal forfeiture Funds	25,000	25,000	-	(25,000)
Miscellaneous fire department	1,200	1,200	4,791	3,591
Fire overtime reimbursement	2,670	2,670	-	(2,670)
Miscellaneous police department	6,550	6,550	1,056	(5,494)
Police beach and parking patrol	41,950	41,950	-	(41,950)
Police overtime reimbursement	11,320	11,320	10,376	(944)
WB health surplus withdrawal	100,000	100,000	145,644	45,644
Return of dental insurance premium	-	-	10,366	10,366
Fire marshal's plan review	25,900	25,900	17,095	(8,805)
Retained claims	-	-	8,220	8,220
Concessions	-	-	976	976
	<u>1,659,834</u>	<u>1,659,834</u>	<u>1,606,068</u>	<u>(53,766)</u>
<b>Recreation receipts:</b>				
Community center rental	6,830	6,830	7,077	247
Parks and recreation receipts	21,250	21,250	13,627	(7,623)
Basketball league receipts	44,075	44,075	38,840	(5,235)
Workshops receipts	15,500	15,500	25,401	9,901
Soccer receipts	2,050	2,050	470	(1,580)
The Camp	62,000	62,000	68,835	6,835
	<u>151,705</u>	<u>151,705</u>	<u>154,250</u>	<u>2,545</u>
<b>Other financing sources:</b>				
Gain on sale of capital assets	5,000	5,000	-	(5,000)
Appropriation of fund balance	-	728,256	728,256	-
<b>Transfers from other funds:</b>				
Galilee Landing Fund	475,000	475,000	475,000	-
	<u>480,000</u>	<u>1,208,256</u>	<u>1,203,256</u>	<u>(5,000)</u>
<b>Total revenues and other financing sources</b>	<u>50,608,249</u>	<u>51,336,505</u>	<u>51,447,936</u>	<u>111,431</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Town council	35,263	45,763	43,966	1,797
Town solicitor	160,586	160,586	98,836	61,750
Municipal court	195,457	195,457	187,948	7,509
Board of canvassers	84,512	101,012	99,705	1,307
Town manager	248,834	248,834	276,912	(28,078)
Human resources	99,804	99,804	99,509	295

(Continued)

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Town clerk	249,279	303,279	302,327	952
Information technology	367,141	367,141	327,912	39,229
Historic commission	3,133	3,133	1,294	1,839
Zoning board	13,921	13,921	9,014	4,907
Conservation commission	1,264	1,264	237	1,027
Planning board	8,357	8,357	2,012	6,345
Pension board	16,257	16,257	14,668	1,589
Tree board	1,125	1,125	-	1,125
Non-departmental appropriations	343,290	382,540	331,736	50,804
	<u>1,828,223</u>	<u>1,948,473</u>	<u>1,796,076</u>	<u>152,397</u>
<b>Financial administration:</b>				
Financial and purchasing	282,782	282,782	276,843	5,939
Accounting	338,673	430,673	386,608	44,065
Tax collections	248,917	248,917	225,773	23,144
Tax assessor	454,710	708,210	656,996	51,214
	<u>1,325,082</u>	<u>1,670,582</u>	<u>1,546,220</u>	<u>124,362</u>
<b>Public safety:</b>				
Police administration	949,446	949,446	895,827	53,619
Uniformed patrol	3,726,939	3,729,439	3,709,464	19,975
Investigations	771,246	771,246	713,652	57,594
Animal control	161,750	164,250	162,844	1,406
Harbor master	46,112	46,112	38,842	7,270
Dispatching	787,587	787,587	781,028	6,559
Fire administration	297,038	297,038	243,363	53,675
Fire operations	4,097,195	4,097,195	3,942,765	154,430
Fire prevention	129,942	129,942	123,882	6,060
Emergency management	3,490	12,935	12,337	598
	<u>10,970,745</u>	<u>10,985,190</u>	<u>10,624,004</u>	<u>361,186</u>
<b>Public works:</b>				
Public works administration	326,504	326,504	318,691	7,813
Highway	1,748,878	1,748,878	1,608,771	140,107
Facilities maintenance	210,992	210,992	196,546	14,446
	<u>2,286,374</u>	<u>2,286,374</u>	<u>2,124,008</u>	<u>162,366</u>
<b>Parks and recreation:</b>				
Parks and recreation administration	135,150	163,650	163,223	427
Parks maintenance	606,238	705,638	687,683	17,955
Recreation programs	499,399	499,399	483,807	15,592
	<u>1,240,787</u>	<u>1,368,687</u>	<u>1,334,713</u>	<u>33,974</u>
<b>Planning, engineering and inspection:</b>				
Community development	318,016	333,016	293,675	39,341
Building inspection	386,020	386,020	373,884	12,136
Engineering	230,162	230,162	191,159	39,003
	<u>934,198</u>	<u>949,198</u>	<u>858,718</u>	<u>90,480</u>

The notes to the required supplementary information are an integral part of this schedule.

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Education appropriation</b>	24,277,345	24,277,345	24,277,345	-
<b>Library appropriation</b>	546,569	546,569	546,569	-
<b>Other:</b>				
Contingency	897,565	512,295	-	512,295
OPEB sinking contribution	1,322,565	1,322,565	1,322,565	-
Special OPEB contribution	200,000	642,006	642,006	-
Special pension contribution	280,107	280,107	280,108	(1)
Police pension contribution	102,200	102,200	102,200	-
Retirement and termination benefits	259,328	259,328	-	259,328
Kinney Bungalow	85,000	85,000	85,000	-
Sunset Farm	76,000	76,000	76,000	-
	<u>3,222,765</u>	<u>3,279,501</u>	<u>2,507,879</u>	<u>771,622</u>
<b>Other financing uses:</b>				
<b>Transfers to other funds:</b>				
Town Capital Projects Fund	769,000	769,000	769,000	-
Town Capital Maintenance Fund	568,960	617,385	617,385	-
Debt Service Fund	2,520,201	2,520,201	2,503,932	16,269
Land Conservancy Fund	118,000	118,000	118,000	-
Grants Fund	-	-	29,347	(29,347)
School Renovation Fund	-	-	112,249	(112,249)
	<u>3,976,161</u>	<u>4,024,586</u>	<u>4,149,913</u>	<u>(125,327)</u>
<b>Total expenditures and other financing uses</b>	<u>50,608,249</u>	<u>51,336,505</u>	<u>49,765,445</u>	<u>1,571,060</u>
<b>Net change in fund balance - budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,491</u>	<u>\$ 1,682,491</u>

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2012**

**NOTE 1**

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

	<u>Police Pension Plan</u>		<u>Town Pension Plan</u>		<u>OPEB</u>	
Valuation date	7/1/2012		7/1/2012		7/1/2011	
Actuarial cost method	Entry Age Normal Cost		Entry Age Normal Cost		Projected Unit Credit	
Amortization method	Level dollar - closed		Level percent of payroll - closed		Level dollar - open	
Amortization period	13 years		30 years		30 years	
Asset valuation method	Fair market value		Fair market value adjusted for a 5-year phase-in of gains and losses on fair market value of assets		N/A	
Actuarial assumptions:						
Investment rate of return/Discount rate	7.5% investment rate of return per annum		7.5% investment rate of return per annum		4.5% discount rate	
Projected salary increases	Not applicable		4 - 6% depending on age		N/A	
Cost-of-living adjustments	3% for eligible employees		Council 94 - 3% once participant eligible with simple COLA once benefit reaches \$35,000		N/A	
			Local 1033 - 3% once participant eligible.			
			For employees retiring after 1/1/2012, 3% with simple COLA once benefit reaches \$45,000			
			All Others - 3% once eligible			
Participant information	Active participants	0	Active participants	258	Active participants	421
	Retirees	5	Retirees	168	Retirees and beneficiaries	169
	Beneficiaries	7	Terminated with deferred benefits	13		<u>590</u>
		<u>12</u>		<u>439</u>		



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2012**

**NOTE 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 Enterprise Funds. It is the responsibility of the Town Manager to submit the proposed budgets to the Town Council. The General Fund budget includes the Municipal budget and School Department’s total budgeted Town appropriation. The proposed School Department budget is approved by the School Committee prior to being presented to the Town Manager. The Town Council may then revise and adopt a recommended General Fund budget including changes to the School Department’s total appropriation. At least two public hearings are conducted on the Town Council recommended budgets and the final recommended budgets are legally enacted through an ordinance by the Town Council prior to the start of the fiscal year. The General Fund’s annual operating budget is not in conformity with accounting principles generally accepted in the United States of America. The budget to actual presentation in the financial statements for the General Fund is presented on a budgetary basis. The difference between the budgetary basis and the accounting principles generally accepted in the United States of America basis is explained below.

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 a department by means of a transfer. The Town Manager has authority to make such transfers within departments. Transfers made outside the departmental level require Town Council approval. The level at which General Fund expenditures may not legally exceed appropriations is at the department level. All unencumbered appropriations lapse at the end of the fiscal year. The Town Council approved \$728,256 in additional appropriations during the 2012 fiscal year.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2012 appropriations:

<u>Department</u>	<u>Fund</u>	<i>Expenditures In Excess of Budget</i>
Town Manager	General	\$28,078

***Explanation of Differences Between Budgetary Revenues, Expenditures, and Other Financing Sources and Uses and GAAP Revenues, Expenditures, and Other Financing Sources and Uses***

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$51,447,936

Differences – budget to GAAP:

Prior year budgeted surplus is a budgetary revenue, but is not a current year revenue for financial reporting purposes.	(728,256)
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**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2012**

The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Narragansett is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes. 1,057,772

Capital lease proceeds are not budgetary revenues but are current year revenues for financial reporting purposes. 142,041

Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes. 2,550,824

***Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds*** \$54,470,317

***General Fund***

**Expenditures and Other Financing Uses** \$49,765,445

Actual amounts (budgetary basis)

Differences – budget to GAAP:

Capital assets acquired with capital lease proceeds are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes. 142,041

The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Narragansett is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes. 1,057,772

Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes. 1,568,107

***Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds*** \$52,533,365

## **OTHER SUPPLEMENTARY INFORMATION**

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

### **THIS SECTION CONTAINS THE FOLLOWING:**

- **Combining Fund Financial Statements for Nonmajor Governmental Funds**
- **Combining Fund Financial Statements for Pension Trust Funds**
- **Combining Fund Financial Statements for Private Purpose Trust Funds**
- **Combining Statement of Net Assets for Agency Funds**
- **Other Supplementary Information**

**COMBINING FUND FINANCIAL STATEMENTS -  
NONMAJOR GOVERNMENTAL FUNDS**

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

**Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service and capital projects**

**The Capital Projects Funds account for and report financial resources that are restricted, committed, or assigned to expenditures for capital facilities and other capital assets outlays, including the acquisition and/or construction of capital items, except those financed by the Proprietary Fund Types or Trust Funds.**

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012*

	<i>Special Revenue Funds</i>				
	<i>School Restricted Grants</i>	<i>Food Service Fund</i>	<i>Grants Fund</i>	<i>Community Development Fund</i>	<i>Forfeited Funds</i>
<b>ASSETS</b>					
Cash	\$ -	\$ 9,736	\$ -	\$ -	\$ -
Due from federal and state governments	291,260	11,411	96,710	-	-
Due from other funds	9,328	6,867	-	106,242	-
Other receivables	2,934	468	-	316,067	-
<b>Total assets</b>	<b>\$ 303,522</b>	<b>\$ 28,482</b>	<b>\$ 96,710</b>	<b>\$ 422,309</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ 20,796	\$ -	\$ -	\$ -
Due to other funds	294,194	-	110,275	-	2,565
Deferred revenue	-	7,686	-	316,067	-
<b>Total liabilities</b>	<b>294,194</b>	<b>28,482</b>	<b>110,275</b>	<b>316,067</b>	<b>2,565</b>
<b>Fund balances (Deficits)</b>					
Restricted for:					
Education programs	9,328	-	-	-	-
Public safety programs	-	-	44,777	-	-
Historical records preservation	-	-	195	-	-
Community service programs	-	-	2,077	106,242	-
Parks and recreation programs	-	-	54,604	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	536	-	-
Committed for:					
Capital projects	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	(115,754)	-	(2,565)
<b>Total fund balances (deficits)</b>	<b>9,328</b>	<b>-</b>	<b>(13,565)</b>	<b>106,242</b>	<b>(2,565)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 303,522</b>	<b>\$ 28,482</b>	<b>\$ 96,710</b>	<b>\$ 422,309</b>	<b>\$ -</b>

*(Continued)*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	<u>Special Revenue Funds</u>			<i>Total Special Revenue Funds</i>
	<i>State Recycling Fund</i>	<i>Galilee Landing Fees Fund</i>	<i>Historical Preservation Fund</i>	
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 9,736
Due from federal and state governments	-	-	-	399,381
Due from other funds	14,798	52,092	209,041	398,368
Other receivables	-	-	-	319,469
	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,469</u>
<b>Total assets</b>	<u>\$ 14,798</u>	<u>\$ 52,092</u>	<u>\$ 209,041</u>	<u>\$ 1,126,954</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ -	\$ 4,280	\$ -	\$ 25,076
Due to other funds	-	-	-	407,034
Deferred revenue	-	-	-	323,753
	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,753</u>
<b>Total liabilities</b>	<u>-</u>	<u>4,280</u>	<u>-</u>	<u>755,863</u>
<b>Fund balances (Deficits)</b>				
Restricted for:				
Education programs	-	-	-	9,328
Public safety programs	-	-	-	44,777
Historical records preservation	-	-	209,041	209,236
Community service programs	-	-	-	108,319
Parks and recreation programs	-	47,812	-	102,416
Capital projects	-	-	-	-
Other programs	14,798	-	-	15,334
Committed for:	-	-	-	-
Capital projects	-	-	-	-
Assigned to:	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(118,319)
	<u>14,798</u>	<u>47,812</u>	<u>209,041</u>	<u>371,091</u>
<b>Total fund balances (deficits)</b>	<u>14,798</u>	<u>47,812</u>	<u>209,041</u>	<u>371,091</u>
<b>Total liabilities and fund balances</b>	<u>\$ 14,798</u>	<u>\$ 52,092</u>	<u>\$ 209,041</u>	<u>\$ 1,126,954</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	<u>Capital Project Funds</u>				
	<i>Debt Service Fund</i>	<i>Land Trust Fund</i>	<i>Town Capital Projects Fund</i>	<i>Town Capital Maintenance Fund</i>	<i>School Capital Projects Fund</i>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-
Due from other funds	-	472,621	760,808	1,476,958	669,231
Other receivables	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 472,621</u>	<u>\$ 760,808</u>	<u>\$ 1,476,958</u>	<u>\$ 669,231</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ 321	\$ 109,597	\$ 18,110	\$ 16,560
Due to other funds	-	-	-	-	91,479
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>321</u>	<u>109,597</u>	<u>18,110</u>	<u>108,039</u>
<b>Fund balances (Deficits)</b>					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	-	-	-
Historical records preservation	-	-	-	-	-
Community service programs	-	-	-	-	-
Parks and recreation programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed for:					
Capital projects	-	472,300	651,211	1,458,848	-
Assigned to:					
Capital projects	-	-	-	-	561,192
Unassigned	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<u>-</u>	<u>472,300</u>	<u>651,211</u>	<u>1,458,848</u>	<u>561,192</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 472,621</u>	<u>\$ 760,808</u>	<u>\$ 1,476,958</u>	<u>\$ 669,231</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	<u>Capital Project Funds</u>			
	<i>School Athletic Complex Fund</i>	<i>School Renovation Fund</i>	<i>Total Capital Project Funds</i>	<i>Total Nonmajor Governmental Funds</i>
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 9,736
Due from federal and state governments	-	-	-	399,381
Due from other funds	3,845	-	3,383,463	3,781,831
Other receivables	-	-	-	319,469
<b>Total assets</b>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 3,383,463</u>	<u>\$ 4,510,417</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 144,588	\$ 169,664
Due to other funds	-	-	91,479	498,513
Deferred revenue	-	-	-	323,753
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>236,067</u>	<u>991,930</u>
<b>Fund balances (Deficits)</b>				
Restricted for:				
Education programs	-	-	-	9,328
Public safety programs	-	-	-	44,777
Historical records preservation	-	-	-	209,236
Community service programs	-	-	-	108,319
Parks and recreation programs	-	-	-	102,416
Capital projects	3,845	-	3,845	3,845
Other programs	-	-	-	15,334
Committed for:				
Capital projects	-	-	2,582,359	2,582,359
Assigned to:				
Capital projects	-	-	561,192	561,192
Unassigned	-	-	-	(118,319)
<b>Total fund balances (deficits)</b>	<u>3,845</u>	<u>-</u>	<u>3,147,396</u>	<u>3,518,487</u>
<b>Total liabilities and fund balances</b>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 3,383,463</u>	<u>\$ 4,510,417</u>



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Nonmajor Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	<i>Special Revenue Funds</i>				
	<i>School Restricted Grants</i>	<i>Food Service Fund</i>	<i>Grants Fund</i>	<i>Community Development Fund</i>	<i>Forfeited Funds</i>
<b>Revenues</b>					
State aid	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	239,457	-	-	-
Operating grants and contributions	894,479	133,585	294,836	-	-
Capital grants and contributions	-	-	806,765	-	-
Investment and interest income	-	-	-	10,257	129
Other revenue	-	-	-	12,465	-
<b>Total revenues</b>	<u>894,479</u>	<u>373,042</u>	<u>1,101,601</u>	<u>22,722</u>	<u>129</u>
<b>Expenditures</b>					
Current:					
General government	-	-	32,139	-	-
Public safety	-	-	25,250	-	26,832
Social services	-	-	93,770	6,820	-
Parks and recreation	-	-	3,500	-	-
Food service	-	376,509	-	-	-
Education	1,022,389	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	151,579	-	-
<b>Total expenditures</b>	<u>1,022,389</u>	<u>376,509</u>	<u>306,238</u>	<u>6,820</u>	<u>26,832</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(127,910)</u>	<u>(3,467)</u>	<u>795,363</u>	<u>15,902</u>	<u>(26,703)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	-	3,467	98,077	-	-
Transfers to other funds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>3,467</u>	<u>98,077</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	(127,910)	-	893,440	15,902	(26,703)
<b>Fund balances (deficits) - beginning of year, restated</b>	<u>137,238</u>	<u>-</u>	<u>(907,005)</u>	<u>90,340</u>	<u>24,138</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 9,328</u>	<u>\$ -</u>	<u>\$ (13,565)</u>	<u>\$ 106,242</u>	<u>\$ (2,565)</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
*Nonmajor Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	<b>Special Revenue Funds</b>			<i>Total Special Revenue Funds</i>
	<i>State Recycling Fund</i>	<i>Galilee Landing Fees Fund</i>	<i>Historical Preservation Fund</i>	
<b>Revenues</b>				
State aid	\$ -	\$ -	\$ -	\$ -
Charges for services	-	82,733	32,814	355,004
Operating grants and contributions	14,798	-	-	1,337,698
Capital grants and contributions	-	-	-	806,765
Investment and interest income	-	2,782	1,105	14,273
Other revenue	-	-	-	12,465
<b>Total revenues</b>	<u>14,798</u>	<u>85,515</u>	<u>33,919</u>	<u>2,526,205</u>
<b>Expenditures</b>				
Current:				
General government	-	-	32,467	64,606
Public safety	-	-	-	52,082
Social services	-	-	-	100,590
Parks and recreation	-	85,418	-	88,918
Food service	-	-	-	376,509
Education	-	-	-	1,022,389
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	151,579
<b>Total expenditures</b>	<u>-</u>	<u>85,418</u>	<u>32,467</u>	<u>1,856,673</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>14,798</u>	<u>97</u>	<u>1,452</u>	<u>669,532</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	-	101,544
Transfers to other funds	-	(475,000)	-	(475,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(475,000)</u>	<u>-</u>	<u>(373,456)</u>
<b>Net change in fund balance</b>	14,798	(474,903)	1,452	296,076
<b>Fund balances (deficits) - beginning of year, restated</b>	<u>-</u>	<u>522,715</u>	<u>207,589</u>	<u>75,015</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 14,798</u>	<u>\$ 47,812</u>	<u>\$ 209,041</u>	<u>\$ 371,091</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
*Nonmajor Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Capital Project Funds</u>				
	<i>Debt Service Fund</i>	<i>Land Trust Fund</i>	<i>Town Capital Projects Fund</i>	<i>Town Capital Maintenance Fund</i>	<i>School Capital Projects Fund</i>
<b>Revenues</b>					
State aid	\$ -	\$ -	\$ -	\$ -	\$ 169,502
Charges for services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Investment and interest income	-	1,926	-	-	-
Other revenue	-	320	10,860	6,723	-
<b>Total revenues</b>	<u>-</u>	<u>2,246</u>	<u>10,860</u>	<u>6,723</u>	<u>169,502</u>
<b>Expenditures</b>					
Current:					
General government	-	9,795	-	-	-
Public safety	-	-	-	-	-
Social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Food service	-	-	-	-	-
Education	-	-	-	-	-
Debt service:					
Principal	1,534,485	-	-	-	-
Interest	969,447	-	-	-	-
Capital outlay	-	-	450,625	1,327,862	437,323
<b>Total expenditures</b>	<u>2,503,932</u>	<u>9,795</u>	<u>450,625</u>	<u>1,327,862</u>	<u>437,323</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(2,503,932)</u>	<u>(7,549)</u>	<u>(439,765)</u>	<u>(1,321,139)</u>	<u>(267,821)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	2,503,932	118,000	769,000	3,942,385	100,000
Transfers to other funds	-	-	(3,300,000)	(68,730)	-
<b>Total other financing sources (uses)</b>	<u>2,503,932</u>	<u>118,000</u>	<u>(2,531,000)</u>	<u>3,873,655</u>	<u>100,000</u>
<b>Net change in fund balance</b>	-	110,451	(2,970,765)	2,552,516	(167,821)
<b>Fund balances (deficits) - beginning of year, restated</b>	<u>-</u>	<u>361,849</u>	<u>3,621,976</u>	<u>(1,093,668)</u>	<u>729,013</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ -</u>	<u>\$ 472,300</u>	<u>\$ 651,211</u>	<u>\$ 1,458,848</u>	<u>\$ 561,192</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2012*

	<u>Capital Project Funds</u>		<i>Total Capital Project Funds</i>	<i>Total Nonmajor Governmental Funds</i>
	<i>School Athletic Complex Fund</i>	<i>School Renovation Fund</i>		
<b>Revenues</b>				
State aid	\$ -	\$ -	\$ 169,502	\$ 169,502
Charges for services	-	-	-	355,004
Operating grants and contributions	-	-	-	1,337,698
Capital grants and contributions	5,233	-	5,233	811,998
Investment and interest income	-	-	1,926	16,199
Other revenue	-	-	17,903	30,368
<b>Total revenues</b>	<u>5,233</u>	<u>-</u>	<u>194,564</u>	<u>2,720,769</u>
<b>Expenditures</b>				
Current:				
General government	-	-	9,795	74,401
Public safety	-	-	-	52,082
Social services	-	-	-	100,590
Parks and recreation	-	-	-	88,918
Food service	-	-	-	376,509
Education	1,388	-	1,388	1,023,777
Debt service:				
Principal	-	-	-	1,534,485
Interest	-	-	-	969,447
Capital outlay	-	-	2,215,810	2,367,389
<b>Total expenditures</b>	<u>1,388</u>	<u>-</u>	<u>2,226,993</u>	<u>6,587,598</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>3,845</u>	<u>-</u>	<u>(2,032,429)</u>	<u>(3,866,829)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	112,249	5,041,634	7,647,110
Transfers to other funds	-	-	(3,368,730)	(3,843,730)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>112,249</u>	<u>1,672,904</u>	<u>3,803,380</u>
<b>Net change in fund balance</b>	3,845	112,249	(359,525)	(63,449)
<b>Fund balances (deficits) - beginning of year, restated</b>	<u>-</u>	<u>(112,249)</u>	<u>3,506,921</u>	<u>3,581,936</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 3,845</u>	<u>\$ -</u>	<u>\$ 3,147,396</u>	<u>\$ 3,518,487</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Balance Sheet*  
**Special Revenue Funds - School Restricted Fund**  
*June 30, 2012*

	<i>IDEA</i>	<i>Title I Part A</i>	<i>PL 94 - 142 IDEA Preschool</i>	<i>IDEA Part B ARRA</i>	<i>Title II Part A</i>	<i>Title I Part A ARRA</i>
<b>ASSETS</b>						
Due from the state	\$ 125,634	\$ 82,956	\$ -	\$ -	\$ 45,904	\$ -
Due from other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 125,634</b>	<b>\$ 82,956</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,904</b>	<b>\$ -</b>
 <b>LIABILITIES AND FUND BALANCES</b>						
<i>Liabilities</i>						
Due to other funds	\$ 125,634	\$ 82,956	\$ -	\$ -	\$ 45,904	\$ -
<b>Total liabilities</b>	<b>125,634</b>	<b>82,956</b>	<b>-</b>	<b>-</b>	<b>45,904</b>	<b>-</b>
<b>Fund balances - restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 125,634</b>	<b>\$ 82,956</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,904</b>	<b>\$ -</b>

*(Continued)*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2012**

	<i>IDEA Pre-School ARRA</i>	<i>Literacy Set Aside State Investment Fund</i>	<i>Education Jobs Fund ARRA</i>	<i>Casit, Inc. AP Italian Program</i>	<i>Race to the Top Instructional Improvement System</i>	<i>Race to the Top Educator Effectiveness Set Aside</i>
<b>ASSETS</b>						
Due from the state	\$ -	\$ -	\$ 19,545	\$ -	\$ -	\$ -
Due from other funds	-	-	-	1,439	-	-
Other receivables	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,545</u>	<u>\$ 1,439</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to other funds	\$ -	\$ -	\$ 19,545	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>19,545</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - restricted</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,439</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,545</u>	<u>\$ 1,439</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Balance Sheet (Continued)*  
**Special Revenue Funds - School Restricted Fund**  
*June 30, 2012*

	<i>Race to the Top Educator Effectiveness</i>	<i>Race to the Top Instructional Improvement Systems Set Aside</i>	<i>Race to the Top Standards &amp; Curriculum</i>	<i>Technology State Investment Fund</i>	<i>Civic GSEs CCSS Educator Engagement Grant</i>	<i>Common Core ELA Grant</i>
<b>ASSETS</b>						
Due from the state	\$ 11,004	\$ -	\$ 5,268	\$ -	\$ 949	\$ -
Due from other funds	-	-	-	-	-	-
Other receivables	-	-	-	-	-	2,934
<b>Total assets</b>	<b>\$ 11,004</b>	<b>\$ -</b>	<b>\$ 5,268</b>	<b>\$ -</b>	<b>\$ 949</b>	<b>\$ 2,934</b>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to other funds	\$ 11,004	\$ -	\$ 5,268	\$ -	\$ 949	\$ 2,934
<b>Total liabilities</b>	<b>11,004</b>	<b>-</b>	<b>5,268</b>	<b>-</b>	<b>949</b>	<b>2,934</b>
<b>Fund balances - restricted</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,004</b>	<b>\$ -</b>	<b>\$ 5,268</b>	<b>\$ -</b>	<b>\$ 949</b>	<b>\$ 2,934</b>

*(Continued)*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Combining Balance Sheet (Continued)*  
**Special Revenue Funds - School Restricted Fund**  
*June 30, 2012*

	<i>Tolerance Program</i>	<i>Race to the Top Human Capital Development Set Aside</i>	<i>Early Childhood State Investment Fund</i>	<i>Student Equity State Investment Fund</i>	<i>Chartwell's Grant</i>	<b><i>Total</i></b>
<b>ASSETS</b>						
Due from the state	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 291,260
Due from other funds	6,538	-	-	-	1,351	9,328
Other receivables	-	-	-	-	-	2,934
<b><i>Total assets</i></b>	<b><u>\$ 6,538</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,351</u></b>	<b><u>\$ 303,522</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b><i>Liabilities</i></b>						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,194
<b><i>Total liabilities</i></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>294,194</u></b>
<b><i>Fund balances - restricted</i></b>	<b><u>6,538</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,351</u></b>	<b><u>9,328</u></b>
<b><i>Total liabilities and fund balances</i></b>	<b><u>\$ 6,538</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,351</u></b>	<b><u>\$ 303,522</u></b>



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>IDEA</u>	<u>Title I Part A</u>	<u>PL 94 - 142 IDEA Preschool</u>	<u>IDEA Part B ARRA</u>	<u>Title II Part A</u>	<u>Title I Part A ARRA</u>
<b>Revenues</b>						
Operating grants and contributions	\$ 433,462	\$ 222,565	\$ 10,492	\$ 5,254	\$ 119,071	\$ 431
<b>Total revenues</b>	<u>433,462</u>	<u>222,565</u>	<u>10,492</u>	<u>5,254</u>	<u>119,071</u>	<u>431</u>
<b>Expenditures</b>						
Salaries	300,905	149,620	9,746	3,561	81,057	-
Employee benefits	132,557	60,838	746	1,693	25,084	-
Purchased services	-	716	-	-	12,930	-
Supplies and materials	-	11,391	-	-	-	431
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<u>433,462</u>	<u>222,565</u>	<u>10,492</u>	<u>5,254</u>	<u>119,071</u>	<u>431</u>
<b>Net change in fund balances</b>	-	-	-	-	-	-
<b>Fund balances - beginning of year, restated</b>	-	-	-	-	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<i>IDEA Pre-School ARRA</i>	<i>Literacy Set Aside Investment Fund</i>	<i>Education Jobs Fund ARRA</i>	<i>Casit, Inc. AP Italian Program</i>	<i>Race to the Top Instructional Improvement System</i>	<i>Race to the Top Educator Effectiveness Set Aside</i>
<b>Revenues</b>						
Operating grants and contributions	\$ 50	\$ -	\$ 65,678	\$ 1,000	\$ 1,895	\$ 74
<b>Total revenues</b>	<u>50</u>	<u>-</u>	<u>65,678</u>	<u>1,000</u>	<u>1,895</u>	<u>74</u>
<b>Expenditures</b>						
Salaries	-	793	45,723	-	1,762	-
Employee benefits	-	354	19,955	-	133	-
Purchased services	-	-	-	75	-	74
Supplies and materials	50	-	-	655	-	-
Capital outlay	-	-	-	-	-	-
<b>Total expenditures</b>	<u>50</u>	<u>1,147</u>	<u>65,678</u>	<u>730</u>	<u>1,895</u>	<u>74</u>
<b>Net change in fund balances</b>	-	(1,147)	-	270	-	-
<b>Fund balances - beginning of year, restated</b>	<u>-</u>	<u>1,147</u>	<u>-</u>	<u>1,169</u>	<u>-</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<i>Race to the Top Educator Effectiveness</i>	<i>Race to the Top Instructional Improvement Systems Set Aside</i>	<i>Race to the Top Standards &amp; Curriculum</i>	<i>Technology State Investment Fund</i>	<i>Civic GSEs CCSS Educator Engagement Grant</i>	<i>Common Core ELA Grant</i>
<b>Revenues</b>						
Operating grants and contributions	\$ 11,784	\$ 3,900	\$ 7,615	\$ -	\$ 949	\$ 5,312
<b>Total revenues</b>	<u>11,784</u>	<u>3,900</u>	<u>7,615</u>	<u>-</u>	<u>949</u>	<u>5,312</u>
<b>Expenditures</b>						
Salaries	1,437	-	7,081	-	350	2,725
Employee benefits	97	-	534	-	-	209
Purchased services	10,250	3,900	-	-	-	2,378
Supplies and materials	-	-	-	-	599	-
Capital outlay	-	-	-	44	-	-
<b>Total expenditures</b>	<u>11,784</u>	<u>3,900</u>	<u>7,615</u>	<u>44</u>	<u>949</u>	<u>5,312</u>
<b>Net change in fund balances</b>	-	-	-	(44)	-	-
<b>Fund balances - beginning of year, restated</b>	-	-	-	44	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Tolerance Program</u>	<u>Race to the Top Human Capital Development Set Aside</u>	<u>Early Childhood Investment Fund</u>	<u>Student Equity State Investment Fund</u>	<u>Chartwell's Grant</u>	<u>Total</u>
<b>Revenues</b>						
Operating grants and contributions	\$ 3,295	\$ 152	\$ -	\$ -	\$ 1,500	\$ 894,479
<b>Total revenues</b>	<u>3,295</u>	<u>152</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>894,479</u>
<b>Expenditures</b>						
Salaries	-	-	7,137	86,849	-	698,746
Employee benefits	-	-	2,868	34,461	-	279,529
Purchased services	-	152	-	-	-	30,475
Supplies and materials	320	-	-	-	149	13,595
Capital outlay	-	-	-	-	-	44
<b>Total expenditures</b>	<u>320</u>	<u>152</u>	<u>10,005</u>	<u>121,310</u>	<u>149</u>	<u>1,022,389</u>
<b>Net change in fund balances</b>	2,975	-	(10,005)	(121,310)	1,351	(127,910)
<b>Fund balances - beginning of year, restated</b>	<u>3,563</u>	<u>-</u>	<u>10,005</u>	<u>121,310</u>	<u>-</u>	<u>137,238</u>
<b>Fund balances - end of year</b>	<u>\$ 6,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,351</u>	<u>\$ 9,328</u>

**COMBINING FUND FINANCIAL STATEMENTS -  
PENSION TRUST FUNDS**

**Pension Trust Funds account for contributions made by the Town and its participating employees to provide pension benefits to these employees at retirement.**

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Net Assets**  
**Pension Trust Funds**  
**June 30, 2012**

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Total Pension Trust Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,875,695	\$ -	\$ 2,875,695
Investments at fair value:			
U.S. government obligations	1,041,436	-	1,041,436
Municipal obligations	55,449	-	55,449
Corporate bonds	4,475,766	-	4,475,766
Mortgage backed securities	1,257,537	-	1,257,537
Common stock	19,133,938	-	19,133,938
Preferred stock	116,280	-	116,280
Mutual and exchange traded funds - equities	15,207,638	-	15,207,638
Mutual and exchange traded funds - fixed income	7,427,511	-	7,427,511
Mutual and exchange traded funds - other	2,323,967	-	2,323,967
Hedge fund	2,300,000	-	2,300,000
Other	225,806	-	225,806
Total investments	<u>53,565,328</u>	<u>-</u>	<u>53,565,328</u>
Accrued interest receivable	68,298	-	68,298
Prepaid expenses	296,551	8,465	305,016
<b>Total assets</b>	<u>56,805,872</u>	<u>8,465</u>	<u>56,814,337</u>
<b>Liabilities</b>			
Due to other funds	1,960,569	66,128	2,026,697
<b>Total liabilities</b>	<u>1,960,569</u>	<u>66,128</u>	<u>2,026,697</u>
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 54,845,303</u>	<u>\$ (57,663)</u>	<u>\$ 54,787,640</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Changes in Net Assets**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2012**

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 2,177,565	\$ 102,200	\$ 2,279,765
Plan member	1,053,081	-	1,053,081
Total contributions	<u>3,230,646</u>	<u>102,200</u>	<u>3,332,846</u>
Investment income:			
Net increase (decrease) in fair value of investments	(1,775,349)	-	(1,775,349)
Interest and dividends	1,484,143	-	1,484,143
Less: investment expense	(318,365)	-	(318,365)
Net investment income	<u>(609,571)</u>	<u>-</u>	<u>(609,571)</u>
<b>Total additions</b>	<u>2,621,075</u>	<u>102,200</u>	<u>2,723,275</u>
<b>Deductions</b>			
Benefits	3,484,092	102,229	3,586,321
Refunds of contributions	154,518	-	154,518
Administrative expenses	74,457	-	74,457
<b>Total deductions</b>	<u>3,713,067</u>	<u>102,229</u>	<u>3,815,296</u>
<b>Change in net assets</b>	(1,091,992)	(29)	(1,092,021)
<b>Net assets - beginning of year, restated</b>	<u>55,937,295</u>	<u>(57,634)</u>	<u>55,879,661</u>
<b>Net assets - end of year</b>	<u>\$ 54,845,303</u>	<u>\$ (57,663)</u>	<u>\$ 54,787,640</u>

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

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



**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Statement of Net Assets*

*Private-Purpose Trust Funds*

*June 30, 2012*

	<i>Barton Memorial Scholarship Fund</i>	<i>Richard Colvin Memorial Scholarship Fund</i>	<i>Barbara E. Duggan Memorial Scholarship Fund</i>	<i>Peter Davis Burial Fund</i>	<i>Franklin Burial Fund</i>	<i>James Water Fund</i>	<i>Frank L. Robinson Fund</i>	<i>Total Private- Purpose Trusts</i>
<b><i>Assets</i></b>								
Cash and cash equivalents	\$ -	\$ -	\$ 604	\$ -	\$ -	\$ -	\$ -	\$ 604
Investments	7,798	5,525	-	-	-	-	-	13,323
Due from other funds	-	-	-	525	3,433	2,697	77,910	84,565
<b><i>Total assets</i></b>	<u>7,798</u>	<u>5,525</u>	<u>604</u>	<u>525</u>	<u>3,433</u>	<u>2,697</u>	<u>77,910</u>	<u>98,492</u>
<b><i>Net Assets</i></b>								
Held in trust for other purposes	<u>\$ 7,798</u>	<u>\$ 5,525</u>	<u>\$ 604</u>	<u>\$ 525</u>	<u>\$ 3,433</u>	<u>\$ 2,697</u>	<u>\$ 77,910</u>	<u>\$ 98,492</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Statement of Changes in Net Assets*

*Private-Purpose Trusts Funds*

*For the Fiscal Year Ended June 30, 2012*

	<i>Barton Memorial Scholarship Fund</i>	<i>Richard Colvin Memorial Scholarship Fund</i>	<i>Barbara E. Duggan Memorial Scholarship Fund</i>	<i>Peter Davis Burial Fund</i>	<i>Franklin Burial Fund</i>	<i>James Water Fund</i>	<i>Frank L. Robinson Fund</i>	<i>Total Private- Purpose Trusts</i>
<b>Additions</b>								
Investment earnings:								
Net increase (decrease) in fair value of investments	\$ (461)	\$ (193)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (654)
Interest and dividends	180	-	1	25	33	25	728	992
Net investment earnings	(281)	(193)	1	25	33	25	728	338
<b>Total additions</b>	(281)	(193)	1	25	33	25	728	338
<b>Deductions</b>								
Scholarships	500	250	-	-	-	-	-	750
Miscellaneous	100	-	-	6,125	199	-	1,774	8,198
<b>Total deductions</b>	600	250	-	6,125	199	-	1,774	8,948
<b>Change in net assets</b>	(881)	(443)	1	(6,100)	(166)	25	(1,046)	(8,610)
<b>Net assets - beginning of year</b>	8,679	5,968	603	6,625	3,599	2,672	78,956	107,102
<b>Net assets - end of year</b>	<u>\$ 7,798</u>	<u>\$ 5,525</u>	<u>\$ 604</u>	<u>\$ 525</u>	<u>\$ 3,433</u>	<u>\$ 2,697</u>	<u>\$ 77,910</u>	<u>\$ 98,492</u>

## **AGENCY FUNDS**

**Agency Funds account for assets held by the Town as an agent for individuals, organizations or other governmental units.**

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Net Assets**  
**Agency Funds**  
**June 30, 2012**

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	<u>Student Activities - High School</u>	<u>Student Activities - Pier School</u>	<u>Student Activities - Elementary School</u>	<u>Total</u>
<b>Assets</b>				
Due from other funds	<u>\$ 63,568</u>	<u>\$ 49,140</u>	<u>\$ 38,037</u>	<u>\$ 150,745</u>
<b>Total assets</b>	<u><u>\$ 63,568</u></u>	<u><u>\$ 49,140</u></u>	<u><u>\$ 38,037</u></u>	<u><u>\$ 150,745</u></u>
<b>Liabilities</b>				
Deposits held in custody for others	<u>\$ 63,568</u>	<u>\$ 49,140</u>	<u>\$ 38,037</u>	<u>\$ 150,745</u>
<b>Total liabilities</b>	<u><u>\$ 63,568</u></u>	<u><u>\$ 49,140</u></u>	<u><u>\$ 38,037</u></u>	<u><u>\$ 150,745</u></u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<i>Balance July 1, 2011</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2012</i>
<b>STUDENT ACTIVITIES - HIGH SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ -	\$ 241,781	\$ 178,213	\$ 63,568
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 241,781</b>	<b>\$ 178,213</b>	<b>\$ 63,568</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ -	\$ 241,781	\$ 178,213	\$ 63,568
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 241,781</b>	<b>\$ 178,213</b>	<b>\$ 63,568</b>
<b>STUDENT ACTIVITIES - PIER SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ -	\$ 106,050	\$ 56,910	\$ 49,140
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 106,050</b>	<b>\$ 56,910</b>	<b>\$ 49,140</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ -	\$ 106,050	\$ 56,910	\$ 49,140
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 106,050</b>	<b>\$ 56,910</b>	<b>\$ 49,140</b>
<b>STUDENT ACTIVITIES - ELEMENTARY SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ -	\$ 66,039	\$ 28,002	\$ 38,037
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 66,039</b>	<b>\$ 28,002</b>	<b>\$ 38,037</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ -	\$ 66,039	\$ 28,002	\$ 38,037
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 66,039</b>	<b>\$ 28,002</b>	<b>\$ 38,037</b>
<b>TOTAL AGENCY FUNDS</b>				
<i>Assets</i>				
Due from other funds	\$ -	\$ 413,870	\$ 263,125	\$ 150,745
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 413,870</b>	<b>\$ 263,125</b>	<b>\$ 150,745</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ -	\$ 413,870	\$ 263,125	\$ 150,745
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 413,870</b>	<b>\$ 263,125</b>	<b>\$ 150,745</b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Tax Collector's Annual Report  
For the Fiscal Year Ended June 30, 2012*

Real Estate and Personal Property Taxes

<i>Tax Year</i>	<i>Balance June 30, 2011</i>	<i>Assessments December 31, 2010</i>	<i>Additions</i>	<i>Abatements and Adjustments</i>	<i>Amount to be Collected</i>	<i>Current Year Collections</i>	<i>Balance June 30, 2012</i>
2011	\$ -	\$ 44,732,180	\$ 70,625	\$ (66,237)	\$ 44,736,568	\$ 44,380,651	\$ 355,917
2010	440,296	-	-	(6,547)	433,749	376,776	56,973
2009	159,580	-	-	(4,232)	155,348	109,694	45,654
2008	114,018	-	-	(3,770)	110,248	46,708	63,540
2007	42,498	-	-	(1,188)	41,310	1,226	40,084
2006	27,311	-	-	170	27,481	1,636	25,845
2005	29,492	-	-	-	29,492	598	28,894
2004	27,724	-	-	97	27,821	154	27,667
2003	23,530	-	-	442	23,972	230	23,742
2002	30,424	-	-	(110)	30,314	110	30,204
2001	37,836	-	-	(13,621)	24,215	26	24,189
2000	5,946	-	-	567	6,513	-	6,513
1999	4,830	-	-	-	4,830	-	4,830
1998	5,784	-	-	(3)	5,781	-	5,781
	<u>\$ 949,269</u>	<u>\$ 44,732,180</u>	<u>\$ 70,625</u>	<u>\$ (94,432)</u>	<u>\$ 45,657,642</u>	<u>\$ 44,917,809</u>	<u>739,833</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
<b>Real property</b>	\$ 4,670,351,300	\$ 43,079,887
<b>Motor vehicles</b>	154,837,401	2,548,624
<b>Tangible personal property</b>	44,533,379	598,974
<b>Total</b>	<u>4,869,722,080</u>	<u>46,227,485</u>
<b>Exemptions</b>	<u>105,555,830</u>	<u>1,495,305</u>
<b>Net assessed value</b>	<u>\$ 4,764,166,250</u>	<u>\$ 44,732,180</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Assets, Liabilities and Fund Balance*  
*School Department Operating Fund*  
*June 30, 2012*

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**ASSETS**

Cash	\$ 125
Due from federal and state governments	6,208
Other receivables	21,320
Due from other funds	3,819,175
Other assets	<u>226,733</u>
<b>Total assets</b>	<u><u>\$ 4,073,561</u></u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable and accrued expenditures	\$ 183,929
Due to other funds	<u>100,763</u>
<b>Total liabilities</b>	<u><u>284,692</u></u>

**Fund balances**

Restricted for:	
Education	<u>3,788,869</u>
<b>Total fund balances</b>	<u><u>3,788,869</u></u>

<b>Total liabilities and fund balances</b>	<u><u>\$ 4,073,561</u></u>
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**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance*  
**School Department Operating Fund**  
*For the Fiscal Year Ended June 30, 2012*

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<b>REVENUES</b>	
Town appropriation	\$ 24,277,345
State aid	2,481,658
Charges for services	340,641
Other revenues	250,036
<b>Total revenues</b>	<u>27,349,680</u>
 <b>EXPENDITURES</b>	
Education	<u>26,478,926</u>
<b>Total expenditures</b>	<u>26,478,926</u>
 <i>Excess of revenues over expenditures before other financing sources (uses)</i>	 <u>870,754</u>
 <i>Other financing sources (uses):</i>	
Capital related debt issued	142,041
Transfers to other funds	<u>(203,467)</u>
<b>Total other financing sources (uses)</b>	<u>(61,426)</u>
 <i>Net change in fund balances</i>	 809,328
 <i>Fund balances - beginning of year -restated</i>	 <u>2,979,541</u>
 <b>Fund balances - end of year</b>	 <u><u>\$ 3,788,869</u></u>



**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of General Fund - Fund Balance*  
*Restricted for Education Programs*  
*June 30, 2012*

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***Restricted for Education:***

School Committee designation for other post-employment benefit costs	\$ 822,788
School Committee designation for use in subsequent year budget	700,000
Undesignated	<u>3,103,494</u>
<b><i>Total</i></b>	<b><u><u>\$ 4,626,282</u></u></b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Revenues and Expenditures - Budget and Actual*  
**School Department Operating Budget**  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Town appropriation	\$ 24,277,345	\$ 24,277,345	\$ 24,277,345	\$ -
State aid	940,105	940,105	1,423,886	483,781
Charges for services	355,000	355,000	340,641	(14,359)
Other revenues	224,000	224,000	250,036	26,036
Re-appropriated school surplus	682,494	682,494	-	(682,494)
<b>Total revenues</b>	<u>26,478,944</u>	<u>26,478,944</u>	<u>26,291,908</u>	<u>(187,036)</u>
<b>Expenditures</b>				
Salaries	15,747,259	15,770,414	15,467,072	303,342
Employee benefits	6,398,090	6,308,455	6,108,873	199,582
Purchased services	2,672,849	2,649,000	2,380,426	268,574
Supplies and materials	1,203,278	1,195,506	990,989	204,517
Capital outlay	179,382	277,070	268,056	9,014
Other costs	36,086	36,499	63,697	(27,198)
<b>Total expenditures</b>	<u>26,236,944</u>	<u>26,236,944</u>	<u>25,279,113</u>	<u>957,831</u>
<b>Excess of revenues over expenditures before other financing uses</b>	<u>242,000</u>	<u>242,000</u>	<u>1,012,795</u>	<u>770,795</u>
<b>Other financing uses</b>				
Transfer to other funds	(242,000)	(242,000)	(203,467)	38,533
<b>Total other financing uses</b>	<u>(242,000)</u>	<u>(242,000)</u>	<u>(203,467)</u>	<u>38,533</u>
<b>Net change in fund balance (budgetary basis)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 809,328</u>	<u>\$ 809,328</u>

## STATISTICAL SECTION

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

TOWN OF NARRAGANSETT, RHODE ISLAND

NET ASSETS BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(UNAUDITED)

*Exhibit 1*

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:								
Invested in capital assets, net of related debt	\$ 73,998,792	\$ 72,788,921	\$ 76,328,788	\$ 65,852,760	\$ 30,048,212	\$ 26,117,977	\$ 23,203,860	\$ 20,357,642
Restricted	5,465,023	5,048,391	-	-	-	845,523	737,751	1,723,961
Unrestricted	(28,190,719)	(22,615,081)	(13,189,145)	(12,642,946)	(6,403,948)	(3,886,114)	(4,047,557)	(5,989,589)
Total governmental activities net assets	<u>\$ 51,273,096</u>	<u>\$ 55,222,231</u>	<u>\$ 63,139,643</u>	<u>\$ 53,209,814</u>	<u>\$ 23,644,264</u>	<u>\$ 23,077,386</u>	<u>\$ 19,894,054</u>	<u>\$ 16,092,014</u>
Business-type activities:								
Invested in capital assets, net of related debt	\$ 29,081,792	\$ 26,981,862	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410	\$ 22,693,334	\$ 23,942,896
Unrestricted	7,993,878	9,644,978	10,288,862	9,643,685	10,419,879	10,158,298	9,472,908	7,639,872
Total business-type activities net assets	<u>\$ 37,075,670</u>	<u>\$ 36,626,840</u>	<u>\$ 36,814,447</u>	<u>\$ 36,043,635</u>	<u>\$ 35,330,081</u>	<u>\$ 33,690,708</u>	<u>\$ 32,166,242</u>	<u>\$ 31,582,768</u>
Primary government:								
Invested in capital assets, net of related debt	\$ 103,080,584	\$ 99,770,783	\$ 102,854,373	\$ 92,252,710	\$ 54,958,414	\$ 49,650,387	\$ 45,897,194	\$ 44,300,538
Restricted	5,465,023	5,048,391	-	-	-	845,523	737,751	1,723,961
Unrestricted	(20,196,841)	(12,970,103)	(2,900,283)	(2,999,261)	4,015,931	6,272,184	5,425,351	1,650,283
Total primary government net assets	<u>\$ 88,348,766</u>	<u>\$ 91,849,071</u>	<u>\$ 99,954,090</u>	<u>\$ 89,253,449</u>	<u>\$ 58,974,345</u>	<u>\$ 56,768,094</u>	<u>\$ 52,060,296</u>	<u>\$ 47,674,782</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 2

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses:</b>								
Governmental activities:								
General government	\$ 4,000,306	\$ 1,960,227	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633	\$ 2,941,590	\$ 2,095,847
Financial administration	1,977,199	1,108,193	1,109,011	868,872	951,634	1,029,179	1,035,841	1,047,539
Public safety	14,678,919	11,627,180	10,922,031	10,932,393	12,652,621	12,191,560	9,318,715	9,510,910
Public works	4,113,151	4,523,343	3,921,244	3,757,059	2,084,085	1,720,256	1,880,594	1,871,654
Social services	93,959	187,285	362,588	249,641	264,272	655,799	356,170	786,805
Parks and recreation	2,327,089	1,387,846	1,460,487	1,451,280	1,423,735	1,695,839	1,601,978	1,581,652
Planning, engineering and inspection	1,231,157	1,491,691	1,282,366	1,843,867	1,229,624	1,137,184	2,093,327	1,662,635
Library	697,801	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	-	5,953,585	6,816,208	7,590,833	1,648,603	1,275,265	838,715	-
Education	30,434,094	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	979,348	966,891	1,047,327	1,152,315	536,422	318,649	226,897	482,638
Total governmental activities expenses	60,533,023	59,730,392	57,508,854	60,340,921	52,462,865	49,383,520	45,610,331	44,763,794
Business-type activities:								
Water Fund	1,873,817	1,682,772	1,732,292	1,722,238	1,611,942	1,420,822	1,815,665	1,425,268
Sewer Fund	3,764,890	4,101,213	3,659,479	3,497,571	3,009,609	2,998,432	3,070,767	3,285,810
Beach Fund	1,613,978	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	7,252,685	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	67,785,708	66,953,958	64,284,126	66,755,050	58,228,302	54,902,509	51,543,950	50,516,936
<b>Program Revenues:</b>								
Governmental activities:								
Charges for services:								
General government	1,271,041	1,415,282	1,033,620	1,018,126	974,427	983,611	1,019,898	1,553,177
Financial administration	656,167	656,167	641,989	645,099	325,000	325,000	195,000	195,000
Public safety	568,833	625,609	593,592	507,740	621,966	524,600	494,861	461,177
Public works	400	1,050	1,100	1,625	1,075	1,250	-	17,934
Social services	-	-	-	-	31,499	-	15,632	7,746
Parks and recreation	598,997	109,911	131,421	135,667	548,215	629,984	668,716	501,016
Planning, engineering and inspection	402,698	325,717	313,100	228,230	421,343	376,977	367,820	242,445
Library	10,619	8,412	6,997	6,644	-	-	-	-
Food Service	-	229,198	215,034	234,592	264,559	295,032	303,682	329,454
Other	-	500,793	368,003	381,414	-	-	-	-
Education	836,300	688,583	870,270	342,412	472,852	202,797	273,618	587,178
Operating grants and contributions	4,556,277	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	981,500	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	9,882,832	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	1,541,433	1,291,766	1,371,384	1,263,442	1,305,178	1,212,254	1,275,912	1,063,350
Sewer Fund	4,177,713	3,900,155	3,995,311	3,935,886	3,842,147	3,818,004	3,682,157	3,590,886
Beach Fund	1,902,033	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	7,621,179	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	17,504,011	16,759,247	15,804,794	14,282,339	18,748,999	15,186,053	15,273,042	16,762,996
<b>Net (Expense) Revenue:</b>								
Governmental activities	(50,650,191)	(49,822,527)	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)	(36,499,817)	(34,389,582)
Business-type activities	368,494	(372,184)	269,959	179,407	886,259	891,980	228,909	635,642
Total primary government net expenses	(50,281,697)	(50,194,711)	(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 EIGHT FISCAL YEARS  
 GOVERNMENTAL ACTIVITIES  
 (ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

	Fiscal Year							
	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Revenues and Other Changes in Net Assets:</b>								
Governmental activities:								
Property taxes and in lieu of taxes	44,908,921	44,522,795	42,585,105	41,435,378	38,699,963	37,454,608	36,424,752	34,777,052
State aid, unrestricted	1,422,516	1,686,866	2,466,572	2,501,803	2,828,020	3,651,506	3,297,710	2,495,003
Investment income	168,042	65,845	274,532	(172,041)	596,193	687,436	208,292	491,478
Other revenues	201,577	159,064	90,826	111,390	37,436	468,859	440,452	33,799
Transfers	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital	-	-	-	-	317,850	(17,663)	(69,349)	-
<b>Total governmental activities</b>	<b>46,701,056</b>	<b>46,434,570</b>	<b>45,417,035</b>	<b>43,876,530</b>	<b>42,479,462</b>	<b>42,244,746</b>	<b>40,301,857</b>	<b>37,797,332</b>
Business-type activities:								
Investment income	80,336	354,455	500,853	534,147	753,114	651,007	354,565	302,370
Transfers	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	(18,521)	-	483,318
<b>Total business-type activities</b>	<b>80,336</b>	<b>354,455</b>	<b>500,853</b>	<b>534,147</b>	<b>753,114</b>	<b>632,486</b>	<b>354,565</b>	<b>785,688</b>
<b>Total primary government</b>	<b>46,781,392</b>	<b>46,789,025</b>	<b>45,917,888</b>	<b>44,410,677</b>	<b>43,232,576</b>	<b>42,877,232</b>	<b>40,656,422</b>	<b>38,583,020</b>
<b>Change in Net Assets:</b>								
Governmental activities	(3,949,135)	(3,387,957)	(3,332,256)	(8,775,588)	2,113,900	3,183,332	3,802,040	3,407,750
Business-type activities	448,830	(17,729)	770,812	713,554	1,639,373	1,524,466	583,474	1,421,330
<b>Total primary government</b>	<b>\$ (3,500,305)</b>	<b>\$ (3,405,686)</b>	<b>\$ (2,561,444)</b>	<b>\$ (8,062,034)</b>	<b>\$ 3,753,273</b>	<b>\$ 4,707,798</b>	<b>\$ 4,385,514</b>	<b>\$ 4,829,080</b>

(concluded)

TOWN OF NARRAGANSETT, RHODE ISLAND  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
 (UNAUDITED)

*Exhibit 3*

	FISCAL YEAR							
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Fund:								
Reserved	\$ -	\$ -	\$ 380,047	\$ 288,903	\$ 310,481	\$ 268,762	\$ 271,989	\$ 243,993
Unreserved:								
Designated for next year's budget	-	-	-	148,171	1,000,000	800,000	700,000	500,000
Undesignated	-	-	4,099,653	1,735,519	1,611,116	2,755,351	3,088,227	3,005,784
Nonspendable	336,767	331,498	-	-	-	-	-	-
Restricted	4,655,701	3,745,542	-	-	-	-	-	-
Assigned	414,758	-	-	-	-	-	-	-
Unassigned	6,947,180	6,340,414	-	-	-	-	-	-
<b>Total General Fund</b>	<b>12,354,406</b>	<b>10,417,454</b>	<b>4,479,700</b>	<b>2,172,593</b>	<b>2,921,597</b>	<b>3,824,113</b>	<b>4,060,216</b>	<b>3,749,777</b>
All Other Governmental Funds:								
Reserved	-	-	-	-	220,017	2,780	-	202,545
Unreserved:								
Designated for next year's budget	-	-	-	-	692,456	530,646	219,973	506,646
Unreserved	-	-	-	-	859,171	792,456	530,646	119,973
Unreserved, reported in:								
Special Revenue Funds	-	-	4,802,382	5,864,427	1,301,496	293,909	1,105,154	1,015,000
Debt Service Fund	-	-	-	-	377,081	372,951	29,860	28,717
Capital Projects Funds	-	-	3,216,836	(112,274)	(67,310)	845,523	737,751	974,845
Restricted	493,255	982,020	-	-	-	-	-	-
Committed	2,582,359	3,983,825	-	-	-	-	-	-
Assigned	561,192	729,013	-	-	-	-	-	-
Unassigned	(118,319)	(2,112,922)	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>3,518,487</b>	<b>3,581,936</b>	<b>8,019,218</b>	<b>5,752,153</b>	<b>3,382,911</b>	<b>2,838,265</b>	<b>2,623,384</b>	<b>2,847,726</b>
<b>Grand Total</b>	<b>\$ 15,872,893</b>	<b>\$ 13,999,390</b>	<b>\$ 12,498,918</b>	<b>\$ 7,924,746</b>	<b>\$ 6,304,508</b>	<b>\$ 6,662,378</b>	<b>\$ 6,683,600</b>	<b>\$ 6,597,503</b>

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST SEVERAL FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

Exhibit 4

	Fiscal Year									
	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Revenues:</b>										
General property taxes and payments in lieu of taxes	\$ 45,232,567	\$ 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
State aid, unrestricted	4,453,025	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
Charges for services	4,097,518	4,560,722	4,175,126	3,501,549	3,189,383	2,669,414	3,168,384	3,505,203	3,106,353	2,680,731
Operating grants and contributions	1,350,198	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	811,998	1,184,276	638,539	1,190,259	3,717,528	2,062,900	2,562,125	2,142,157	1,000	-
Investment income	168,042	65,845	274,532	49,041	601,366	707,448	208,292	452,438	(197,273)	182,293
State contribution to teachers pension plan	-	933,945	-	-	-	-	-	-	-	-
Other revenues	448,322	465,288	980,017	117,189	508,989	468,859	440,452	422,888	377,954	267,758
<b>Total revenues</b>	<b>56,561,670</b>	<b>57,022,783</b>	<b>54,526,013</b>	<b>51,069,266</b>	<b>54,067,352</b>	<b>51,044,396</b>	<b>49,533,949</b>	<b>48,193,894</b>	<b>43,299,130</b>	<b>41,632,535</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	1,894,135	1,767,415	1,278,395	1,728,193	2,005,594	1,787,904	1,898,830	1,247,670	1,111,626	1,057,897
Financial administration	1,546,220	1,118,473	1,054,645	957,878	950,184	1,026,003	1,032,665	981,876	924,635	1,198,570
Public safety	10,676,086	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
Public works	2,124,008	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
Social services	100,779	177,829	353,678	226,346	256,836	662,110	421,544	721,123	728,494	700,969
Parks and recreation	1,867,425	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
Planning, engineering and inspection	858,718	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
Library	670,406	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	2,346,879	1,800,117	2,075,712	1,389,536	1,658,389	1,275,265	838,715	853,015	612,948	681,753
Education	27,886,606	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
<b>Debt service:</b>										
Principal	1,534,485	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
Interest	969,447	1,012,797	1,072,286	1,290,766	-	-	-	-	-	-
Capital outlay and Major Maintenance	2,367,389	1,011,065	146,592	9,482,535	11,771,334	-	-	-	-	-
<b>Total expenditures</b>	<b>54,842,583</b>	<b>54,924,335</b>	<b>51,831,926</b>	<b>82,709,438</b>	<b>64,595,222</b>	<b>51,906,118</b>	<b>49,447,852</b>	<b>48,001,599</b>	<b>43,819,430</b>	<b>42,171,133</b>
Excess (deficiency) of revenues over expenditures	1,719,087	2,098,448	2,694,087	(31,640,172)	(10,527,870)	(861,722)	86,097	192,295	(520,300)	(538,598)
<b>Other financing sources (uses):</b>										
Bond anticipation note, net	-	-	-	11,548,271	9,800,000	-	-	-	-	-
Bond proceeds	-	-	-	20,930,000	-	840,500	-	-	-	2,500,000
Bond premium	-	-	-	780,950	-	-	-	39,040	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	4,213,835	-	5,924,804
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	(4,156,083)	-	(5,911,578)
Capital lease proceeds	142,041	709,807	-	-	-	-	-	617,175	-	-
Transfers from other funds	8,122,110	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
Transfers to other funds	(8,122,110)	(28,367,059)	(28,835,043)	(29,380,961)	(28,979,592)	(28,510,981)	(27,641,778)	(26,156,616)	(25,292,612)	(25,160,367)
Sale of capital assets	12,375	18,500	27,900	-	360,000	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>154,416</b>	<b>728,307</b>	<b>27,900</b>	<b>33,259,221</b>	<b>10,160,000</b>	<b>840,500</b>	<b>-</b>	<b>713,967</b>	<b>4,000</b>	<b>2,513,226</b>
Net change in fund balances	\$ 1,873,503	\$ 2,826,755	\$ 2,721,987	\$ 1,619,049	\$ (367,870)	\$ (21,222)	\$ 86,097	\$ 906,262	\$ (516,300)	\$ 1,974,628
Debt service as a percentage of noncapital expenditures	4.8%	4.7%	6.3%	33.1%	4.2%	4.1%	4.3%	4.7%	4.5%	4.9%



TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 5*

Assessment Date	Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed Valuation to Total Estimated Actual Value
		Assessed Valuations	Estimated Actual Value	Assessed Valuations	Estimated Actual Value	Assessed Valuations	Estimated Actual Value	
12/31/2001	2002-03	\$ 1,606,731,270	\$ 2,677,885,450	\$ 170,219,984	\$ 283,699,973	\$ 1,776,951,254	\$ 2,961,585,423	60.00%
12/31/2002	2003-04	2,980,516,200	3,021,303,801	177,214,764	179,639,903	3,157,730,964	3,200,943,704	98.65%
12/31/2003	2004-05	3,298,715,000	4,051,479,980	176,618,264	216,922,456	3,475,333,264	4,268,402,437	81.42%
12/31/2004	2005-06	3,046,940,100	4,214,301,660	194,140,512	268,520,763	3,241,080,612	4,482,822,423	72.30%
12/31/2005	2006-07	5,165,044,102	5,172,803,307	202,826,187	203,130,883	5,367,870,289	5,375,934,190	99.85%
12/31/2006	2007-08	5,158,689,100	5,386,539,731	201,731,499	210,641,640	5,360,420,599	5,597,181,371	95.77%
12/31/2007	2008-09	5,181,200,600	5,410,045,526	216,904,287	226,484,585	5,398,104,887	5,636,530,111	95.77%
12/31/2008	2009-10	4,617,076,700	4,821,005,221	189,473,696	197,842,431	4,806,550,396	5,018,847,652	95.77%
12/31/2009	2010-11	4,660,076,700	4,755,180,306	191,058,160	199,018,917	4,851,134,860	4,954,199,223	97.92%
12/31/2010	2011-12	4,638,015,302	4,732,668,676	126,150,948	126,150,948	4,764,166,250	4,858,819,624	98.05%

Source: Town of Narragansett, Rhode Island Assessor

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 6

Taxpayer	Type of Business	FISCAL YEAR 2011-2012 (ASSESSED VALUE AS OF 12-31-10)			FISCAL YEAR 2002-2003 (ASSESSED VALUE AS OF 12-31-01)		
		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	13,922,800	2	0.29%	7,751,230	2	0.47%
Narragansett Electric	Electric Utility	11,592,752	3	0.24%	3,509,010	6	0.21%
Point Judith Country Club	Private Golf Course	7,688,200	4	0.16%	3,388,200	4	0.21%
Gilbane Properties Retail Shopping	Retail Shopping	7,560,300	5	0.16%	2,762,800	3	0.17%
J. Terrance Murray	Residential Property	6,726,800	6	0.14%	845,750	7	0.05%
JDL Family LTD Partnership	Shopping Plaza	6,080,700	7	0.12%	3,051,900	10	0.19%
Recreation Partners I	Hotel/Restaurant	6,534,900	8	0.13%	3,443,300	5	0.21%
Boss, Marhorie & Russell	Residential Property	5,921,865	9	0.12%	-		0.00%
Healey, Jpseph P.	Residential Property	5,716,000	10	0.12%	-		0.00%
United Water Company	Water Utility	5,819,150	11	0.12%	5,066,030	9	0.31%
Micacci, Anthony & Lucille	Residential Property	5,599,100	12	0.11%	-		0.00%
Frank, Marilyn & William	Residential Property	5,095,800	13	0.10%	-		0.00%
DiBiasio, Adolf & Josephine	Residential Property	4,706,300	14	0.10%	-		0.00%
Cox Communications	Telecommunications Company	4,356,347	15	0.09%	-		0.00%
Beachwood Preservation Assoc.	Senior Apartments	4,153,600	16	0.09%	2,447,200	8	0.15%
Knowles Camp, Inc	Camp, Cottages	3,988,100	17	0.08%	-		0.00%
		<u>\$ 130,721,214</u>		<u>2.68%</u>	<u>\$ 45,247,420</u>		<u>2.77%</u>
	Total assessed valuation (gross)	<u>\$ 4,869,722,080</u>			<u>\$ 1,636,397,139</u>		
	Commercial/Industrial Values	\$ 96,955,349		1.99%	\$ 38,511,170		2.35%
	Residential Values	33,765,865		0.69%	6,736,250		0.41%

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)	Collected within the Fiscal year of the Levy	
		Amount	Percentage of Levy
2002-03	\$ 32,033,250	\$ 31,898,786	99.58%
2003-04	33,462,184	33,267,395	99.42%
2004-05	34,339,260	34,158,944	99.47%
2005-06	36,266,408	36,131,210	99.63%
2006-07	37,367,278	37,136,701	99.38%
2007-08	38,496,512	38,081,116	98.92%
2008-09	41,264,467	38,670,037	93.71%
2009-10	44,923,670	43,608,209	97.07%
2010-11	45,357,123	44,407,854	97.91%
2011-12	45,657,642	44,917,809	98.38%

	Current Taxes	Current Year Collected	Percent of Levy
2007-08	\$ 38,496,512	\$ 38,081,116	98.92%
2008-09	40,477,770	38,251,119	94.50%
2009-10	42,258,667	41,425,591	98.03%
2010-11	44,053,922	43,613,626	99.00%
2011-12	44,736,568	44,380,651	99.20%

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*

List Year	Fiscal Year	Residential Property Rate	Commercial Property Rate	Personal Property Rate	Motor Vehicle Rate	Inventory Rate
2001	2002-03	\$18.64	\$18.64	\$18.64	\$16.46	\$10.11
2002	2003-04	\$10.30	\$15.45	\$15.45	\$16.46	\$8.43
2003	2004-05	\$10.57	\$15.86	\$15.86	\$16.46	\$6.74
2004	2005-06	\$10.89	\$16.34	\$16.34	\$16.46	\$5.05
2005	2006-07	\$6.74	\$10.11	\$10.11	\$16.46	\$3.37
2006	2007-08	\$6.96	\$10.44	\$10.44	\$16.46	\$1.69
2007	2008-09	\$7.25	\$10.87	\$10.87	\$16.46	\$0.00
2008	2009-10	\$8.58	\$12.87	\$12.87	\$16.46	\$0.00
2009	2010-11	\$8.86	\$13.29	\$13.29	\$16.46	\$0.00
2010	2011-12	\$8.97	\$13.45	\$13.45	\$16.46	\$0.00

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 9*

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Gross Bonded Debt</u>	<u>Debt payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt per Capita</u>
2002-03	16,361	\$ 1,776,951,254	\$ 22,580,010	\$ 11,099,091	\$ 11,480,919	0.65%	\$ 701.72
2003-04	16,361	3,157,730,964	20,440,495	10,243,365	10,197,130	0.32%	623.26
2004-05	16,361	3,475,333,264	20,533,815	11,477,210	9,056,605	0.26%	553.55
2005-06	16,361	3,241,080,612	19,126,134	11,522,225	7,603,909	0.23%	464.76
2006-07	16,361	5,367,870,289	17,231,063	11,088,164	6,142,899	0.11%	375.46
2007-08	16,361	5,360,420,599	15,865,000	1,408,380	14,456,620	0.27%	883.60
2008-09	16,361	5,398,104,887	25,034,999	875,952	24,159,047	0.45%	1,476.62
2009-10	15,868	4,806,550,396	31,728,315	6,692,867	25,035,448	0.52%	1,577.73
2010-11	15,868	4,851,134,860	30,196,064	6,638,301	23,557,763	0.49%	1,484.61
2011-12	15,868	4,764,166,250	27,864,187	5,795,183	22,069,004	0.46%	1,390.79

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 10*

	Assessment Date 12/31/2010 FY 2011-12	Assessment Date 12/31/2009 FY 2010-11	Assessment Date 12/31/2008 FY 2009-10	Assessment Date 12/31/2007 FY 2008-09	Assessment Date 12/31/2006 FY 2007-08	Assessment Date 12/31/2005 FY 206-07	Assessment Date 12/31/2004 FY 2005-06
Net assessed valuation	\$ 4,764,166,250	\$ 4,851,134,862	\$ 4,806,550,396	\$ 5,398,104,887	\$ 5,360,420,599	\$ 5,367,870,289	\$ 3,241,080,612
Debt limit	142,924,988	145,534,046	144,196,512	161,943,147	160,812,618	161,036,109	97,232,418
Total net debt applicable to limit	21,949,850	23,557,763	25,035,448	24,159,047	14,456,620	6,142,899	7,603,909
Legal debt margin	120,975,138	121,976,283	119,161,064	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	15.36%	16.19%	17.36%	14.92%	8.99%	3.81%	7.82%

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 11*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Governmental Funds Expenditures (1)</u>	<u>Ratio of Total Debt Service to Total Governmental Expenditures</u>
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%
2012	1,534,485	969,447	2,503,932	54,842,583	4.57%

Note:

(1) Modified accrual basis of accounting

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS

JUNE 30, 2012  
(UNAUDITED)

*Exhibit 12*

Employer	Type of Business	Number of Employees
Town of Narragansett	Municipality/School	448
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: 6.7%



TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 13*

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Administration	11.0	11.0	10.0	9.0	11.0	10.0	10.0	10.0	10.0	10.0
Financial administration	16.0	16.0	16.0	15.0	12.0	14.0	14.0	14.0	14.0	14.0
Public safety:										
Police:										
Officers	41.0	41.0	42.0	42.0	41.0	41.0	41.0	39.0	39.0	39.0
Civilians	14.0	13.0	13.0	13.0	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 Public Safety	<u>90.0</u>	<u>89.0</u>	<u>90.0</u>	<u>90.0</u>	<u>88.0</u>	<u>88.0</u>	<u>88.0</u>	<u>86.0</u>	<u>86.0</u>	<u>86.0</u>
Public works:										
Administration & Highway	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	14.0	14.0
Engineering	2.6	2.6	2.6	2.7	3.0	3.0	3.0	3.0	3.0	3.0
Total Public Works & Engineering	<u>21.1</u>	<u>21.1</u>	<u>21.1</u>	<u>21.2</u>	<u>21.5</u>	<u>21.5</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>	<u>22.5</u>
Parks and recreation	3.5	3.5	3.5	3.5	3.5	3.5	3.5	8.0	8.0	8.0
Parks Maintenance	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
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	8.0	9.0	9.0	10.0	9.0	9.0	9.0	9.0
Administrative, noncertified	11.0	11.0	11.0	11.0	11.0	12.0	11.0	10.0	10.0	11.0
Classroom aides	28.0	31.0	29.0	28.0	28.0	28.0	25.0	28.0	32.0	32.0
Teachers	154.9	158.0	158.0	154.0	158.0	159.0	163.0	179.0	181.0	186.0
Bus drivers, monitors, and bus aides	24.0	22.0	24.0	27.0	27.0	26.0	26.0	26.0	27.0	26.0
Clerks	12.0	11.0	11.0	12.0	13.0	14.0	15.0	15.0	16.0	17.0
Operation and maintenance	18.0	20.0	22.0	20.0	20.0	20.0	19.0	19.0	20.0	19.0
	<u>255.9</u>	<u>261.0</u>	<u>263.0</u>	<u>261.0</u>	<u>266.0</u>	<u>269.0</u>	<u>268.0</u>	<u>286.0</u>	<u>295.0</u>	<u>300.0</u>
Library - full-time	5.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Library-part-time	18.0	16.0	16.0	16.0	N/A	N/A	N/A	N/A	N/A	N/A
Fleet Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	5.6	5.6	5.6	5.6	5.6	4.0	4.0	4.0	4.0	4.0
Wastewater Treatment	9.8	9.8	9.8	9.8	9.8	9.0	9.0	9.0	9.0	9.0
Beach	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Total	<u>447.9</u>	<u>449.0</u>	<u>451.0</u>	<u>448.1</u>	<u>434.4</u>	<u>435.0</u>	<u>435.0</u>	<u>455.5</u>	<u>464.5</u>	<u>469.5</u>

TOWN OF NARRAGANSETT, RHODE ISLAND  
 MISCELLANEOUS STATISTICS  
 JUNE 30, 2012  
 (UNAUDITED)

**Exhibit 14**

<b>Town Incorporation</b>	1901	<b>Municipal buildings:</b>	
<b>Type of Government</b>	Council / Town Manager	Town Hall	1
<b>Population:</b>		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 Pre-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
<b>Area of Town</b>	18.3 square miles	Public works garage/maintenance facility	2
<b>Shoreline</b>	44.2 miles	Library	1
<b>Miles of Streets:</b>		Parks/recreation buildings	9
Local Paved	108	Beach Cabanas – 84 units	1
State Paved	25	Beach clubhouse	1
<b>Construction (Period 1-1-12 to 12-31-12):</b>		North Beach Pavilion – 282 units	1
Permits Issued	1,945	South Beach Pavilion – 218 units	1
Total Value	\$32,523,238	Kinney Bungalow	1
<b>Elections – November 2010:</b>		Comfort station	1
Registered voters	12,234	Community Center	1
Number of votes cast	6,573	The Towers	1
Percentage voting	54%	<b>Recreation Facilities:</b>	
<b>Fire Protection:</b>		Public squares	3
Fire alarm boxes	181	Acres for recreation (developed)	48
Fire hydrants	683	Playgrounds	6
<b>Education: Student Enrollments:</b>		Tot lots	1
Pre-Kindergarten	59	Play fields and major recreation facilities	7
Elementary (grades k – 4)	467	Undeveloped sites	2
Middle School (grades 5 – 8)	420	Municipal tennis courts	19
High (grades 9 – 12)	494	Bathing beaches	1
Special Education-Out of Dist	19	Diamonds:	
CHARIHO	7	Hard ball	4
Total in all schools	1,466	Soft ball	1
Home Instruction	16	Basketball courts:	
Charter Schools	24	Outdoor	7
Total	<u>1,506</u>	Indoor (schools)	3
		Soccer Fields	7
		Pool - temporarily closed	1

***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS***

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

We have audited the 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, as of and for the year ended June 30, 2012, which collectively comprise the Town of Narragansett, Rhode Island's basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

Management of the Town of Narragansett, Rhode Island is responsible for establishing and maintaining an effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Narragansett, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Narragansett, Rhode Island's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Narragansett, Rhode Island's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-01, 12-02 and 12-03 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Narragansett, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 12-04.

We noted certain matters that we reported to the management of the Town of Narragansett, Rhode Island in a separate letter dated March 28, 2013.

The Town of Narragansett, Rhode Island's responses to the findings identified in our audit are described in the accompanying schedule and findings and responses. We did not audit the Town of Narragansett, Rhode Island's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Town Council, the School Committee, the State of Rhode Island Auditor General and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Warwick, Rhode Island  
March 28, 2013

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2012**

**Capital Assets**

**12-01 Material Weakness** – The Town does not have formal policies and procedures in place to properly account for on a perpetual basis, the Town’s construction in progress, capital assets, accumulated depreciation and depreciation expense. The Town also does not have procedures in place to account for the disposal of capital assets and has not performed a physical inventory of the capital assets in many years. The Town updated the detail schedules of capital assets after year-end for prior year audit adjustments and current year additions. As a result of the Town’s lack of policies and procedures, we had to propose several material audit adjustments to add capital assets and construction in progress omitted from the Town’s capital asset schedules, and to restate for prior year errors.

The Town is also not recording the capital asset transactions to the Enterprise Funds on the general ledger. We had to propose audit adjustments to record all current year capital asset transactions, including additions and transfers from construction in progress, capital asset additions and depreciation expense.

**Recommendation** – We recommend that the Town establish formal policies and procedures to account for on a perpetual basis, the addition and deletion of capital assets, construction in progress and depreciation expense. We also recommend that the Town complete a physical inventory of the Town’s capital assets and make the appropriate adjustments to the capital asset schedules for those capital assets that are no longer in service or that have been omitted from the schedules.

We also recommend that the Town record to the general ledger, at least at year-end, all Enterprise Fund capital assets transactions and reconcile the detail capital assets schedules to the general ledger.

These procedures are necessary to ensure that the proper recording and safeguarding of the Town’s capital assets.

**Management’s Response** – The Town will take steps to establish formal policies and procedures to account for the additions and deletions to capital assets, construction in progress and depreciation expense. These policies will focus on periodic updates during the fiscal year.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2012**

**Financial Reporting and Closing Procedures**

**12-02 Material Weakness** – An entity’s system of internal controls should be designed and operate to allow the entity to prepare accurate financial statements in conformance with generally accepted accounting principles and be designed and operate to prevent, detect and correct misstatements in the financial statements on a timely basis. The system should also be designed and operate to allow the entity to properly monitor the financial position of the entity.

The Town is providing monthly budget to actual revenue and expenditure reports to the Town Council to assist them in monitoring the financial position of the Town. The Town’s system of internal controls however, does not include formal monthly closing procedures, which could result in material misstatements from not being prevented, detected and corrected in a timely manner. Although the Town prepares monthly reconciliations of certain accounts, the reconciliations are not performed in a timely manner and some are not completed until after year-end. The Town does not have formal procedures for the review and approval of journal entries that are prepared as part of the reconciliation process. The Town also does not have a procedure in place that requires the monthly review and approval of all the fund financial reports, to ensure that the reports appear complete and accurate.

As a result of the lack of formal monthly closing procedures, a few of the issues we noted include the following:

- 1) The beginning balances for several funds did not agree to the prior year ending audit balances.
- 2) The Town had not reconciled through-out the year the Pension and OPEB trust fund investment balances per the general ledger to the investment statements.
- 3) Journal entries made to adjust the financial reports were not supported by adequate documentation.

**Recommendation** – We recommend that the Town implement formal monthly financial reporting and closing procedures. The procedures should include the timely monthly reconciliation of all significant accounts; monthly review and approval of the trial balance for all funds by the Finance Director; and the review and approval of all journal entries and supporting documentation by a person other than the person initiating the journal entry.

**Management’s Response** – The Town will take steps to implement formal monthly financial reporting and closing procedures. A review of all journal entries will be made by a person other than the originator of the document.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2012**

**Grant Management**

**12-03 Material Weakness** - The Town receives grants from various Federal, State and private agencies. The Town accounts for the revenues and expenditures for these grants in a separate Special Revenue Fund. The Town has set up separate revenue and expenditure accounts within this fund to account for each grant separately. Personnel outside the Finance and Accounting Departments are responsible for administering and monitoring the grants. We noted that in 2012 and prior years that several transactions were not accounted for properly. The lack of communication between the departments has resulted in revenues and expenditures being recorded to incorrect accounts or funds. It has also resulted in funds not being requested for reimbursement and grants being over and under spent. The Town had to make several adjustments to this fund in the current fiscal year to correct errors and to fund approximately \$98,000 in deficits. The lack of formal procedures over grant management is a weakness in internal control that could result in material misstatements to the financial statements or deficits in the grant funds.

**Recommendation** – We recommend that all departments be instructed on the process for administering grants and that all grant documentation, including grant agreements, grant reports and requests for reimbursement be forwarded to the Accounting Department. The Accounting Department should also provide the individuals responsible for administering the grants with quarterly Grant Fund reports, generated from the accounting system, to properly monitor the grant activity.

**Management's Response** – The Town will take steps to improve grant accounting including instructing operating departments in the proper procedures related to grant administration. The Finance Department will also provide departments with quarterly grant fund reports.

**Levy and Assessment of Taxes**

**12-04 Finding of Noncompliance** – *Rhode Island General Law 44-5-1* states that the electors of any Town qualified to vote on any proposition to impose a tax or for the expenditure of money, when legally assembled, may levy a tax for the purpose authorized by law, on the ratable property of the Town, either in a sum certain, or in a sum not less than a certain sum and not more than a certain sum. The Town of Narragansett Town Council approved an ordinance that levied and ordered the assessment and the collection of taxes for the 2012 fiscal year for a sum between \$43,200,000 and \$44,200,000. The actual tax levy was \$44,732,180 and is not within the range approved by the Town Council. The Town is not in compliance with *Rhode Island General Law 44-5-1*.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
***Schedule of Findings and Responses***  
***For the Fiscal Year Ended June 30, 2012***

***Recommendation*** – We recommend that the Town carefully review all levy and assessment information prior to the approval of the final budget and tax levy ordinance to ensure compliance with ***Rhode Island General Law 44-5-1***.

***Management's Response*** – Steps will be taken in the future to comply with the law.