

TOWN OF NARRAGANSETT, RHODE ISLAND
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2014

Laura K. Kenyon
Finance Director

Prepared by: Finance Department

INTRODUCTORY SECTION

**THIS SECTION CONTAINS
THE FOLLOWING:**

- **Table of Contents**
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- **Town of Narragansett Organizational Chart**
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**TOWN OF NARRAGANSETT, RHODE ISLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2014**

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Town of Narragansett

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January 20, 2015

To the Citizens of the Town of Narragansett:

The comprehensive annual financial report of the Town of Narragansett, Rhode Island, for the fiscal year ended June 30, 2014, is hereby submitted as mandated by both state statutes and the Town charter. State laws require that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants licensed to practice in the State of Rhode Island.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the Town of Narragansett has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Narragansett's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Narragansett's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, I assert that, to the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Narragansett's financial statements have been audited by Bacon and Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Narragansett for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Narragansett's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Narragansett was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in a separate Single Audit report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Narragansett's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The Town of Narragansett, incorporated as a town on March 28, 1901, is situated in Washington County, on the southeastern coast of the State of Rhode Island, approximately 30 miles south of Providence. It is bounded by Narragansett Bay and the Atlantic Ocean on the east; by the Atlantic Ocean on the south; by the Town of South Kingstown on the west; and the Town of North Kingstown on the north. The total area of the community is 18.3 square miles, which includes 4.4 square miles of inland water. The year-round population of the Town decreased from 16,361 persons counted in the 2000 census to 15,868 in the 2010 census. The actual population served is estimated to be approximately 10,000 persons higher with summer rentals and University of Rhode Island student and faculty rentals.

Government

The Town operates under a charter form of government, which provides for a five member elected Town Council which is responsible for enacting local legislation; and an appointed Town Manager who executes the laws and the administration of the town government. The Town has a home-rule charter and operates under the Council-Manager form of government. The Town Council is elected by popular vote every two years and is responsible for, among other things, passing ordinances, adopting a budget, appointing committees, and hiring both the Town Manager and Town Solicitor. The Town Manager is responsible for carrying out the policies of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing all other employees, except for School Department personnel.

The Town provides a full range of municipal services including public safety protection, the repair and maintenance of highways, streets, and other infrastructure, libraries, recreational activities, planning and zoning, education and administrative services. In addition, the Town operates water, wastewater, the Town Beach and the Middlebridge Recreation Area.

The annual budget serves as the foundation for the Town’s financial planning and control. The Town Council is granted all powers to enact, amend or repeal ordinances relating to the Town's property, affairs and government as well as the authorization of 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.

Education

The general administration of the Narragansett School System is directed by a five-member School Committee that is elected at large at the regular biennial elections for staggered four-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 revenue to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The cost of operating the Town's School System for the fiscal year ended June 30, 2014 was \$25,829,071. The School Department budget for fiscal year ended June 30, 2014 is \$27,380,216 and the budget for fiscal year ending June 30, 2015 is \$27,738,098. The budgeted cost per student in the fiscal year ending June 30, 2014 was \$19,613 shared by the Town and the State of Rhode Island in the form of School Operations Aid. The Town has one elementary school, one middle school and one high school. As of October at the beginning of each school year, the student enrollment in the Narragansett School System for the past five years has been and is projected to be as follows:

Fiscal Year	Actual	Fiscal Year	Projected
Ending	Enrollment	Ending	Enrollment
2010	1,469	2015	1,390
2011	1,481	2016	1,370
2012	1,466	2017	1,370
2013	1,443	2018	1,370
2014	1,396	2019	1,355

Municipal Services

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

Wastewater Facilities

The Town has 20 sewage pumping stations and approximately 90 miles of sanitary sewers. Service for the southern portion of Narragansett, 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. Approximately 6,483 connections are serviced by the Town. The annual rate for residential users is currently \$400 per unit. The Wastewater Division operates as an enterprise fund, with all operations funded from user fees and assessments.

Water Facilities

The Town's 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 owns, operates and maintains three water storage tanks, with a combined capacity of two million gallons, and approximately 71 miles of water mains. Approximately one-half of the Town's populated area (representing 6,381 accounts) is served by the Town water system, while service to the remaining citizens is provided directly by United Water of Rhode Island. Major maintenance projects for 2013 and extending into 2014 were the lead paint remediation and re-painting of two of the storage tanks. The Water Division operates as an enterprise fund, with all operations funded from user fees.

Public Works

The Town's Public Works Department provides a full range of services including street construction/maintenance, snow removal and maintenance of Town property. The Public Works Department expended \$2,480,317 for fiscal year ended June 30, 2014 and budgeted \$2,480,438 and \$3,092,533 for the fiscal years ending June 30, 2014 and 2015, respectively.

Public Safety

Services include fire prevention, emergency medical rescue, police patrol, investigations, community education, dispatching, harbor patrol and animal control functions. The Narragansett Police Department has a force that consists of 53 full-time police officers, and other support personnel. The Police Department expended \$6,608,700 for fiscal year ended June 30, 2014 and budgeted \$6,814,436 and \$7,349,607 for the fiscal years ending June 30, 2014 and 2015, respectively. The Town has three fire stations staffed by 34 full-time fire fighters. The Fire Department expended \$4,612,318 for fiscal year ended June 30, 2014 and budgeted \$4,551,448 and \$5,431,471 for the fiscal years ending June 30, 2014 and 2015, respectively.

Employee Relations

As of June 30, 2014, the Town employs 185 full-time employees exclusive of those employed by the School Department. The School Department employs 258.5 full-time equivalent employees.

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

Police Department- 3 year contract expires June 30, 2016

Public Works & Municipal Clerical - 3 year contract expires June 30, 2017

School Dept. Non-Certified- 1 year contract expires June 30, 2015

Fire Department- 3 year contract expires June 30, 2016

Teachers- 3 year contract expires August 31, 2015

Municipal Middle Management – 3 Year contract expires June 30, 2017

Retirement Programs

The Town has a contributory pension plan covering substantially all of its employees. The retirement plans for policemen and municipal employees are administered by Town officials. The retirement plan for teachers is administered by the State of Rhode Island Retirement Board.

The Town Plan

The Town contributes to the Town Plan, a single employer public employee retirement plan established in accordance with the Town Charter. The Plan is considered part of the Town's financial reporting entity and is included in the Town's annual financial report as a pension trust fund. 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.

Police Plan

The Town contributes to the Police Plan, a single-employer public employee retirement plan. The Police Plan is considered part of the Town's financial reporting entity and is included in the Town's annual financial report as a pension trust fund. There are no active participants, and the Police Plan is closed to new entrants. All members of the permanent Police Force who were hired prior to July 1, 1978 and refused the September 1984 offer to join the Town Plan are eligible to participate in the Police Plan. All other policemen are covered by the Town Plan.

School Teachers' Retirement Plan

Town certified school personnel participate in the Rhode Island Retirement System, a statutory, mandatory, statewide, cost-sharing, multi-employer defined benefit plan, which first covered State teachers on July 1, 1949. This Teacher's Retirement System is administered as a unified statewide system by the State Retirement Board, the composition of which is set forth in the pertinent State statute. The assets are held in the custody of the State Treasurer as an undivided single fund.

Defined Contribution Plan for ERSRI Participants

The Rhode Island Retirement Act of 2011 changed the defined benefit plan to a hybrid plan which includes a defined contribution plan. The State selected TIAA-CREF to administer the plan. All employees in ERSRI are required to participate. ERSRI employees contribute 5% of their annual salary into the defined contribution plan, with an additional 2% contribution for those employees that do not participate in Social Security, and the Town must contribute 1% of salary. Participants have a selection of investment options chosen by the State and provided by TIAA-CREF.

Other Post-Employment Benefits

Town Plan

The Town administers a single-employer, defined benefit post-employment benefit plan. 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 has been reported as a Trust Fund in the Town's financial statements in fiscal year 2014. The plan does not issue a publicly available financial report.

School Plan

The Narragansett School System administers a single-employer, defined benefit post-employment benefit plan. The plan provides medical and dental insurance for eligible retirees and their dependents through the School System'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 School System and the respective unions or as established by employee contract for non-union employees.

Long-term capital financial planning. As a part of the annual budget process, the Town Manager prepares and presents a capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next six years. The plan provides for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, school facilities, public safety, recreation and open space purchases.

Cash management policies and practices. It is the policy of the Town to invest funds in a manner which will provide the highest investment return, with the maximum amount of security while meeting the daily cash flow needs of the Town and conforming to all state statutes governing the investment of municipal funds. Cash temporarily idle during the year was invested in certificates of deposit, obligations of the U.S. Treasury and money market mutual funds. In addition, some trust funds held corporate stocks and bonds in their investment portfolios. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. The Town is a member of the Rhode Island Inter-Local Risk Management Pool. The cooperative pool was formed in 1986 to address the insurance needs of Rhode Island municipalities. Narragansett became a member on July 1, 1988. The pool provides all property, liability and worker's compensation insurance policies for the Town. Property and liability claims are subject to a \$2,500 deductible with the exception of public officials' liability claims, which are subject to a \$5,000 deductible. The pool's self-insured retention levels range from \$10,000 to \$1,000,000 depending on the type of coverage

provided. In addition to the self-insurance provided by the pool, there is also reinsurance through third party sources for claims up to \$5,000,000. In addition to the insurance coverage provided, the pool also provides various educational and training seminars to promote safety training and loss control efforts.

ACKNOWLEDGEMENTS

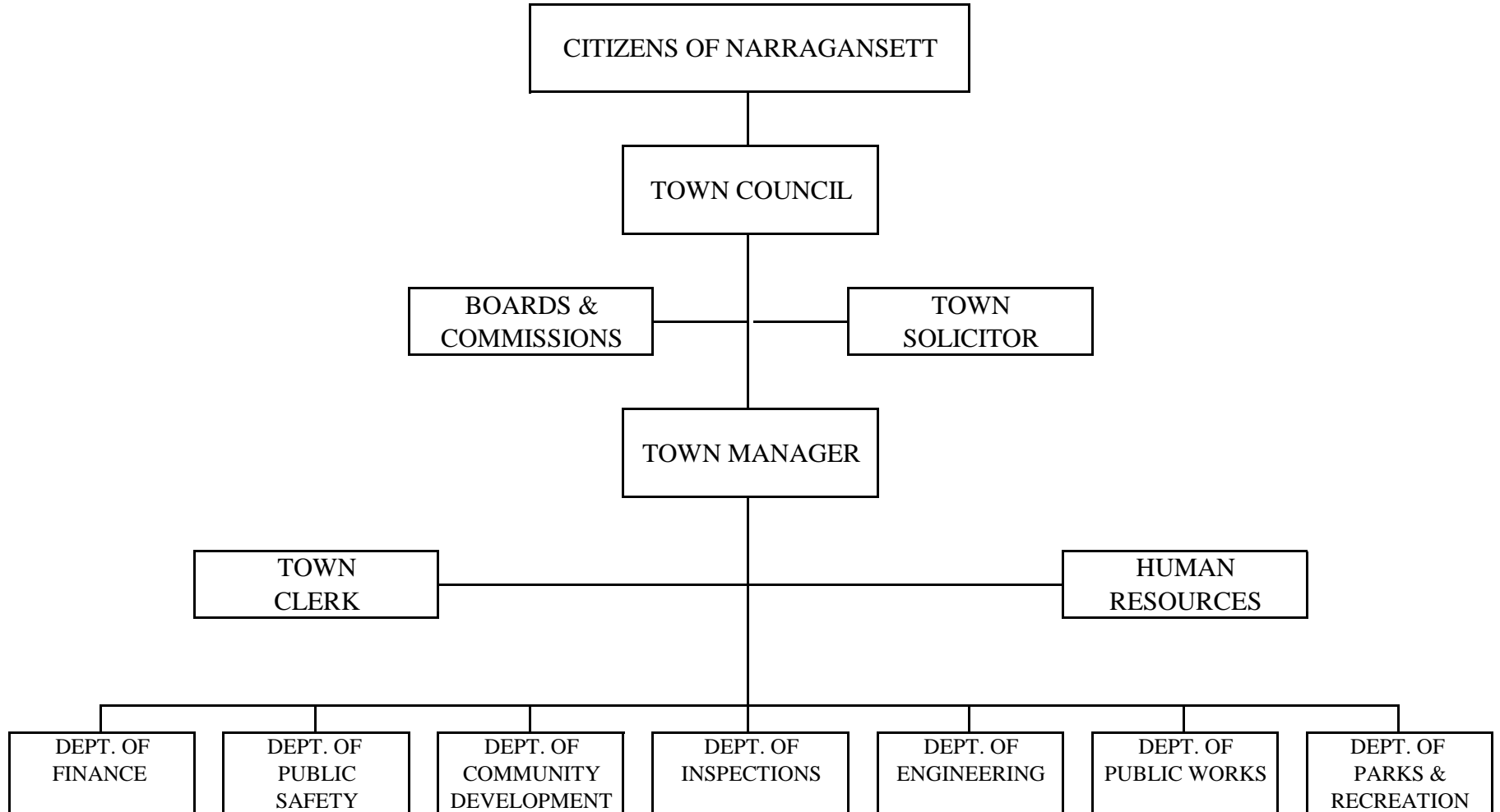
The preparation of this report was made possible by the efficient and dedicated services of the entire staff of the Finance Department. I sincerely appreciate their efforts in assisting me with preparing this comprehensive annual financial report.

In closing, I would like to express my appreciation to the Town Manager, Pamela Nolan, and the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,

Laura K. Kenyon
Finance Director

THE TOWN OF NARRAGANSETT
GOVERNMENTAL ORGANIZATION



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

JUNE 30, 2014

Elected Officials

Council President	James M. Callaghan
President Pro Tempore	Susan Cicilline-Buonanno
Council Member	Glenna M. Hagopian
Council Member	Matthew M. Mannix
Council Member	Douglas E. McLaughlin
School Committee, Chairperson	Tammy McNeiece
School Committee, Vice-Chairperson	Diane S. Nobles
School Committee, Member	Frank White
School Committee, Member	Keith Ranaldi
School Committee, Member	Guy deWardener

Appointed Officials

Town Manager	Pamela Nolan
Town Solicitor	Mark A. McSally
Finance Director	Laura K. Kenyon
Town Clerk	Anne M. Irons
Town Engineer	Jeffry Ceasrine
Police Chief	F. Dean Hoxsie
Fire Chief	Scott Partington
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	Susan E. Healy
Town Controller	Laurie A. LaBore
Tax Assessor	Allan Booth, Interim
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**



CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Narragansett, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Narragansett, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Narragansett, Rhode Island, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 4 through 13 and pages 67 through 80 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.

Other Information

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, other supplementary information, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 20, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Narragansett, Rhode Island's internal control over financial reporting and compliance.

Bacon & Company, LLC

Warwick, Rhode Island
January 20, 2015

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, 2014 (FY2014) 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.

Financial Highlights

At the end of the current fiscal year, the total fund balance for the General Fund was \$16,717,075 or 31.4 % of the total 2014 budgeted revenues. This is an increase of \$3,072,063 from the prior year fund balance.

The total unassigned fund balance of the General Fund is \$8,231,880 or 15.5% of the total 2014 budgeted revenues. This is an increase of \$4,002,187 from the prior year unassigned fund balance.

The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$8,485,195. This is a decrease of \$930,124 from the prior year total assigned, committed, restricted or nonspendable fund balance.

The Town General Fund ended the fiscal year 2014 with a budgetary operating surplus of \$2,392,756.

The total bonded debt, notes and loans of the Town of Narragansett decreased by \$2,143,390.

As reported in the government-wide financial statements, the assets and deferred outflows of resources of the Town of Narragansett exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$84,681,026. The Town's capital asset base has been developed from both the current operations and debt. The Town has recorded its property and equipment at original values in order to insure proper asset management.

The Town's total net position decreased by \$955,549 for the fiscal year ended June 30, 2014.

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 Position*: This statement presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as *net position*. Increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

- b. *Statement of Activities*: This statement presents information showing how the government's net position changed during the reporting period. All changes in net position 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, Beach and the Middlebridge Recreation Fund operations.

The government-wide financial statements can be found on pages 14 and 15 of this report.

- 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*.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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 81-88 of this report.

The Town adopted annual budgets for its General Fund, Water Fund, Sewer Fund, Internal Services Fund (Vehicle Maintenance), Library Fund, Beach Fund, Middlebridge Recreation Fund, 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.

- 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.

- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements (Continued)

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 26-66 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 67-80 of this report.

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, the governmental activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,765,366 at the close of this reporting period.

The Town's net position 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (Continued)

Town of Narragansett's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$24,227,117	\$20,923,726	\$13,834,467	\$14,494,398	\$38,061,584	\$35,418,124
Capital assets	\$92,272,584	\$93,050,939	\$34,984,655	\$35,246,720	\$127,257,239	\$128,297,659
Total assets	\$116,499,701	\$113,974,665	\$48,819,122	\$49,741,118	\$165,318,823	\$163,715,783
Deferred outflows of resources	\$15,255	\$30,509	\$2,383	\$4,767	\$17,638	\$35,276
Current liabilities	\$6,223,811	\$5,098,229	\$1,268,068	\$1,497,318	\$7,491,879	\$6,595,547
Noncurrent liabilities	\$65,508,894	\$62,418,277	\$3,985,211	\$4,697,031	\$69,494,105	\$67,115,308
Total liabilities	\$71,732,705	\$67,516,506	\$5,253,279	\$6,194,349	\$76,985,984	\$73,710,855
Deferred inflows of resources	\$16,885	\$43,920	\$3,652,566	\$4,359,709	\$3,669,451	\$4,403,629
Net position:						
Net investment in capital assets	\$73,242,220	\$72,797,383	\$30,664,018	\$30,053,171	\$103,906,238	\$102,850,554
Restricted	\$7,151,671	\$6,041,787			\$7,151,671	\$6,041,787
Unrestricted	(35,628,525)	(32,394,422)	\$9,251,642	\$9,138,656	(26,376,883)	(23,255,766)
Total net position	\$44,765,366	\$46,444,748	\$39,915,660	\$39,191,827	\$84,681,026	\$85,636,575

At June 30, 2014, the Town is able to report positive balances in both categories of net position for its business-type activities. For governmental activities, the deficit in the Town's unrestricted net position increased, due principally to the recording of a liability for other postemployment benefits (OPEB).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (Continued)

Governmental Activities: Governmental activities decreased the Town's net position by \$(1,679,382).

Town of Narragansett's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,615,762	\$ 4,478,812	\$ 8,486,196	\$ 8,627,591	\$13,101,958	\$13,106,403
Operating grants and Contributions	4,681,774	4,630,534			4,681,774	4,630,534
Capital grants and Contributions	1,203,364	202,815			1,203,364	202,815
General revenues, property taxes	46,131,289	44,974,695			46,131,289	44,974,695
State aid and in lieu of taxes	1,604,893	1,526,105			1,604,893	1,526,105
Miscellaneous and interest	931,733	70,885	95,017	457,119	1,026,750	528,004
Total revenues	59,168,815	55,883,846	8,581,213	9,084,710	67,750,028	64,968,556
Expenses:						
General government	3,657,602	3,697,034			3,657,602	3,697,034
Financial administration	1,677,212	1,719,594			1,677,212	1,719,594
Public safety	15,180,592	15,284,664			15,180,592	15,284,664
Public works	4,978,149	4,757,802			4,978,149	4,757,802
Social Services	93,240	54,874			93,240	54,874
Parks and recreation	2,398,295	2,403,126			2,398,295	2,403,126
Plan, engineer & inspection	1,204,386	1,333,057			1,204,386	1,333,057
Library	709,574	743,782			709,574	743,782
Education	30,396,974	30,074,899			30,396,974	30,074,899
Interest on Long term debt	894,414	890,143			894,414	890,143
Water Fund			1,922,478	1,888,917	1,922,478	1,888,917
Sewer Fund			3,780,631	3,712,886	3,780,631	3,712,886
Beach Fund			1,768,047	2,027,956	1,768,047	2,027,956
Middlebridge Recreation			43,983	189,469	43,983	189,469
Total expenses	61,190,438	60,958,975	7,515,139	7,819,228	68,705,577	68,778,203
Increase (decrease) in net position before transfers	(2,021,623)	(5,075,129)	1,066,074	1,265,482	(955,549)	(3,809,647)
Transfers	342,241	(924,669)	(342,241)	924,669		
Change in net position	(1,679,382)	(5,999,798)	723,833	2,190,151	(955,549)	(3,809,647)
Net position, beginning of year	46,444,748	52,444,546	39,191,827	37,001,676	85,636,575	89,446,222
Net position, end of year	\$44,765,366	\$ 46,444,748	\$ 39,915,660	\$ 39,191,827	\$84,681,026	\$85,636,575

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (Continued)

Property taxes levied for FY 2013-14 based on the December 31, 2012 grand list increased by \$1,015,199 to \$46,060,213 from the amount levied for 2012-13 of \$45,045,014. This was an increase of 2.3%, well below the State mandated cap increase of 4%, 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 amount of current year taxes to be collected for FY 2014 was budgeted at \$45,084,630 which was based on a rate of collection of 98%. Current year collections were \$45,802,195 compared to the budgeted amount of \$45,084,630, an increase of \$717,565 or 1.6%.

Business-type activities: Business-type activities increased the Town's net position by \$723,833. Key elements of the increase are as follows:

- a. Water Fund: The net position of the Water enterprise is up \$92,985 or 1.6%.
- b. Sewer Fund: The net position for the Sewer enterprise is up \$595,747 or 2.2%.
- c. Beach Fund: The net position for the Beach enterprise is down \$62,529 or -1%.
- d. Middlebridge: The net position for the Middlebridge Fund is up \$97,630 or 26%.

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 \$19,631,692. Approximately 40.9% of this total amount or \$8,022,579 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 \$8,231,880, while total fund balance was \$16,717,075. 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 of \$8,231,880 represents 15.3% of total General Fund expenditures and transfers of \$53,936,765, while total fund balance represents 31% of the same amount.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Financial Analysis of the Town’s Funds (Continued)

The Town’s General Fund – Fund Balance increased by \$3,072,063 due mainly to the lack of funding needed from the General Fund for Road Construction. \$4.1 million in bonds were authorized and issued as the alternative to the advancement of \$1.7 million from the General Fund to the Road Bond Fund.

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 position of the Water Fund at June 30, 2014 was \$2,156,987.
- b. Sewer Fund: The unrestricted net position of the Sewer Fund at June 30, 2014 amounted to \$6,399,752.
- c. Beach Fund: The unrestricted net position of the Beach Fund at June 30, 2014 was \$724,478.
- d. Middlebridge Fund: The unrestricted net position of Middlebridge Recreation Fund at June 30, 2014 was \$(29,575).

General Fund Budgetary Highlights

The general fund operating budget shows an operating surplus of \$ 2,392,756. This represents 4.5% of the \$53,159,958 budget as approved by the Town Council. The largest surplus in expenditures was from the lack of need for \$1,700,000 in the Street Improvement Fund.

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, 2014 amounted to \$127,257,239 (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 FY2014 was (\$1,040,420), or (.81)% (a .83% decrease for governmental activities and a .74% decrease for business-type activities).

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$44,058,624	\$43,983,624	\$ 3,240,280	\$ 3,240,280	\$ 47,298,904	\$ 47,223,904
Construction in progress	1,080,364	131,563	336,008	1,209,500	1,416,372	1,341,063
Buildings and improvements	27,662,950	28,474,692	11,035,142	10,202,440	38,698,092	38,677,132
Machinery and equipment	3,246,592	3,161,717	651,740	588,604	3,898,332	3,750,321
Vehicles	1,586,424	1,561,326	102,771	40,953	1,689,195	1,602,279
Infrastructure	14,637,630	15,738,017	19,618,714	19,964,943	34,256,344	35,702,960
Total	\$92,272,584	\$93,050,939	\$ 34,984,655	\$ 35,246,720	\$127,257,239	\$128,297,659

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration (Continued)

2. Debt administration: At the end of the fiscal year, the Town's governmental activities had total bonds, notes and capital leases outstanding of \$19,677,655, all of which is backed by the full faith and credit of the Town. Total debt was reduced from \$21,047,498 by retirements of \$1,369,843 during FY2014.

The Town was upgraded from a "AA-" rating to "AA" from Standard & Poor's for general obligation debt. This was in conjunction with the issuance of \$4.1 General Obligation bonds issued for the purpose of Road Construction in July 2014.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 17,740	\$ 18,865	\$ 940	\$ 1,124	\$ 18,680	\$ 19,989
Notes and loans	1,762	1,905	3,383	4,074	5,145	5,979
Capital leases	176	277			176	277
Total	\$ 19,678	\$ 21,047	\$ 4,323	\$ 5,198	\$ 24,001	\$ 26,245

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 \$134,524,188 based on net assessed valuations of \$4,484,139,590 as of December 31, 2012. As of June 30, 2014, the Town had \$114,236,244 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:

Debt Issuance Ratios	Limitation
Debt Service as a Percentage of Operating Budget	7% of Operating Budget Expenses
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 \$20,256,860 and debt service of \$2,147,610 for FY 2014 equates to the following (excludes compensated absences, pollution remediation obligations and pension and OPEB obligations):

- 4.04% Debt service as a Percent of the Operating Budget (FY 14 budget was \$53,159,958 while debt service was \$2,147,610).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration (Continued)

0.45% Outstanding general obligation debt as a percentage of Net Assessed valuation \$4,484,139,590
4.7% Debt service as a percent of net tax levy of \$46,060,213
\$1,277 Outstanding general obligation debt per capita of 15,868

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	\$ 3,721,197	\$ 2,147,610	57.7%
Debt at 2.5% of assessed value	\$112,103,490	\$ 20,256,860	18.1%
Debt service at 8% of the tax levy	\$ 3,684,817	\$ 2,147,610	58.3%
Debt per capita at \$2,500	\$ 2,500	\$ 1,277	51.0%

Subsequent Fiscal Year 2014-15 Budget and Tax Rates

The Town of Narragansett's total general fund budget for fiscal year 14/15 is \$52,601,193, which reflects a decrease of \$558,765 from the fiscal year 2013/14 budget. The Town's tax rates for fiscal year 2014/15 are residential real estate \$10.04 per thousand of valuation, commercial real estate and property \$15.06 per thousand of valuation, and motor vehicles \$16.46 per thousand of valuation over \$6000.

Other subsequent events

The Town of Narragansett issued \$4.1 million in General Obligation bonds dated July 2014 for Road Construction and entered into a Lease for \$430,553 in September 2014 for the purpose of acquiring a Fire Pumper Truck.

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 Position
June 30, 2014

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 21,723,979	\$ 217,787	\$ 21,941,766
Investments	5,710,329	-	5,710,329
Accrued interest receivable	-	85,706	85,706
Real estate and personal property tax receivable (net)	441,719	-	441,719
Water and Sewer use and assessments receivable	-	665,620	665,620
Due from federal and state government	807,302	40,296	847,598
Other receivables	2,290,710	17,775	2,308,485
Internal balances	(9,074,820)	9,074,820	-
Inventories	46,432	-	46,432
Prepaid expenses	416,181	1,000	417,181
Total current assets	22,361,832	10,103,004	32,464,836
Noncurrent assets:			
Sewer assessments receivable	-	3,731,463	3,731,463
Capital assets: (Note 2)			
Land and land easements	44,058,624	3,240,280	47,298,904
Depreciable buildings, property, equipment, infrastructure (net)	47,133,596	31,408,367	78,541,963
Construction in progress	1,080,364	336,008	1,416,372
Other assets (net)	1,865,285	-	1,865,285
Total noncurrent assets	94,137,869	38,716,118	132,853,987
Total assets	116,499,701	48,819,122	165,318,823
Deferred outflows of resources:			
Deferred amounts on refunding	15,255	2,383	17,638
Total deferred outflows of resources	15,255	2,383	17,638
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	3,906,842	494,886	4,401,728
Accrued interest payable	119,107	32,504	151,611
Customer deposits payable	-	15,275	15,275
Unearned revenue	6,212	-	6,212
Compensated absences payable	714,629	63,252	777,881
Pollution remediation obligations	75,272	-	75,272
Long-term debt - due within one year (Note 6)	1,401,749	662,151	2,063,900
Total current liabilities	6,223,811	1,268,068	7,491,879
Noncurrent Liabilities:			
Long-term debt - due in more than one year (Note 6)	18,855,111	3,660,869	22,515,980
Compensated absences payable	2,764,044	324,342	3,088,386
Pollution remediation obligations	2,012,465	-	2,012,465
Net pension obligation	20,569,564	-	20,569,564
Net other post employment benefit obligation	21,307,710	-	21,307,710
Total noncurrent liabilities	65,508,894	3,985,211	69,494,105
Total liabilities	71,732,705	5,253,279	76,985,984
Deferred Inflows of Resources:			
Deferred property taxes	16,885	-	16,885
Deferred sewer assessments	-	3,652,566	3,652,566
Total deferred inflows of resources	16,885	3,652,566	3,669,451
Net Position:			
Net Investment in capital assets	73,242,220	30,664,018	103,906,238
Restricted for:			
Capital	6,215	-	6,215
Education programs	6,255,829	-	6,255,829
Public safety programs	45,238	-	45,238
Historical records preservation	221,962	-	221,962
Community service programs	458,748	-	458,748
Parks and recreation programs	103,351	-	103,351
Other programs	60,328	-	60,328
Unrestricted	(35,628,525)	9,251,642	(26,376,883)
Total net position	\$ 44,765,366	\$ 39,915,660	\$ 84,681,026

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, 2014

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</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>
Governmental Activities:							
General government	\$ 3,657,602	\$ 1,369,157	\$ 13,760	\$ -	\$ (2,274,685)	\$ -	\$ (2,274,685)
Financial administration	1,677,212	700,491	-	-	(976,721)	-	(976,721)
Public safety	15,180,592	724,676	38,986	455,968	(13,960,962)	-	(13,960,962)
Public works	4,978,149	2,125	114,065	-	(4,861,959)	-	(4,861,959)
Social services	93,240	-	99,327	-	6,087	-	6,087
Parks and recreation	2,398,295	660,367	30,166	92,921	(1,614,841)	-	(1,614,841)
Planning, engineering and inspection	1,204,386	501,068	-	-	(703,318)	-	(703,318)
Library	709,574	12,811	127,513	-	(569,250)	-	(569,250)
Education	30,396,974	645,067	3,771,987	654,475	(25,325,445)	-	(25,325,445)
Interest on long-term debt	894,414	-	485,970	-	(408,444)	-	(408,444)
Total governmental activities	61,190,438	4,615,762	4,681,774	1,203,364	(50,689,538)	-	(50,689,538)
Business-Type Activities:							
Water	1,922,478	2,015,463	-	-	-	92,985	92,985
Sewer	3,780,631	4,334,115	-	-	-	553,484	553,484
Beach	1,768,047	2,081,062	-	-	-	313,015	313,015
Middlebridge Recreation	43,983	55,556	-	-	-	11,573	11,573
Total business-type activities	7,515,139	8,486,196	-	-	-	971,057	971,057
Total	\$ 68,705,577	\$ 13,101,958	\$ 4,681,774	\$ 1,203,364	(50,689,538)	971,057	(49,718,481)
General Revenues:							
Taxes:							
Property taxes					46,131,289	-	46,131,289
State aid and in lieu of taxes, not restricted for a specific purpose					1,604,893	-	1,604,893
Investment earnings					280,124	-	280,124
Miscellaneous					651,609	95,017	746,626
Transfers					342,241	(342,241)	-
Total general revenues and transfers					49,010,156	(247,224)	48,762,932
Change in net position					(1,679,382)	723,833	(955,549)
Net position - beginning of year, restated					46,444,748	39,191,827	85,636,575
Net position - end of year					\$ 44,765,366	\$ 39,915,660	\$ 84,681,026

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 21,623,694	\$ 100,285	\$ 21,723,979
Investments	5,710,329	-	5,710,329
Real estate and personal property			
tax receivable	741,719	-	741,719
Due from federal and state governments	307,801	499,501	807,302
Due from other funds	2,664,443	3,718,040	6,382,483
Other receivables	36,894	289,614	326,508
Inventory	46,432	-	46,432
Prepaid expenditures	416,181	-	416,181
Other assets	1,865,285	-	1,865,285
Total assets	<u>\$ 33,412,778</u>	<u>\$ 4,607,440</u>	<u>\$ 38,020,218</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable and accrued expenditures	\$ 2,324,322	\$ 746,111	\$ 3,070,433
Due to other funds	13,081,747	655,252	13,736,999
Claims payable	469,434	-	469,434
Unearned revenue	-	6,212	6,212
Other liabilities	95,854	-	95,854
Total liabilities	<u>15,971,357</u>	<u>1,407,575</u>	<u>17,378,932</u>
Deferred Inflows of Resources:			
Deferred property taxes	653,597	-	653,597
Other deferred revenues	70,749	285,248	355,997
Total deferred inflows of resources	<u>724,346</u>	<u>285,248</u>	<u>1,009,594</u>
Fund Balances:			
Nonspendable:			
Other assets WB Community Health	1,325,102	-	1,325,102
Inventory	46,432	-	46,432
Prepaid expenditures	416,181	-	416,181
Restricted for:			
Education programs	6,251,978	3,851	6,255,829
Public safety programs	-	45,238	45,238
Historical records preservation	-	221,962	221,962
Community service programs	-	173,500	173,500
Parks and recreation programs	-	103,351	103,351
Library programs	38,040	-	38,040
Capital projects	-	6,215	6,215
Other programs	-	22,288	22,288
Committed for:			
Capital projects	-	2,222,676	2,222,676
Assigned to:			
Parks and recreation programs	109,090	-	109,090
Towers	179,080	-	179,080
Kinney Bungalow	81,860	-	81,860
Sunset Farm	22,235	-	22,235
Capital projects	-	324,837	324,837
Other	15,197	-	15,197
Unassigned	8,231,880	(209,301)	8,022,579
Total fund balances	<u>16,717,075</u>	<u>2,914,617</u>	<u>19,631,692</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 33,412,778</u>	<u>\$ 4,607,440</u>	<u>\$ 38,020,218</u>

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 Position
June 30, 2014

Total Fund Balances - Total Governmental Funds \$ 19,631,692

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

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. 92,272,584

Other long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the Governmental Funds financial statements. 285,248

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred inflows of resources in the Governmental Funds financial statements. 407,461

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. (119,107)

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 Position. (27,223)

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. (67,700,544)

Deferred amounts on refunding of debt are not reported in the Governmental Funds financial statements, but are reported net of accumulated amortization as deferred outflows of resources in the Government-wide financial statements 15,255

Net Position of Governmental Activities \$ 44,765,366

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, 2014

	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:			
General property taxes and payments in lieu of taxes	\$ 46,583,683	\$ -	\$ 46,583,683
State and federal aid	4,785,093	227,020	5,012,113
Charges for services	4,253,355	350,514	4,603,869
Operating grants and contributions	26,918	1,106,911	1,133,829
Capital grants and contributions	-	976,344	976,344
Investment and interest income	272,167	7,957	280,124
Other revenues	633,992	8,777	642,769
Total revenues	<u>56,555,208</u>	<u>2,677,523</u>	<u>59,232,731</u>
Expenditures:			
<i>Current:</i>			
General government	1,878,684	26,120	1,904,804
Financial administration	1,266,781	-	1,266,781
Public safety	11,275,546	58,787	11,334,333
Public works	2,487,704	63,711	2,551,415
Social services	-	93,240	93,240
Parks and recreation	1,744,644	143,449	1,888,093
Planning, engineering and inspection	990,026	-	990,026
Library	697,892	-	697,892
Food service	-	403,267	403,267
Education	26,525,005	805,457	27,330,462
Other	2,867,951	-	2,867,951
Debt Service	-	2,147,610	2,147,610
Capital outlay	-	3,810,103	3,810,103
Total expenditures	<u>49,734,233</u>	<u>7,551,744</u>	<u>57,285,977</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>6,820,975</u>	<u>(4,874,221)</u>	<u>1,946,754</u>
Other financing sources (uses):			
Sale of capital assets	28,951	-	28,951
Transfers from other funds	424,669	6,080,975	6,505,644
Transfers to other funds	(4,202,532)	(1,960,871)	(6,163,403)
Total other financing sources (uses)	<u>(3,748,912)</u>	<u>4,120,104</u>	<u>371,192</u>
Net change in fund balances	3,072,063	(754,117)	2,317,946
Fund balances - beginning of year	<u>13,645,012</u>	<u>3,668,734</u>	<u>17,313,746</u>
Fund balances - end of year	<u>\$ 16,717,075</u>	<u>\$ 2,914,617</u>	<u>\$ 19,631,692</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, 2014

Net Changes in Fund Balances - Total Governmental Funds	\$ 2,317,946
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.	3,174,517
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.	(3,937,580)
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.	(11,021)
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.	(38,793)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. 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 Position. This amount represents debt principal payments during the current period.	1,369,843
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.	9,379
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. The loss on refunding debt is an expenditure in the Governmental Funds, but is reported as deferred outflows of resources and amortized in the Government-Wide financial statements. This amount represents amortization on loss on refundings during the current period. This amount represents amortization of premium on debt during the current period.	(15,255) 39,047
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. This amount represents the change in the net pension obligation during the current period. This amount represents the change in the net OPEB obligation during the current period.	140,660 (2,317,663) (2,313,324)
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.	(92,867)
Change in Net Position of Governmental Activities	<u>\$ (1,679,382)</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Statement of Net Position
Proprietary Funds
June 30, 2014

	<i>Business-Type Activities - Enterprise Funds</i>					<i>Governmental</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Middlebridge Recreation Fund</i>	<i>Total</i>	<i>Activities Internal Service Fund</i>
Assets						
Current assets:						
Cash and cash equivalents	\$ 77,805	\$ 134,632	\$ 5,350	\$ -	\$ 217,787	\$ -
Accounts receivable:						
Water and sewer use fees	276,584	337,599	-	-	614,183	-
Sewer assessment	-	51,437	-	-	51,437	-
Accrued interest	-	85,706	-	-	85,706	-
Other	5,748	9,423	2,604	-	17,775	-
Due from federal and state government	40,296	-	-	-	40,296	-
Due from other funds	2,049,367	6,263,243	785,991	-	9,098,601	-
Prepaid expenses	-	-	1,000	-	1,000	-
Total current assets	2,449,800	6,882,040	794,945	-	10,126,785	-
Noncurrent assets:						
Sewer assessments receivable	-	3,731,463	-	-	3,731,463	-
Capital assets:						
Non-depreciable assets	310,866	380,211	1,832,711	1,052,500	3,576,288	-
Depreciable assets - net	3,567,893	23,744,885	3,800,240	295,349	31,408,367	53,349
Total noncurrent assets	3,878,759	27,856,559	5,632,951	1,347,849	38,716,118	53,349
Total assets	6,328,559	34,738,599	6,427,896	1,347,849	48,842,903	53,349
Deferred Outflows of Resources						
Deferred amounts on refunding	2,383	-	-	-	2,383	-
Total deferred outflows of resources	2,383	-	-	-	2,383	-
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	104,199	336,543	53,823	321	494,886	5,514
Due to other funds	-	-	-	23,781	23,781	21,709
Accrued interest payable	1,417	26,889	-	4,198	32,504	-
Accrued compensated absences	26,752	33,856	2,644	-	63,252	-
Customer and security deposits payable	-	-	14,000	1,275	15,275	-
Current portion of bonds, notes and loans payable	45,000	487,151	-	130,000	662,151	-
Total current liabilities	177,368	884,439	70,467	159,575	1,291,849	27,223
Noncurrent liabilities:						
Accrued compensated absences	160,444	163,898	-	-	324,342	-
Bonds, notes and loans payable	50,000	2,895,869	-	715,000	3,660,869	-
Total noncurrent liabilities	210,444	3,059,767	-	715,000	3,985,211	-
Total liabilities	387,812	3,944,206	70,467	874,575	5,277,060	27,223
Deferred Inflows of Resources						
Deferred sewer assessments	-	3,652,566	-	-	3,652,566	-
Total deferred inflows of resources	-	3,652,566	-	-	3,652,566	-
Net Position						
Net investment in capital assets	3,786,143	20,742,075	5,632,951	502,849	30,664,018	53,349
Unrestricted	2,156,987	6,399,752	724,478	(29,575)	9,251,642	(27,223)
Total net position	\$ 5,943,130	\$ 27,141,827	\$ 6,357,429	\$ 473,274	\$ 39,915,660	\$ 26,126

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 Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2014

	<i>Business-Type Activities - Enterprise Funds</i>					<i>Governmental</i>
	<i>Middlebridge</i>				<i>Total</i>	<i>Activities</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Recreation Fund</i>		<i>Internal</i>
						<i>Service Fund</i>
Operating revenues						
Assessments and user fees	\$ 1,975,747	\$ 4,302,343	\$ -	\$ -	\$ 6,278,090	\$ -
Admittance and rental fees	-	-	2,064,155	53,850	2,118,005	-
Vehicle maintenance charges	-	-	-	-	-	477,222
Other revenues	39,716	31,772	16,907	1,706	90,101	4,880
Total operating revenues	<u>2,015,463</u>	<u>4,334,115</u>	<u>2,081,062</u>	<u>55,556</u>	<u>8,486,196</u>	<u>482,102</u>
Operating expenses						
Salaries and benefits	615,623	984,006	806,107	-	2,405,736	269,265
Materials, supplies and maintenance	693,535	1,086,559	319,257	8,618	2,107,969	201,222
Utilities	14,471	208,619	18,157	2,900	244,147	1,205
Administrative and miscellaneous	228,032	674,536	393,035	2,786	1,298,389	10,410
Depreciation and amortization	364,353	741,669	231,491	7,732	1,345,245	4,271
Total operating expenses	<u>1,916,014</u>	<u>3,695,389</u>	<u>1,768,047</u>	<u>22,036</u>	<u>7,401,486</u>	<u>486,373</u>
Operating income (loss)	<u>99,449</u>	<u>638,726</u>	<u>313,015</u>	<u>33,520</u>	<u>1,084,710</u>	<u>(4,271)</u>
Nonoperating revenues (expenses)						
Other non-operating revenue	-	42,263	49,125	3,629	95,017	-
Amortization expense	(2,383)	-	-	-	(2,383)	-
Interest expense	(4,081)	(85,242)	-	(21,947)	(111,270)	-
Total nonoperating revenues (expenses)	<u>(6,464)</u>	<u>(42,979)</u>	<u>49,125</u>	<u>(18,318)</u>	<u>(18,636)</u>	<u>-</u>
Income (loss) before transfers	<u>92,985</u>	<u>595,747</u>	<u>362,140</u>	<u>15,202</u>	<u>1,066,074</u>	<u>(4,271)</u>
Transfers in	-	-	-	82,428	82,428	-
Transfers out	-	-	(424,669)	-	(424,669)	-
Change in net position	<u>92,985</u>	<u>595,747</u>	<u>(62,529)</u>	<u>97,630</u>	<u>723,833</u>	<u>(4,271)</u>
Total net position - beginning of year, restated	<u>5,850,145</u>	<u>26,546,080</u>	<u>6,419,958</u>	<u>375,644</u>	<u>39,191,827</u>	<u>30,397</u>
Total net position - end of year	<u>\$ 5,943,130</u>	<u>\$ 27,141,827</u>	<u>\$ 6,357,429</u>	<u>\$ 473,274</u>	<u>\$ 39,915,660</u>	<u>\$ 26,126</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, 2014

	Business-Type Activities - Enterprise Funds					Governmental
	Middlebridge					Activities
	Water Fund	Sewer Fund	Beach Fund	Recreation Fund	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from vehicle maintenance charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,222
Cash received from customers	2,036,497	4,411,043	2,064,050	53,850	8,565,440	-
Cash payments to suppliers for goods and services	(746,148)	(1,226,643)	(395,817)	(14,220)	(2,382,828)	(219,859)
Cash payments to employees for services	(587,852)	(1,035,282)	(795,000)	-	(2,418,134)	(269,258)
Payments for interfund services used	(169,873)	(565,553)	(332,810)	-	(1,068,236)	-
Other operating receipts	39,716	68,508	103,746	5,335	217,305	4,880
Customer deposits received	-	-	31,000	-	31,000	-
Customer deposits repaid	-	-	(30,550)	(100)	(30,650)	-
Net cash provided by (used for) operating activities	572,340	1,652,073	644,619	44,865	2,913,897	(7,015)
Cash flows from non-capital financing activities						
Interfund transactions	(280,383)	364,251	(165,767)	35,216	(46,683)	7,015
Transfer from other funds	-	-	-	82,428	82,428	-
Transfer to other funds	-	-	(424,669)	-	(424,669)	-
Net cash provided by (used for) non-capital related financing activities	(280,383)	364,251	(590,436)	117,644	(388,924)	7,015
Cash flows from capital and related financing activities						
Acquisition and construction of capital assets	(154,251)	(1,114,365)	(52,833)	(10,921)	(1,332,370)	-
Payment of interest on bonds and loans	(4,901)	(88,910)	-	(22,588)	(116,399)	-
Payment of principal on bonds and loans	(55,000)	(678,417)	-	(129,000)	(862,417)	-
Net cash used for capital and related financing activities	(214,152)	(1,881,692)	(52,833)	(162,509)	(2,311,186)	-
Net increase in cash and cash equivalents	77,805	134,632	1,350	-	213,787	-
Cash and cash equivalents - beginning of year	-	-	4,000	-	4,000	-
Cash and cash equivalents - end of year	\$ 77,805	\$ 134,632	\$ 5,350	\$ -	\$ 217,787	\$ -
Noncash capital and related financing activities:						
Payment of principal on loans	\$ -	\$ 12,878	\$ -	\$ -	\$ 12,878	\$ -

(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, 2014

	<i>Business-Type Activities - Enterprise Funds</i>					<i>Governmental</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Middlebridge Recreation Fund</i>	<i>Total</i>	<i>Activities Internal Service Fund</i>
<i>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</i>						
Operating income (loss)	\$ 99,449	\$ 638,726	\$ 313,015	\$ 33,520	\$ 1,084,710	\$ (4,271)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>						
Depreciation and amortization	364,353	741,669	231,491	7,732	1,345,245	4,271
Other non-operating revenue	-	29,385	49,125	3,629	82,139	-
Changes in assets, liabilities and deferred inflows of resources:						
(Increase) decrease in accounts receivable	60,599	823,193	37,609	-	921,401	-
(Increase) decrease in prepaid expenses	-	-	(1,000)	-	(1,000)	-
Increase (decrease) in accounts payable and accrued expenses	20,208	203,718	13,449	84	237,459	(7,015)
Increase (decrease) in accrued compensated absences	27,731	(77,475)	480	-	(49,264)	-
Increase (decrease) in deposits payable	-	-	450	(100)	350	-
Increase (decrease) in deferred sewer assessment revenue	-	(707,143)	-	-	(707,143)	-
<i>Net cash provided by (used for) operating activities</i>	<u>\$ 572,340</u>	<u>\$ 1,652,073</u>	<u>\$ 644,619</u>	<u>\$ 44,865</u>	<u>\$ 2,913,897</u>	<u>\$ (7,015)</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets				
Cash and cash equivalents	\$ 2,087,704	\$ 28,900	\$ 7,998	\$ -
Investments at fair value:				
U.S. government obligations	2,295,385	-	-	-
Municipal obligations	33,752	-	-	-
Corporate bonds	3,806,626	-	-	-
Mortgage backed securities	724,679	-	-	-
Common stock	27,507,418	787,482	-	-
Preferred stock	896,942	26,190	-	-
Mutual and exchange traded funds - equities	17,116,923	168,920	7,966	-
Mutual and exchange traded funds - fixed income	13,018,864	340,789	-	-
Mutual and exchange traded funds - other	2,823,196	-	-	-
Hedge fund	3,568,262	-	-	-
Total investments	<u>71,792,047</u>	<u>1,323,381</u>	<u>7,966</u>	<u>-</u>
Contribution receivable	71,822	1,128,546	-	-
Due from other funds	-	-	73,752	191,854
Accrued interest receivable	59,584	-	-	-
Prepaid expenses	360,510	-	-	-
Total assets	<u>74,371,667</u>	<u>2,480,827</u>	<u>89,716</u>	<u>191,854</u>
Liabilities				
Accounts payable and accrued expenses	-	16,952	-	479
Due to other funds	1,963,701	-	500	-
Deposits held in custody for others	-	-	-	191,375
Total liabilities	<u>1,963,701</u>	<u>16,952</u>	<u>500</u>	<u>191,854</u>
Net Position				
Restricted for pension benefits, post-employment benefits and other purposes	<u>\$ 72,407,966</u>	<u>\$ 2,463,875</u>	<u>\$ 89,216</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 Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>
Additions			
Contributions:			
Employer	\$ 3,362,844	\$ 2,510,011	\$ -
Plan member	1,272,360	88,199	-
Total contributions	<u>4,635,204</u>	<u>2,598,210</u>	<u>-</u>
Investment income:			
Net increase (decrease) in fair value of investments	8,950,239	127,055	1,395
Interest and dividends	1,511,876	31,325	85
Less: investment expense	(390,132)	(2,601)	-
Net investment income	<u>10,071,983</u>	<u>155,779</u>	<u>1,480</u>
Total additions	<u>14,707,187</u>	<u>2,753,989</u>	<u>1,480</u>
Deductions			
Benefits	4,152,674	2,150,825	-
Refunds of contributions	243,106	-	-
Administrative expenses	36,250	7,800	-
Scholarships	-	-	500
Miscellaneous	-	-	10,175
Total deductions	<u>4,432,030</u>	<u>2,158,625</u>	<u>10,675</u>
Change in net position	10,275,157	595,364	(9,195)
Net position - beginning of year	<u>62,132,809</u>	<u>1,868,511</u>	<u>98,411</u>
Net position - end of year	<u>\$ 72,407,966</u>	<u>\$ 2,463,875</u>	<u>\$ 89,216</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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,” and GASB Statement No. 61 “Financial Reporting Entity Omnibus” A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization’s relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. The Town of Narragansett does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

The Town’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the Town’s governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

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 Position 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.

Fund Financial Statements

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements.

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 position and changes in net position 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, deferred outflows of resources, current liabilities and deferred inflows of resources 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 collected 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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

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 and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, 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, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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 four 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.

Middlebridge Recreation Fund – The Middlebridge Recreation Fund is used to account for rental fees and expenses associated with the operations of Middlebridge Recreation Area.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. 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. Agency funds are purely custodial and do not involve measurement of results of operations.

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 considered nonexpendable.

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. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 66 - Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 67 - Financial Reporting for Pensions Plans - an amendment of GASB Statement No. 25, effective for the Town's fiscal year ending June 30, 2014.
- GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the Town’s fiscal year ending June 30, 2014.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

The adoption of these Statements did not have an impact on the Town's financial position or results of operations, except as follows:

The implementation of GASB Statement No. 65 - Items Previously Reported as Assets and Liabilities resulted in restatements of net position in the Governmental Activities, Business-Type Activities and Water and Sewer Funds to remove debt issuance costs previously reported as other assets.

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

- GASB Statement No. 68 – Financial Reporting for Pensions - an amendment of GASB Statement No. 27, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations, effective for the Town's fiscal year ending June 30, 2015.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, effective for the Town's fiscal year ending June 30, 2015.

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

D. CASH EQUIVALENTS

The Town considers cash and cash equivalents in the Proprietary Funds to include cash on hand, time and demand deposits, and short-term investments maturing within three months from the date of acquisition.

E. 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.

F. 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 20, 2013 and other delinquent balances are recorded as receivables.

G. 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.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

H. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. 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.

J. CAPITAL ASSETS AND DEPRECIATION

Capital assets are reported in the Government-Wide Statement of Net Position.

In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in Government-Wide Financial Statements.

All capital assets are recorded at cost (or estimated historical cost). Donated capital assets are recorded at estimated 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Land improvements	5 – 65 years
Buildings and improvements	25 – 65 years
Machinery and equipment	5 – 30 years
Vehicles	6 – 12 years
Infrastructure	15 – 65 years

K. DEBT PREMIUMS

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source.” In the Government-Wide Statements, debt premiums 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.

L. DEFERRED INFLOWS OF RESOURCES

In the Governmental Fund Financial Statements, deferred inflows of resources is reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred inflows of resources is reported for amounts received before the period for which property taxes are levied.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

M. 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 2013 levy. The tax rate of the Town is established in accordance with Town Ordinance.

The Town's fiscal 2013-2014 property taxes were levied on June 20, 2013, on assessed valuation as of December 31, 2012. 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 a lien on the 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% over that of the preceding fiscal year for 2014.

N. 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, 2014.

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.

O. 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 Governmental 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 Governmental Fund Financial Statements until due.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

P. 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, 2014

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land and land easements	\$ 43,983,624	\$ 75,000	\$ -	\$ 44,058,624
Construction in progress	131,563	1,611,364	662,563	1,080,364
	<u>44,115,187</u>	<u>1,686,364</u>	<u>662,563</u>	<u>45,138,988</u>
Depreciable assets:				
Land improvements and infrastructure	40,027,597	148,274	-	40,175,871
Buildings and improvements	47,279,141	1,056,569	-	48,335,710
Machinery and equipment	7,684,447	491,325	182,358	7,993,414
Vehicles	7,881,371	454,548	291,235	8,044,684
	<u>102,872,556</u>	<u>2,150,716</u>	<u>473,593</u>	<u>104,549,679</u>
Total capital assets	<u>146,987,743</u>	<u>3,837,080</u>	<u>1,136,156</u>	<u>149,688,667</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	24,289,580	1,248,661	-	25,538,241
Buildings and improvements	18,804,449	1,868,311	-	20,672,760
Machinery and equipment	4,522,730	399,620	175,528	4,746,822
Vehicles	6,320,045	425,259	287,044	6,458,260
Total accumulated depreciation	<u>53,936,804</u>	<u>3,941,851</u>	<u>462,572</u>	<u>57,416,083</u>
Governmental activities capital assets, net	<u>\$ 93,050,939</u>	<u>\$ (104,771)</u>	<u>\$ 673,584</u>	<u>\$ 92,272,584</u>
Business-Type Activities:				
Nondepreciable assets:				
Land	\$ 3,240,280	\$ -	\$ -	\$ 3,240,280
Construction in progress	1,209,500	830,468	1,703,960	336,008
	<u>4,449,780</u>	<u>830,468</u>	<u>1,703,960</u>	<u>3,576,288</u>
Depreciable assets:				
System improvements and infrastructure	35,828,694	372,738	-	36,201,432
Buildings and improvements	16,971,203	1,371,892	-	18,343,095
Machinery and equipment	2,327,242	133,847	-	2,461,089
Vehicles	487,414	78,195	-	565,609
	<u>55,614,553</u>	<u>1,956,672</u>	<u>-</u>	<u>57,571,225</u>
Total capital assets	<u>60,064,333</u>	<u>2,787,140</u>	<u>1,703,960</u>	<u>61,147,513</u>
Less accumulated depreciation for:				
System improvements and infrastructure	15,863,751	718,967	-	16,582,718
Buildings and improvements	6,768,763	539,190	-	7,307,953
Machinery and equipment	1,738,638	70,711	-	1,809,349
Vehicles	446,461	16,377	-	462,838
Total accumulated depreciation	<u>24,817,613</u>	<u>1,345,245</u>	<u>-</u>	<u>26,162,858</u>
Business-type activities capital assets, net	<u>\$ 35,246,720</u>	<u>\$ 1,441,895</u>	<u>\$ 1,703,960</u>	<u>\$ 34,984,655</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

Depreciation expense was charged to governmental functions as follows:

General government	\$ 112,318
Public safety	425,434
Public works	1,452,961
Parks and recreation	244,745
Public libraries	8,664
Education	1,697,729
Total Depreciation Expense	<u>\$ 3,941,851</u>

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

Water	\$ 364,353
Sewer	741,669
Beach	231,491
Middlebridge Recreation	7,732
Total Depreciation Expense	<u>\$1,345,245</u>

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 \$134,524,188. As of June 30, 2014, the Town's debt subject to the legal debt margin is \$20,287,944 and the Town is under the debt limit by \$114,236,244. The debt subject to the debt limitation is based on the type of debt that is issued.

B. DEFICIT FUND BALANCES/NET POSITION

The following nonmajor governmental funds have deficits in unassigned fund balance as of June 30, 2014: Grants Fund - \$(25,794) and Street Improvement Fund - \$(183,507). The Internal Service Fund had a deficit unrestricted net position of \$(27,223) as of June 30, 2014.

NOTE 4 – CASH DEPOSITS

DEPOSITS – are in several 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 Position as “Cash and Cash Equivalents”.

	<i>Carrying Amount</i>
Total Deposits	<u>\$21,948,398</u>
Add: Petty Cash	12,940
Add: Investments classified as cash equivalents	2,105,030
Total Cash and Cash Equivalents Reported in the Financial Statements	<u>\$24,066,368</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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, 2014, \$16,432,939 of the Town’s bank balance of \$22,432,899 was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured (federal depository insurance funds)	\$ 5,999,960
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	-
Uninsured and uncollateralized	<u>16,432,939</u>
Total	<u><u>\$22,432,899</u></u>

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, 2014, the Town's uncollateralized deposits with institutions were \$16,432,939. 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, 2014

- 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.
- The Managers may invest in commercial paper, repurchase agreements, Treasury Bills, certificate of deposits, and money market funds. All such assets must represent maturities of one year or less at time of purchase. Commercial Paper must be rated P-1 or A-1 by Standards & Poor's or Moody's respectively.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

As of June 30, 2014 the Town had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Rating (Moody's)</u>
Corporate Bonds	\$ 829,744	A1
Corporate Bonds	486,046	A2
Corporate Bonds	594,616	A3
Corporate Bonds	87,650	AA1
Corporate Bonds	35,893	AA2
Corporate Bonds	161,256	AA3
Corporate Bonds	881,355	BAA1
Corporate Bonds	670,841	BAA2
Corporate Bonds	96,281	BAA3
Corporate Bonds	226,563	Not rated
Municipal Obligations	33,752	A2
US Government Obligations	2,295,385	AAA
US Gov. Agency Obligations	114,135	AA2
US Gov. Agency Obligations	645,290	AAA
Mortgage-Backed Securities	690,741	AAA
Mortgage-Backed Securities	149,680	Not rated
Mutual Funds & ETFs - Fixed Income	2,514,580	Average AAA
Mutual Funds & ETFs - Fixed Income	72,597	Average A
Mutual Funds & ETFs - Fixed Income	1,889,260	Average BB
Mutual Funds & ETFs - Fixed Income	3,004,266	Average BBB
Mutual Funds & ETFs - Fixed Income	2,219,835	Average B
Mutual Funds & ETFs - Fixed Income	5,624,302	Not rated
Mutual Funds & ETFs - Equities	17,293,809	Not applicable
Common Stock	28,294,900	Not applicable
Preferred Stock	970,082	Not applicable
Money Market Funds	226,152	Not rated
Money Market Funds	2,082,251	Aaa - mf
Hedge Fund	3,568,262	Not rated
Mutual Fund - Other	2,549,781	Not rated
Mutual Fund - Other	509,337	Average B
Annuity	2,120,111	Not rated
	<hr/>	
	80,938,753	
Less: Investment classified as cash and cash equivalents	(2,105,030)	
	<hr/>	
Total investments reported in the financial statements	\$ 78,833,723	
	<hr/> <hr/>	

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:

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

<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	\$ 4,070,245	\$ 437,144	\$ 2,657,339	\$ 975,762	\$ -	\$ -	\$ -	\$ -
Municipal Obligations	33,752	-	-	33,752	-	-	-	-
US Government Obligations	2,295,385	200,422	1,448,664	646,299	-	-	-	-
US Agency Obligations	759,425	-	114,135	136,209	-	-	509,081	-
Mortgage-Backed Securities	840,421	50,646	615,777	28,521	50,223	-	8,151	87,103
Mutual Funds & ETFs -								
Fixed Income	7,478,603	20,230	314,885	7,143,488	-	-	-	-
Money Market Funds	2,308,403	2,308,403	-	-	-	-	-	-
Total	\$17,786,234	\$ 3,016,845	\$ 5,150,800	\$ 8,964,031	\$ 50,223	\$ -	\$ 517,232	\$ 87,103

Mutual fund and exchange traded fund maturity based on average maturity of the fund. \$7,846,237 of the Town's mutual funds and exchange traded funds do not have an average maturity.

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, 2014

<i>Currency</i>	<i>Fair Value</i>	
	<i>Equities</i>	<i>Fixed Income Securities</i>
Australian dollar	\$ 84,352	\$ 35,893
Bermudian dollar	211,727	-
Brazilian real	133,045	-
British pound	1,025,771	238,852
Canadian dollar	54,317	40,288
Chinese Yuan	96,329	-
Euro	2,777,380	300,099
Guernsey Pound	44,014	-
Hong Kong Dollar	47,512	-
Israeli new shekel	125,756	-
Japanese yen	814,718	-
Mexican peso	-	18,675
Netherlands Antillean guilder	108,514	-
New Zealand dollar	95,221	-
Norwegian krone	284,800	-
Russian Ruble	126,193	-
South Korean won	175,887	-
Swedish krona	97,848	-
Turkish Lira	45,729	-
Swiss franc	562,252	-
	\$ 6,911,365	\$ 633,807

The Town's investment in mutual funds and ETFs – fixed income includes \$270,107 in international bond funds.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

NOTE 6 – LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, loans and capital leases payable:					
General obligation bonds	\$ 18,865,000	\$ -	\$ 1,125,000	\$ 17,740,000	\$ 1,150,000
Notes and loans payable	1,904,685	-	143,095	1,761,590	146,950
Capital leases payable	277,813	-	101,748	176,065	104,799
	<u>21,047,498</u>	<u>-</u>	<u>1,369,843</u>	<u>19,677,655</u>	<u>1,401,749</u>
Plus amortized premium on bonds	618,252	-	39,047	579,205	-
Total bonds, notes, loans and capital leases	<u>21,665,750</u>	<u>-</u>	<u>1,408,890</u>	<u>20,256,860</u>	<u>1,401,749</u>
Other liabilities:					
Compensated absences	3,439,880	76,855	38,062	3,478,673	714,629
Pollution remediation obligations	2,228,397	-	140,660	2,087,737	75,272
Net pension obligation	18,251,901	2,317,663	-	20,569,564	-
Net other post employment benefit obligation	18,994,386	2,313,324	-	21,307,710	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 64,580,314</u>	<u>\$ 4,707,842</u>	<u>\$ 1,587,612</u>	<u>\$ 67,700,544</u>	<u>\$ 2,191,650</u>
Business Type Activities:					
Bonds, notes and loans payable:					
General obligation bonds	\$ 1,124,000	\$ -	\$ 184,000	\$ 940,000	\$ 175,000
Notes and loans payable	4,074,315	-	691,295	3,383,020	487,151
Total bonds, notes and loans	<u>5,198,315</u>	<u>-</u>	<u>875,295</u>	<u>4,323,020</u>	<u>662,151</u>
Other liabilities:					
Compensated absences	436,858	-	49,264	387,594	63,252
Business-Type Activities Long-Term Liabilities	<u>\$ 5,635,173</u>	<u>\$ -</u>	<u>\$ 924,559</u>	<u>\$ 4,710,614</u>	<u>\$ 725,403</u>

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 Capital Project Fund. The compensated absences from Governmental Activities are paid from the General Fund. The net pension and other post-employment obligations will be paid from the General Fund. All debt and compensated absences of the Business-Type activities are paid from the Water, Sewer, Beach and Middlebridge Recreation Enterprise Funds.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2014, were as follows:

<i>Fiscal Year Ended June 30,</i>	<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>
2015	\$1,150,000	\$ 809,550	\$175,000	\$22,010
2016	1,170,000	767,900	185,000	16,864
2017	890,000	731,600	140,000	12,495
2018	930,000	689,150	145,000	9,004
2019	975,000	644,150	145,000	5,451
2020-2024	5,605,000	2,494,450	150,000	1,838
2025-2029	7,020,000	1,087,250	-	-
	<u>\$17,740,000</u>	<u>\$7,224,050</u>	<u>\$940,000</u>	<u>\$67,662</u>

C. NOTES AND LOANS PAYABLE DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2014, were as follows:

<i>Fiscal Year Ending June 30,</i>	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2015	\$ 146,950	\$ 30,072	\$ 487,151	\$ 78,134
2016	149,885	27,536	391,195	66,304
2017	153,906	24,929	400,394	55,991
2018	158,011	22,242	408,750	45,387
2019	162,206	19,470	418,269	34,489
2020-2024	744,632	53,933	1,099,954	66,496
2025-2029	209,000	13,210	177,307	1,879
2030	37,000	377	-	-
	<u>\$1,761,590</u>	<u>\$191,769</u>	<u>\$3,383,020</u>	<u>\$348,680</u>

D. CAPITAL LEASE COMMITMENTS

The Town acquired computer equipment valued at \$335,536 and vehicles valued at \$86,620 that were financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2014.

Obligations of governmental activities under capital leases at June 30, 2014 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Lease Payment Requirements</i>
2015	\$110,429
2016	73,730
Total minimum lease payments	<u>184,159</u>
Less: Amount representing interest cost	<u>(8,094)</u>
Present value of minimum lease payments	<u>\$176,065</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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, 2013</i>	<i>New Issues</i>	<i>Maturities During Year</i>	<i>Outstanding June 30, 2014</i>
Governmental Activities:								
Bonds Payable:								
Pavement Management/Pier School	07/13/2004	3.00-5.00%	08/15/2015	\$ -	\$ 950,000	\$ -	\$ 320,000	\$ 630,000
School Construction	05/14/2009	3.00-5.00%	04/01/2029	-	17,915,000	-	805,000	17,110,000
Total Governmental Bonds					<u>18,865,000</u>	<u>-</u>	<u>1,125,000</u>	<u>17,740,000</u>
Notes and Loans Payable:								
Rose Hill Closing and Capping	09/03/2002	1.68%	09/01/2022	-	1,139,685	-	100,095	1,039,590
Narrow River	12/12/2007	1.64-2.04%	09/01/2029	-	523,000	-	26,000	497,000
Landfill Closure	12/15/2005	1.59-2.00%	09/01/2025	-	242,000	-	17,000	225,000
Total Governmental Notes and Loans					<u>1,904,685</u>	<u>-</u>	<u>143,095</u>	<u>1,761,590</u>
Total Governmental Activities					<u>20,769,685</u>	<u>-</u>	<u>1,268,095</u>	<u>19,501,590</u>
Business-Type Activities:								
Bonds Payable:								
Water Bond	07/13/2004	2.50-4.00%	08/15/2015	-	150,000	-	55,000	95,000
Middlebridge	10/18/2012	2.45%	10/18/2019	-	974,000	-	129,000	845,000
Total Business-Type Bonds					<u>1,124,000</u>	<u>-</u>	<u>184,000</u>	<u>940,000</u>
Notes and Loans Payable:								
Sewer Projects	03/12/1992	4.19%	09/01/2013	-	212,038	-	212,038	-
Sewer Projects	06/29/1994	3.46%	09/01/2014	-	210,000	-	105,000	105,000
Sewer Projects	08/25/1999	3.25%	09/01/2019	-	322,172	-	42,364	279,808
Sewer Projects	02/04/1999	3.00%	09/01/2019	-	1,425,798	-	188,893	1,236,905
Briggs Farm Sewer Project	11/13/2003	0.97-2.12%	09/01/2024	-	1,904,307	-	143,000	1,761,307
Total Business-Type Notes and Loans					<u>4,074,315</u>	<u>-</u>	<u>691,295</u>	<u>3,383,020</u>
Total Business-Type Activities					<u>5,198,315</u>	<u>-</u>	<u>875,295</u>	<u>4,323,020</u>
Total Bonds, Notes and Loans Payable					<u>\$ 25,968,000</u>	<u>\$ -</u>	<u>\$ 2,143,390</u>	<u>\$ 23,824,610</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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 \$21,639,047. The Town's share of this obligation is estimated to be \$4,570,635. 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 has paid \$267,967 to date for its share of remediation of the landfill and operation and maintenance costs. The Town's remaining share of the estimated cost, totaling \$1,797,737 at June 30, 2014, will be paid to the State over a 23-year period. Accordingly, \$1,797,737 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, 2014. Accordingly, \$290,000 has been reported as a pollution remediation obligation in the government-wide financial statements.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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>Middlebridge Recreation Fund</i>	<i>Internal Service Fund</i>	<i>Pension Trust Funds</i>	<i>Private Purpose Trust Funds</i>	
<i>Due To:</i>							
General Fund	\$ -	\$ 655,252	\$ 23,781	\$ 21,709	\$ 1,963,701	\$ -	\$ 2,664,443
Nonmajor Governmental Funds	3,718,040	-	-	-	-	-	3,718,040
Water Fund	2,049,367	-	-	-	-	-	2,049,367
Sewer Fund	6,263,243	-	-	-	-	-	6,263,243
Beach Fund	785,991	-	-	-	-	-	785,991
Private Purpose Trust Funds	73,752	-	-	-	-	-	73,752
Agency Funds	191,354	-	-	-	-	500	191,854
<i>Total</i>	<u>\$ 13,081,747</u>	<u>\$ 655,252</u>	<u>\$ 23,781</u>	<u>\$ 21,709</u>	<u>\$ 1,963,701</u>	<u>\$ 500</u>	<u>\$ 15,746,690</u>

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>	<i>Beach Fund</i>	
<i>Transfer To:</i>				
General Fund	\$ -	\$ -	\$ 424,669	424,669
Nonmajor Governmental Funds	4,120,104	1,960,871	-	6,080,975
Middlebridge Recreation Fund	82,428	-	-	82,428
<i>Total</i>	<u>\$ 4,202,532</u>	<u>\$ 1,960,871</u>	<u>\$ 424,669</u>	<u>\$ 6,588,072</u>

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.

NOTE 9 – NET POSITION/FUND BALANCES

The Government-Wide Financial Statements and Proprietary Fund Statements utilize a net position presentation. Net position is categorized as net investment in capital assets; restricted; and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. 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.

TOWN OF NARRAGANSETT, RHODE ISLAND
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Restricted Net Position – This category represents balances limited to uses specified either externally by creditors, contributors, laws and regulations of other governments or imposed through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the residual component of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The Town considers restricted resources to have been spent when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

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.

Committed fund balances are established, modified or rescinded by resolution 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.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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, 2014, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	\$ 424,243	\$ 736,274	\$ 1,994,700	\$ 3,155,217
Other Governmental Funds	746,111	-	-	746,111
Internal Service Fund	5,432	82	-	5,514
Total	<u>\$ 1,175,786</u>	<u>\$ 736,356</u>	<u>\$ 1,994,700</u>	<u>\$ 3,906,842</u>
Business-Type activities:				
Water Fund	\$ 87,842	\$ 90	\$ 16,267	\$ 104,199
Sewer Fund	309,642	26,901	-	336,543
Beach Fund	15,762	38,061	-	53,823
Middlebridge Recreation Fund	321	-	-	321
Total	<u>\$ 413,567</u>	<u>\$ 65,052</u>	<u>\$ 16,267</u>	<u>\$ 494,886</u>

NOTE 11 – POST-EMPLOYMENT BENEFITS

A. Town Plan

Plan Description

The Town of Narragansett administers a single-employer, defined benefit post-employment benefit 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 has been reported as a Trust Fund in the Town's financial statements in fiscal year 2014. The plan does not issue a publicly available financial report.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
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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, if hired prior to July 1, 2014. For Council 94 employees hired on/after July 1, 2014 who have attained the age of 65 with 10 years of service or 25 years of service (whichever is earlier) are eligible for medical and dental coverage until Medicare eligible. Local 1303 employees hired on/after July 1, 2014, who have attained the age of 58 with 10 years of service or 25 years of service (whichever is earlier) are eligible for medical and dental coverage until Medicare eligible. 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. For those hired prior to July 1, 1996 and; retire between July 1, 2014 and June 30, 2015 – 5% of health and dental premiums; and retire between July 1, 2015 and June 30, 2016 – 10% of health and dental premiums; and retire after July 1, 2016 – 15% of health and dental premiums. For those hired on/after July 1, 1996 who retire on/after July 1, 2014 – 20% of health and dental premium.
- Non-Union – 2% of monthly pension

Firefighters – Employees who have 20 years of service are eligible for lifetime medical, dental and life insurance benefits if hired prior to July 1, 2013. Firefighters hired on/after July 1, 2013 must have 25 years of service to be eligible for 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 if hired prior to July 1, 2013. Officers hired on/after July 1, 2013 must have 25 years of service to be eligible for medical and dental coverage until Medicare eligibility and lifetime 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 but prior to July 1, 2013, must contribute 5% of their monthly pension towards health, dental and life insurance costs. Employees who retire on/after July 1, 2013 must contribute 15% of health and dental premiums.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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%, police hired on/after July 1, 2013 will receive this benefit until Medicare eligibility).

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

	<i>Town</i>
Active employees (with and without coverage)	164
Retirees and beneficiaries	114
	278

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, 2014, 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, 2014, the Town contributed \$2,510,011 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.

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.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

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:

	<i>Town</i>
Annual required contribution (ARC)	\$ 5,030,992
Interest on net OPEB obligation	828,659
Adjustment to annual required contribution	(1,130,504)
Annual OPEB cost	4,729,147
Contributions made	(2,510,011)
Increase in net OPEB obligation	2,219,136
Net OPEB obligation, beginning of year	18,414,648
Net OPEB obligation, end of year	\$20,633,784

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:

	<i>Annual</i>	<i>Percentage of Annual</i>	<i>Net OPEB</i>
<u>Fiscal Year Ended</u>	<u>OPEB Cost</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/12	\$5,741,131	52.8%	\$16,077,366
6/30/13	4,854,140	51.8%	18,414,648
6/30/14	4,729,147	53.1%	20,633,784

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2013, (rolled forward from the July 1, 2012 valuation) is as follows:

	<i>Town</i>
Actuarial Accrued Liability (AAL)	\$58,381,028
Actuarial Value of Plan Assets	1,868,509
Unfunded Actuarial Accrued Liability (UAAL)	\$56,512,519
Funded ratio (Actuarial Value of Plan Assets/AAL)	3.2%
Annual Covered Payroll (Active Plan Members)	\$9,377,308
UAAL as a Percentage of Covered Payroll	602.7%

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

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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, 2013 actuarial valuation used the projected unit credit 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>
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, 2013 is being amortized using level dollar amortization over 30 years based on an open group. The actuarial value of assets is equal to fair market value.

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.

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B. School Plan

Plan Description

The Narragansett School System administers a single-employer, defined benefit post-employment benefit plan. This plan does not include the pension benefits discussed in Note 16. The plan provides medical and dental insurance for eligible retirees and their dependents through the School System'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 School System and the respective unions or as established by employee contract for non-union employees.

The plan provides the following benefits based on employee group:

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 System 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:

	<u><i>School</i></u>
Active employees (with and without coverage)	257
Retirees and beneficiaries	55
	<u>312</u>

Funding Policy

Contribution requirements are negotiated between the School System and the respective unions or are established by employee contract for non-union employees. The School System is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of premiums. For the year ended June 30, 2014, 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, 2014, the School System contributed \$275,520 to the plan.

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Annual OPEB Cost and Net OPEB Obligation

The School System'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 School System's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School System's net OPEB obligation:

	<i>School</i>
Annual required contribution (ARC)	\$379,211
Interest on net OPEB obligation	26,088
Adjustment to annual required contribution	(35,591)
Annual OPEB cost	<u>369,708</u>
Contributions made	<u>(275,520)</u>
Increase in net OPEB obligation	94,188
Net OPEB obligation, beginning of year	579,738
Net OPEB obligation, end of year	<u><u>\$673,926</u></u>

The School System'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:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
6/30/12	\$441,643	62.2%	\$399,346
6/30/13	482,331	62.6%	579,738
6/30/14	369,708	74.5%	673,926

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2013 (rolled forward from July 1, 2012 valuation) the most recent actuarial valuation, is as follows:

	<i>School</i>
Actuarial Accrued Liability (AAL)	\$3,079,624
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$3,079,624</u></u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$16,032,959
UAAL as a Percentage of Covered Payroll	19.2%

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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, 2013 actuarial valuation used the projected unit credit 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>
2015	8.00%	4.00%
2016	7.00%	3.50%
2017	6.50%	3.00%
2018	6.00%	3.00%
2019	5.50%	3.00%
2020+	5.00%	3.00%

The unfunded actuarial accrued liability as of July 1, 2013 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, 2013 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.

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NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The Town participates in various federal financial assistance programs. 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

During the ordinary course of its operations, the Town is a party to various claims, legal actions and complaints. The potential liability to the Town, if any, or an evaluation of the outcome of these matters cannot be made at the present 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 System 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 System and workers' compensation claims for the Town. Upon joining the Trust, the Town and School System signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town/School System. The agreement states that for premiums paid by the Town/School System, 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 System 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.

The Town also participates in a healthcare self-insurance pool administered by WB Community Health (WBCH). WB Community Health is a not-for-profit organization formed to administer health and dental programs for Rhode Island cities, towns and school districts. Upon joining WBCH each member enters into a member agreement with WBCH that outlines the rights and responsibilities of each member and WBCH.

WBCH is a claims-servicing or account pool, which is an arrangement by which a pool manages separate accounts for each pool member from which the claims and administration costs of each member are paid. This arrangement does not result in the transfer of risk to WBCH or the pooling (sharing) of risk amongst the members of WBCH. The Town is retaining the risk and it recognizes and measures its claims liabilities and related expenditures in accordance with GASB Statement No. 10 because the risk of loss has not been transferred to an unrelated third party. The Town's payments of premiums to WBCH are reported as deposits (other assets) in the General Fund and the claims paid by

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WBCH on the Town’s behalf and the administrative costs paid to WBCH are recorded as expenditures in the General Fund and a reduction of deposits in the General Fund. The premiums are based on “working rates” determined by WBCH based on available funds on deposit and claims experience.

In order to avoid catastrophic losses, the Town purchases specific stop loss re-insurance. Under the stop loss re-insurance, the Town is covered for medical claims in excess of \$175,000 per person per contract period.

The claims liability of \$469,434 reported in the General Fund at June 30, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Town’s claims liability for the past two fiscal years were:

	<i>Beginning Fiscal Year Liability</i>	<i>Current Year Claims and Changes In Estimate</i>	<i>Claims Payments</i>	<i>Balance Fiscal Year End</i>
2012-2013	\$241,137	\$5,954,541	\$5,824,624	\$371,054
2013-2014	\$371,054	\$6,744,974	\$6,646,594	\$469,434

NOTE 14 – RESTATEMENTS

The net position of the Governmental Activities, Business-Type Activities and Water Fund and Sewer Fund has been restated to and to reflect adjustments related to the retroactive application of GASB 65, “Items Previously Reported as Assets and Liabilities” in fiscal year 2014.

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Water Fund</i>	<i>Sewer Fund</i>
<i>Net position previously reported, June 30, 2013</i>	\$ 46,624,865	\$ 39,247,476	\$ 5,852,371	\$ 26,599,503
To remove debt issuance costs	(180,117)	(55,649)	(2,226)	(53,423)
<i>Net position as restated, June 30, 2013</i>	<u>\$ 46,444,748</u>	<u>\$ 39,191,827</u>	<u>\$ 5,850,145</u>	<u>\$ 26,546,080</u>

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NOTE 15 – SUBSEQUENT EVENTS

On July 2, 2014, the Town issued \$4,100,000 in General Obligation Bonds. The bonds mature July 15, 2034 and bear interest of between 2% and 4%.

On August 26, 2014, the Town entered into a \$430,553 master lease purchase agreement to purchase a Pumper Fire Truck. The lease term is five years and bears interest of 1.68%.

On July 2, 2014, the Town entered into a \$194,317 master lease purchase agreement to purchase technology equipment. The lease term is four years and bears interest of 1.16%.

NOTE 16 – PENSION PLANS

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

Effective July 1, 2012, the Employees' Retirement System of Rhode Island (ERS) was modified to include both defined benefit and defined contribution plan components.

Defined Benefit Plan

Plan Description

All full-time teachers, principals, school nurses and certain other school officials (including the superintendent) of the Narragansett School System must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The plan also provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Narragansett School System and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school system, with the exception of teachers who work in federally funded programs where 100% is paid by the school system and reimbursed by the federal government. For fiscal 2014, the total employer rate is 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

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The Narragansett School System contributed \$1,512,995, \$1,381,479, and \$1,617,408, during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions totaling \$1,006,025 for fiscal year 2014 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

Defined Contribution Plan

Plan Description

Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

Funding Policy

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the employer is required to contribute 1%. The employer contribution is split between the State and the School System. For fiscal 2014, the total employer rate of 1% was split as follows: 0.40% State share and 0.60% local share.

The plan members and Narragansett School System contributed \$608,552 and \$48,708, respectively, during the fiscal year ended June 30, 2014. For financial reporting purposes, the State's share of contributions totaling \$47,777 for fiscal year 2014 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

B. POLICE PLAN

Plan Description

Plan Administration – All police officers hired before July 1, 1978 who refused the September 1984 offer to join the Town Plan are covered by the Town of Narragansett's Police Pension Plan which is

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administered by the Town of Narragansett Pension Board. The Pension Board consists of seven members nominated and appointed by the Town Council. This plan is a single-employer defined benefit pension plan that was established by the Town in accordance with Town Charter and State Statutes. The Town Council has the authority to establish and amend the benefits terms through the adoption of an ordinance. The pension plan is reported as a pension trust fund in the Town's financial statements. The plan does not issue a separate publicly available financial report. The plan is closed to new entrants.

Plan Membership – As of July 1, 2014, membership data related to the pension plan was as follows:

Active members	-
Retired and beneficiaries	18
Terminated vested	-
	18
	18

Benefit Provided – The pension plan provides retirement, disability and survivorship benefits.

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.

Benefit terms provide for a 3% compounded, annual cost-of-living adjustment (COLA) to a participant's retirement benefit for members who retired on or after July 1, 2002. Eligible members receive the COLA beginning on July 1 of the year the member turns 52 years old or July 1 of the year that is the 5th anniversary of the member's retirement, whichever occurs first. Participants who retired prior to July 1, 2002 do not receive COLA adjustments.

Contributions – Contribution requirements for the plan are established and may be amended by Town ordinance or union contract. Employees are not required to contribute to the Police Plan since there are no active members. The Town contribution is an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded accrued liability. The Town contribution for the year ended June 30, 2014 was \$124,954.

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Summary of Significant Accounting Policies

Basis of Accounting – The Police Pension Trust Fund’s financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which employees provide service to the Town. 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 a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments

Investment Policy – The pension plan’s policy is described in Note 5 – Investments.

Rate of Return – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2014 were as follows:

Total Pension Liability	\$2,498,730
Plan Fiduciary Net Position	849,096
Town’s Net Pension Liability	<u>1,649,634</u>
Plan fiduciary net position as a percentage of the total pension liability	33.98%

Actuarial Assumptions – The total pension liability was determined as of June 30, 2014, based on an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Not applicable
Investment Rate of Return	7.50%, net of pension plan investment expense

Mortality rates for healthy males were based on 115% of the RP-2000 Mortality for Males with White Collar Adjustments Tables, projected with Scale AA to 2013. Mortality rates for healthy females were based on 95% of the RP-2000 Mortality for Females with White Collar Adjustments Tables, projected with Scale AA to 2013. Mortality rates for disabled members were based on the PBGC Mortality 2012 Tables under Section 4044-Disabled – 60% of values.

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Given the size of the plan, there is not enough data available to conduct a credible experience study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

Ad-hoc cost of living increase assumption was 3% for eligible retirees compounded and 0% otherwise.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy in Note 5 – Investments) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	0%

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$1,824,918	\$1,649,634	\$1,487,007

C. TOWN PENSION PLAN

Plan Description

Plan Administration – All employees who work at least 5 months of a year for at least 20 hours per week, except for school system employees eligible for membership in the Employees' Retirement System of the State of Rhode Island and any police officers covered by the Police Plan, are covered by

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the Town of Narragansett’s Town Pension Plan which is administered by the Town of Narragansett Pension Board. The Pension Board consists of seven members nominated and appointed by the Town Council. This plan is a single-employer defined benefit pension plan that was established by the Town in accordance with Town Charter and State Statutes. The Town Council has the authority to establish and amend the benefits terms through the adoption of an ordinance. The pension plan is reported as a pension trust fund in the Town’s financial statements. The plan does not issue a separate publicly available financial report.

Plan Membership – As of July 1, 2014, membership data related to the pension plan was as follows:

Active members	251
Retired and beneficiaries	181
Terminated vested	24
	456

Benefit Provided – The pension plan provides retirement, disability and survivorship benefits.

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 hired before July 1, 2013 may retire upon the earlier of attainment of age 58 or the completion of 20 years of credited service. A police officer hired on or after July 1 2013 may retire upon the completion of 25 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. A firefighter hired on or after July 1, 2013 may retire upon completion of 25 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). Police officers and firefighters hired on or after July 1, 2013 receive a normal retirement benefit equal to 2% of final average compensation multiplied by years of credited service. 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.

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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 (excluding School System employees)** – who retire, 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 and before July 1, 2015 shall receive annually 3% compounded COLAs beginning on the July 1 of the year that the firefighter turns 52 years old. Firefighters who retire on or after July 1, 2015 shall receive annually a 3 % simple COLA beginning July 1 of the year the firefighter turns 52 years old. The COLA has been suspended for 8 years for active members as of July 1, 2013.
- c) **Police Officers** – who retire on or after July 1, 2002 if employed before July 1, 2013, 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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

officer's retirement. Police officers hired on or after July 1, 2013 shall receive annually a 3% simple COLA at retirement and when eligible. The COLA has been suspended for 8 years for active members as of July 1, 2013.

Contributions – Contribution requirements for the plan are established and may be amended by Town ordinance or union contract.

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

Police	10% of base salary, holiday, incentive and longevity
Fire	10% of base salary, holiday, incentive and longevity
Mid-managers; laborers; clerical	9% of base salary and longevity
Non-union; school	9% of base salary
Council 94; Local 1033	11% of base salary

The Town contribution is an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded accrued liability. The Town contribution for the year ended June 30, 2014 was \$3,237,890.

Summary of Significant Accounting Policies

Basis of Accounting – The Town Pension Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which employees provide service to the Town. 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 a national or international exchange are valued at the last reported sales price at current exchange rates.

Investments

Investment Policy – The pension plan's policy is described in Note 5 – Investments.

Rate of Return – For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2014 were as follows:

Total Pension Liability	\$108,699,781
Plan Fiduciary Net Position	71,558,870
Town's Net Pension Liability	<u>\$ 37,140,911</u>
Plan fiduciary net position as a percentage of the total pension liability	65.83%

Actuarial Assumptions – The total pension liability was determined as of June 30, 2014, based on an actuarial valuation as of July 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	4-6% based on age
Investment Rate of Return	7.50%, net of pension plan investment expense

Mortality rates were based on the RP-2000 Fully Generational Mortality Tables healthy and disabled members, Scale AA.

An experience study was performed per the experience over the July 1, 2007 to July 1, 2011 period. Assumptions with credible data to support updates have been implemented. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

Ad-hoc cost of living increase assumption was 3% for eligible members and 0% otherwise.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy in Note 5 – Investments) are summarized in the following table:

<u><i>Asset Class</i></u>	<u><i>Long-Term Expected Real Rate of Return</i></u>
Fixed Income	4.5%
Domestic Equity	8.1%
International Equity	7.7%
Alternatives	8.4%
Cash	2.8%

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2014

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<i>1% Decrease</i> <i>(6.50%)</i>	<i>Current Discount</i> <i>Rate (7.50%)</i>	<i>1% Increase</i> <i>(8.50%)</i>
Net Pension Liability	\$50,716,889	\$37,140,911	\$25,071,122

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:

- **Pension Plans and Other Post-employment Benefit Plans
Required Supplementary Information**
- **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 - Other Post-Employment Benefit Plans
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>
<i>Town Other Post-Employment Benefit Plan</i>							
	7/1/2010	\$ -	\$ 60,598,047	\$ 60,598,047	0.0%	\$ 8,644,525	701.0%
	7/1/2011	-	67,695,108	67,695,108	0.0%	8,839,013	765.9%
	7/1/2012	1,171,831	58,932,348	57,760,517	2.0%	9,104,183	634.4%
	7/1/2013	1,868,509	58,381,028	56,512,519	3.2%	9,377,308	602.7%
<i>School System Other Post-Employment Benefit Plan</i>							
	7/1/2010	\$ -	\$ 3,721,274	\$ 3,721,274	0.0%	\$ 15,293,489	24.3%
	7/1/2011	-	3,652,675	3,652,675	0.0%	15,112,602	24.2%
	7/1/2012	-	3,974,657	3,974,657	0.0%	15,565,980	25.5%
	7/1/2013	-	3,079,624	3,079,624	0.0%	16,032,959	19.2%

(1) Town and School System Other Post-Employment Benefit Plans - projected unit credit actuarial cost method.

(2) Rolled forward from July 1, 2012 valuation

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

Town Other Post-Employment Benefit Plan

<u><i>Year Ended June 30</i></u>	<u><i>Annual Required Contribution</i></u>	<u><i>Percentage Contributed</i></u>
2014	\$ 5,030,992	49.89%
2013	5,117,673	49.20%
2012	5,960,237	50.90%
2011	5,308,196	35.80%

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Police Pension Plan
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
"Unaudited"

	2014
<i>Total pension liability:</i>	
Service cost	\$ -
Interest	182,866
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefits payments, including refunds of member contributions	(244,698)
<i>Net change in total pension liability</i>	(61,832)
<i>Total pension liability - beginning</i>	2,560,562
<i>Total pension liability - ending (a)</i>	\$ 2,498,730
<i>Plan fiduciary net position:</i>	
Contributions - employer	\$ 124,954
Contributions - employee	-
Net investment income	-
Benefits payments, including refunds of member contributions	(244,698)
Administrative expense	-
Other	-
<i>Net change in plan fiduciary net position</i>	(119,744)
<i>Plan fiduciary net position - beginning</i>	968,840
<i>Plan fiduciary net position - ending (b)</i>	\$ 849,096
<i>Town's net pension liability - ending (a) - (b)</i>	\$ 1,649,634
<i>Plan fiduciary net position as a percentage of the total pension liability</i>	33.98%
<i>Covered employee payroll</i>	\$ -
<i>Town's net pension liability as a percentage of covered employee payroll</i>	Not applicable

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Town Pension Plan
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
"Unaudited"

	2014
Total pension liability:	
Service cost	\$ 2,777,999
Interest	7,743,047
Changes of benefit terms	-
Differences between expected and actual experience	(138,666)
Changes of assumptions	(69,682)
Benefits payments, including refunds of member contributions	(4,151,082)
Net change in total pension liability	6,161,616
Total pension liability - beginning	102,538,165
Total pension liability - ending (a)	\$108,699,781
Plan fiduciary net position:	
Contributions - employer	\$ 3,237,890
Contributions - employee	1,272,360
Net investment income	10,071,983
Benefits payments, including refunds of member contributions	(4,151,082)
Administrative expense	(36,250)
Other	-
Net change in plan fiduciary net position	10,394,901
Plan fiduciary net position - beginning	61,163,969
Plan fiduciary net position - ending (b)	\$ 71,558,870
Town's net pension liability - ending (a) - (b)	\$ 37,140,911
Plan fiduciary net position as a percentage of the total pension liability	65.83%
Covered employee payroll	\$ 12,466,246
Town's net pension liability as a percentage of covered employee payroll	297.93%

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Town Contributions
Last Ten Fiscal Years
"Unaudited"

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Police Plan										
Actuarially determined contribution	\$ 129,257	\$ 124,954	\$ 131,117	\$ 125,293	\$ 77,093	\$ 77,093	\$ 80,656	\$ 80,656	\$ 71,561	\$ 77,509
Contributions in relation to the actuarially determined contribution	124,954	102,200	102,200	130,000	120,000	-	215,717	-	70,000	50,000
Contribution deficiency (excess)	<u>\$ 4,303</u>	<u>\$ 22,754</u>	<u>\$ 28,917</u>	<u>\$ (4,707)</u>	<u>\$ (42,907)</u>	<u>\$ 77,093</u>	<u>\$ (135,061)</u>	<u>\$ 80,656</u>	<u>\$ 1,561</u>	<u>\$ 27,509</u>
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Town Plan										
Actuarially determined contribution	\$ 5,619,927	\$ 5,432,159	\$ 4,359,974	\$ 3,581,961	\$ 2,462,870	\$ 2,462,870	\$ 2,630,851	\$ 2,653,919	\$ 2,184,453	\$ 2,255,815
Contributions in relation to the actuarially determined contribution	3,237,890	2,627,014	2,177,565	1,936,385	1,557,772	1,342,866	1,164,457	1,051,572	1,028,030	960,733
Contribution deficiency (excess)	<u>\$ 2,382,037</u>	<u>\$ 2,805,145</u>	<u>\$ 2,182,409</u>	<u>\$ 1,645,576</u>	<u>\$ 905,098</u>	<u>\$ 1,120,004</u>	<u>\$ 1,466,394</u>	<u>\$ 1,602,347</u>	<u>\$ 1,156,423</u>	<u>\$ 1,295,082</u>
Covered employee payroll	\$ 12,466,246	\$ 12,482,365	\$ 11,393,405	\$ 11,975,586	\$ 9,620,655	\$ 9,620,655	\$ 9,803,980	\$ 9,279,194	\$ 8,814,679	\$ 8,466,424
Contributions as a percentage of covered employee payroll	25.97%	21.05%	19.11%	16.17%	16.19%	13.96%	11.88%	11.33%	11.66%	11.35%

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Investment Returns
"Unaudited"

2014

Police Plan

Annual money-weighted rate of return,
net of investment expense

0.00%

Town Plan

Annual money-weighted rate of return,
net of investment expense

15.81%

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes:				
Current year taxes	\$ 45,084,630	\$ 45,084,630	\$ 45,802,195	\$ 717,565
Prior year taxes	225,000	225,000	229,739	4,739
	<u>45,309,630</u>	<u>45,309,630</u>	<u>46,031,934</u>	<u>722,304</u>
Prior Years' Surplus				
Appropriated reserve	1,920,000	1,920,000	-	(1,920,000)
	<u>1,920,000</u>	<u>1,920,000</u>	<u>-</u>	<u>(1,920,000)</u>
Investment and interest revenues:				
Interest from delinquent taxes and charges for services	205,000	205,000	184,004	(20,996)
Interest from investments	110,000	110,000	266,857	156,857
	<u>315,000</u>	<u>315,000</u>	<u>450,861</u>	<u>135,861</u>
Intergovernmental revenues:				
Federal refuge revenue sharing	64,640	64,640	71,285	6,645
Motor vehicle tax reimbursement	95,050	95,050	96,325	1,275
Storm damage reimbursement	45,000	45,000	79,208	34,208
Police grants - overtime reimbursement	4,465	4,465	831	(3,634)
Municipal aid incentive program	151,353	151,353	75,677	(75,676)
State beach parking	258,500	258,500	181,760	(76,740)
State telephone tax	190,972	190,972	214,997	24,025
State hotel tax	86,446	86,446	73,375	(13,071)
State meal and beverage tax	516,050	516,050	523,729	7,679
School housing aid	486,990	486,990	485,970	(1,020)
	<u>1,899,466</u>	<u>1,899,466</u>	<u>1,803,157</u>	<u>(96,309)</u>
Licenses and permits:				
Building permits	299,835	299,835	336,030	36,195
Mooring fees	65,500	65,500	59,254	(6,246)
Variance and exception fees	12,500	12,500	12,363	(137)
Fire alarm inspection fees	7,660	7,660	10,337	2,677
Road permit fees	1,550	1,550	2,125	575
VIN inspection fees	3,100	3,100	4,710	1,610
Rental registration fees	140,000	140,000	152,675	12,675
	<u>530,145</u>	<u>530,145</u>	<u>577,494</u>	<u>47,349</u>
Fines and forfeitures:				
Police fees and fines	10,300	10,300	10,423	123
Municipal court	265,500	265,500	239,107	(26,393)
	<u>275,800</u>	<u>275,800</u>	<u>249,530</u>	<u>(26,270)</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, 2014

	<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>
<i>PILOT & Interfund revenues:</i>				
Beach in lieu of taxes	199,468	199,468	199,468	-
Housing authority in lieu of taxes	1,590	1,590	-	(1,590)
Water in lieu of taxes	30,784	30,784	30,784	-
Wastewater in lieu of taxes	137,493	137,493	137,493	-
Water administrative fees	139,089	139,089	139,089	-
Wastewater administrative fees	428,060	428,060	428,060	-
Beach administrative fees	133,342	133,342	133,342	-
Charter School	500	500	-	(500)
	<u>1,070,326</u>	<u>1,070,326</u>	<u>1,068,236</u>	<u>(2,090)</u>
<i>Miscellaneous revenues:</i>				
Police finger print receipts	2,450	2,450	3,010	560
Town clerk general receipts	718,100	718,100	655,724	(62,376)
Town clerk alcoholic beverages	35,000	35,000	36,298	1,298
Police detail revenue	98,000	98,000	165,956	67,956
Cellular tower rentals	234,546	234,546	409,982	175,436
Miscellaneous receipts	41,000	41,000	72,102	31,102
Emergency medical services	424,300	424,300	417,124	(7,176)
Miscellaneous fire department receipts	6,180	6,180	3,078	(3,102)
Miscellaneous police receipts	6,550	6,550	4,180	(2,370)
Police overtime reimbursement	23,800	23,800	23,722	(78)
WB health surplus withdrawal	25,000	25,000	-	(25,000)
Return of dental premium	11,500	11,500	-	(11,500)
Fire marshal plan review	19,500	19,500	22,880	3,380
Retained claims	8,000	8,000	-	(8,000)
Concessions	1,950	1,950	1,830	(120)
Sale of surplus property	5,000	5,000	-	(5,000)
West Bay dividend distribution	25,000	25,000	-	(25,000)
Downing/Salt Pond settlement	-	-	550,000	550,000
	<u>1,685,876</u>	<u>1,685,876</u>	<u>2,365,886</u>	<u>680,010</u>
<i>Recreation revenues:</i>				
Community center rental	8,200	8,200	6,916	(1,284)
Parks and recreation receipts	21,250	21,250	10,991	(10,259)
Miscellaneous receipts	640	640	-	(640)
Basketball	44,075	44,075	44,402	327
Workshops	15,500	15,500	43,759	28,259
Soccer	2,050	2,050	50	(2,000)
The Camp	62,000	62,000	71,509	9,509
	<u>153,715</u>	<u>153,715</u>	<u>177,627</u>	<u>23,912</u>
<i>Other financing sources:</i>				
<i>Transfers from other funds:</i>				
Beach Fund	-	-	424,669	424,669
<i>Total revenues and other financing sources</i>	<u>53,159,958</u>	<u>53,159,958</u>	<u>53,149,394</u>	<u>(10,564)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
Town council	41,330	41,330	48,428	(7,098)
Town solicitor	100,903	100,903	198,482	(97,579)
Municipal court	198,350	198,350	222,642	(24,292)
Board of canvassers	91,667	91,667	83,614	8,053
Town manager	255,173	255,173	285,498	(30,325)
Human resources	117,581	117,581	112,991	4,590
Town clerk	338,887	338,887	353,343	(14,456)
Information technology	300,719	300,719	265,336	35,383
Historic district commission	916	916	238	678
Zoning board of appeals	11,130	11,130	10,303	827
Conservation commission	522	522	127	395
Planning board	5,652	5,652	2,909	2,743
Pension board	15,088	15,088	213	14,875
Non-departmental expenditures	205,804	205,804	182,806	22,998
	<u>1,683,722</u>	<u>1,683,722</u>	<u>1,766,930</u>	<u>(83,208)</u>
Financial administration:				
Financial and purchasing	305,264	305,264	341,602	(36,338)
Accounting	381,850	381,850	401,795	(19,945)
Tax collector	254,605	254,605	257,572	(2,967)
Tax assessor	258,961	258,961	258,897	64
	<u>1,200,680</u>	<u>1,200,680</u>	<u>1,259,866</u>	<u>(59,186)</u>
Public safety:				
Police administration	1,147,746	1,147,746	1,163,389	(15,643)
Uniformed patrol	3,764,505	3,764,505	3,732,464	32,041
Investigations	836,584	836,584	644,837	191,747
Animal control	188,918	188,918	221,094	(32,176)
Harbor master	44,634	44,634	39,179	5,455
Dispatching & records	832,049	832,049	807,737	24,312
Fire administration	375,705	375,705	369,826	5,879
Fire operations	4,033,323	4,033,323	4,097,271	(63,948)
Fire prevention & inspections	142,420	142,420	145,221	(2,801)
Emergency management	10,285	10,285	9,747	538
	<u>11,376,169</u>	<u>11,376,169</u>	<u>11,230,765</u>	<u>145,404</u>
Public works:				
Public works administration	332,018	332,018	358,412	(26,394)
Highway	1,925,560	1,925,560	1,899,094	26,466
Facilities maintenance	222,860	222,860	222,811	49
	<u>2,480,438</u>	<u>2,480,438</u>	<u>2,480,317</u>	<u>121</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Parks and recreation:</i>				
Parks and recreation administration	220,504	220,504	199,491	21,013
Parks maintenance	760,280	760,280	796,718	(36,438)
Recreation programs	442,798	442,798	411,302	31,496
	<u>1,423,582</u>	<u>1,423,582</u>	<u>1,407,511</u>	<u>16,071</u>
<i>Planning, engineering and inspection:</i>				
Community development	355,926	355,926	346,121	9,805
Inspection services	406,117	406,117	399,242	6,875
Engineering	247,144	247,144	238,687	8,457
	<u>1,009,187</u>	<u>1,009,187</u>	<u>984,050</u>	<u>25,137</u>
<i>Education appropriation</i>	<u>24,340,415</u>	<u>24,340,415</u>	<u>24,340,415</u>	<u>-</u>
<i>Library appropriation</i>	<u>548,173</u>	<u>548,173</u>	<u>548,173</u>	<u>-</u>
<i>Other:</i>				
Contingency	300,000	300,000	-	300,000
OPEB sinking contribution	1,322,565	1,322,565	1,322,565	-
Special OPEB contribution	200,000	200,000	200,000	-
Special pension catch up contribution	1,220,432	1,220,432	1,220,432	-
Police Chapter 1666 pension contribution	124,954	124,954	124,954	-
Retirement and termination benefits	300,104	300,104	-	300,104
	<u>3,468,055</u>	<u>3,468,055</u>	<u>2,867,951</u>	<u>600,104</u>
<i>Other financing uses:</i>				
<i>Transfers to other funds:</i>				
Town Capital Projects Fund	707,326	707,326	707,326	-
Capital Maintenance & Noncapitalized Projects Fund	805,000	805,000	805,000	-
Debt Service Fund	2,234,098	2,234,098	2,175,221	58,877
Land Conservancy Fund	50,000	50,000	50,000	-
Street Improvement Fund	1,700,000	1,700,000	-	1,700,000
Special Revenue Fund	50,685	50,685	50,685	-
Middlebridge Fund	82,428	82,428	82,428	-
	<u>5,629,537</u>	<u>5,629,537</u>	<u>3,870,660</u>	<u>1,758,877</u>
<i>Total expenditures and other financing uses</i>	<u>53,159,958</u>	<u>53,159,958</u>	<u>50,756,638</u>	<u>2,403,320</u>
<i>Net change in fund balance - budgetary basis</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,392,756</u>	<u>\$ 2,392,756</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, 2014
"Unaudited"

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><i>Town Other Post-Employment Benefit Plan</i></u>	<u><i>School Other Post-Employment Benefit Plan</i></u>
Valuation date	7/1/2013	7/1/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar - open	Level dollar - open
Amortization period	30 years	30 years
Asset valuation method	Fair market value	N/A
Actuarial assumptions:		
Investment rate of return		
/Discount rate	4.5% discount rate	4.5% discount rate
Inflation rate	3%	3%
Payroll growth rate	3%	3%
Medical trend cost rate	8% per year graded off to an ultimate rate of 5% per year	8% per year graded off to an ultimate rate of 5% per year
Participant information	Active participants 164 Retirees and beneficiaries 114 <u>278</u>	Active participants 257 Retirees and beneficiaries 55 <u>312</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Required Supplementary Information
 June 30, 2014
 "Unaudited"

NOTE 2 - SCHEDULE OF TOWN CONTRIBUTIONS

	<i>Police Pension</i>	<i>Town Pension</i>												
Valuation date:	July 1, 2013 - Actuarially determined contribution rates are calculated as of July 1 of the fiscal year in which contributions are reported	July 1, 2013 - Actuarially determined contribution rates are calculated as of July 1 of the fiscal year in which contributions are reported												
Methods and assumptions used to determine contribution rates:														
Actuarial cost method	Entry Age Method	Entry Age Method												
Amortization method	Open amortization over the average remaining expected lifetime of current retirees	Level percent of payroll over a closed 30 year period; for this purpose, payroll is assumed to grow at 4% annually												
Remaining amortization period	13 years	28 - 30 years												
Asset valuation method	Fair market value of assets on the valuation date	Fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses of plan assets												
Projected salary increases	Not applicable	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Age</th> <th style="text-align: left; border-bottom: 1px solid black;">Percent</th> </tr> </thead> <tbody> <tr> <td>20-29</td> <td>6.00%</td> </tr> <tr> <td>30-34</td> <td>5.50%</td> </tr> <tr> <td>35-39</td> <td>5.00%</td> </tr> <tr> <td>40-44</td> <td>4.50%</td> </tr> <tr> <td>45+</td> <td>4.00%</td> </tr> </tbody> </table>	Age	Percent	20-29	6.00%	30-34	5.50%	35-39	5.00%	40-44	4.50%	45+	4.00%
Age	Percent													
20-29	6.00%													
30-34	5.50%													
35-39	5.00%													
40-44	4.50%													
45+	4.00%													
Investment rate of return	7.5%, net of investment expenses	7.5%, net of investment expenses												
Inflation	3%	3%												
Retirement rates	Not applicable	100% retirement at the earlier of age 58 with 10 years or 20 years for non-public safety. For public safety, age 58 or 20 years.												
Mortality	Healthy - Males - 115% of RP-2000 Mortality for Males with White Collar Adjustments, projected with Scale AA to 2013 Healthy - Females - 95% of RP-2000 Mortality for Females with White Collar Adjustments, projected with Scale AA to 2013 Disabled - PBGC Mortality 2012 under Section 4044 - Disabled 60% of Values	Healthy and disabled - RP-2000 Fully Generational, Scale AA												
Other Information:	There were no changes from the prior valuation.	Plan changes were effective July 1, 2013. For police officers and firefighters hired on or after July 1, 2013, the accrual rate decreased to 2%, the normal retirement age increased to 25 years of service, and the COLA is a 3% simple COLA instead of compounded. The COLA has been suspended for 8 years for police officers and firefighters who retire on or after July 1, 2013. Firefighters who retire before July 1, 2015 will receive a 3% compounded COLA when eligible and subject to the above suspension. Firefighters who retire after July 1, 2015 will receive a 3% simple COLA when eligible and subject to the above suspension.												

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014

NOTE 3 - 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. All unencumbered appropriations lapse at the end of the fiscal year.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2014 appropriations:

<u>Department</u>	<u>Fund</u>	<u>Expenditures In Excess of Budget</u>
Town council	General	\$ 7,098
Town solicitor	General	97,579
Municipal court	General	24,292
Town manager	General	30,325
Town clerk	General	14,456
Finance & purchasing	General	36,338
Accounting	General	19,945
Tax collector	General	2,967
Police administration	General	15,643
Animal control	General	32,176
Fire operations	General	63,948
Fire prevention & inspections	General	2,801
Public works administration	General	26,394
Parks maintenance	General	36,438

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2014

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)	\$53,149,394
Differences – budget to GAAP:	
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.	1,053,802
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	<u>2,805,632</u>
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$57,008,828</u>
<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$50,756,638
Differences – budget to GAAP:	
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.	1,053,802
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	<u>2,126,325</u>
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$53,936,765</u>

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 Assets and Liabilities 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, 2014

	<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>
ASSETS					
Cash	\$ -	\$ 11,685	\$ -	\$ -	\$ -
Due from federal and state governments	410,911	10,387	78,203	-	-
Due from other funds	3,851	1,046	33,464	154,412	8,604
Other receivables	-	1,178	-	285,248	-
Total assets	\$ 414,762	\$ 24,296	\$ 111,667	\$ 439,660	\$ 8,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 186,355	\$ 18,084	\$ 21,294	\$ -	\$ -
Due to other funds	224,556	-	-	-	-
Unearned revenue	-	6,212	-	-	-
Total liabilities	410,911	24,296	21,294	-	-
Deferred Inflows of Resources					
Other deferred revenue	-	-	-	285,248	-
Total deferred inflows of resources	-	-	-	285,248	-
Fund Balances (Deficits)					
Restricted for:					
Education programs	3,851	-	-	-	-
Public safety programs	-	-	36,634	-	8,604
Historical records preservation	-	-	-	-	-
Community service programs	-	-	19,088	154,412	-
Parks and recreation programs	-	-	59,909	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	536	-	-
Committed for:					
Capital projects	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	(25,794)	-	-
Total fund balances (deficits)	3,851	-	90,373	154,412	8,604
Total liabilities, deferred inflows of resources, and fund balances	\$ 414,762	\$ 24,296	\$ 111,667	\$ 439,660	\$ 8,604

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2014

	<u>Special Revenue Funds</u>			<u>Total Special Revenue Funds</u>
	<u>State Recycling Fund</u>	<u>Galilee Landing Fees Fund</u>	<u>Historical Preservation Fund</u>	
ASSETS				
Cash	\$ -	\$ -	\$ -	\$ 11,685
Due from federal and state governments	-	-	-	499,501
Due from other funds	22,312	47,103	221,962	492,754
Other receivables	3,188	-	-	289,614
Total assets	<u>\$ 25,500</u>	<u>\$ 47,103</u>	<u>\$ 221,962</u>	<u>\$ 1,293,554</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenditures	\$ 3,748	\$ 3,661	\$ -	\$ 233,142
Due to other funds	-	-	-	224,556
Unearned revenue	-	-	-	6,212
Total liabilities	<u>3,748</u>	<u>3,661</u>	<u>-</u>	<u>463,910</u>
Deferred Inflows of Resources				
Other deferred revenue	-	-	-	285,248
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,248</u>
Fund Balances (Deficits)				
Restricted for:				
Education programs	-	-	-	3,851
Public safety programs	-	-	-	45,238
Historical records preservation	-	-	221,962	221,962
Community service programs	-	-	-	173,500
Parks and recreation programs	-	43,442	-	103,351
Capital projects	-	-	-	-
Other programs	21,752	-	-	22,288
Committed for:				
Capital projects	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	(25,794)
Total fund balances (deficits)	<u>21,752</u>	<u>43,442</u>	<u>221,962</u>	<u>544,396</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,500</u>	<u>\$ 47,103</u>	<u>\$ 221,962</u>	<u>\$ 1,293,554</u>

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2014

	Capital Project Funds				
	<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>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-
Due from other funds	-	72,843	2,483,211	-	669,232
Other receivables	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 72,843</u>	<u>\$ 2,483,211</u>	<u>\$ -</u>	<u>\$ 669,232</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 333,378	\$ -	\$ 90,206
Due to other funds	-	-	-	-	254,189
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>333,378</u>	<u>-</u>	<u>344,395</u>
Deferred Inflows of Resources					
Other deferred revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)					
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	-	72,843	2,149,833	-	-
Assigned to:					
Capital projects	-	-	-	-	324,837
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>-</u>	<u>72,843</u>	<u>2,149,833</u>	<u>-</u>	<u>324,837</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 72,843</u>	<u>\$ 2,483,211</u>	<u>\$ -</u>	<u>\$ 669,232</u>

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2014

	<u>Capital Project Funds</u>		<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Athletic Complex Fund</u>	<u>Street Improvement Fund</u>		
ASSETS				
Cash	\$ 88,600	\$ -	\$ 88,600	\$ 100,285
Due from federal and state governments	-	-	-	499,501
Due from other funds	-	-	3,225,286	3,718,040
Other receivables	-	-	-	289,614
Total assets	<u>\$ 88,600</u>	<u>\$ -</u>	<u>\$ 3,313,886</u>	<u>\$ 4,607,440</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable and accrued expenditures	\$ -	\$ 89,385	\$ 512,969	\$ 746,111
Due to other funds	82,385	94,122	430,696	655,252
Unearned revenue	-	-	-	6,212
Total liabilities	<u>82,385</u>	<u>183,507</u>	<u>943,665</u>	<u>1,407,575</u>
Deferred Inflows of Resources				
Other deferred revenue	-	-	-	285,248
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,248</u>
Fund Balances (Deficits)				
Restricted for:				
Education programs	-	-	-	3,851
Public safety programs	-	-	-	45,238
Historical records preservation	-	-	-	221,962
Community service programs	-	-	-	173,500
Parks and recreation programs	-	-	-	103,351
Capital projects	6,215	-	6,215	6,215
Other programs	-	-	-	22,288
Committed for:				
Capital projects	-	-	2,222,676	2,222,676
Assigned to:				
Capital projects	-	-	324,837	324,837
Unassigned	-	(183,507)	(183,507)	(209,301)
Total fund balances (deficits)	<u>6,215</u>	<u>(183,507)</u>	<u>2,370,221</u>	<u>2,914,617</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 88,600</u>	<u>\$ -</u>	<u>\$ 3,313,886</u>	<u>\$ 4,607,440</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, 2014

	<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>
Revenues					
State aid	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	213,563	-	-	-
Operating grants and contributions	755,959	157,147	142,982	-	34,857
Capital grants and contributions	186,355	-	548,889	-	-
Investment and interest income	-	-	-	7,957	-
Other revenue	-	-	-	8,737	-
Total revenues	<u>942,314</u>	<u>370,710</u>	<u>691,871</u>	<u>16,694</u>	<u>34,857</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	33,364	-	25,423
Public works	-	-	-	-	-
Social services	-	-	93,240	-	-
Parks and recreation	-	-	3,825	-	-
Food service	-	403,267	-	-	-
Education	758,332	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	186,355	-	438,214	-	-
Total expenditures	<u>944,687</u>	<u>403,267</u>	<u>568,643</u>	<u>-</u>	<u>25,423</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(2,373)</u>	<u>(32,557)</u>	<u>123,228</u>	<u>16,694</u>	<u>9,434</u>
Other financing sources (uses)					
Transfers from other funds	-	32,557	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>32,557</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(2,373)</u>	<u>-</u>	<u>123,228</u>	<u>16,694</u>	<u>9,434</u>
Fund balances (deficits) - beginning of year	<u>6,224</u>	<u>-</u>	<u>(32,855)</u>	<u>137,718</u>	<u>(830)</u>
Fund balances (deficits) - end of year	<u>\$ 3,851</u>	<u>\$ -</u>	<u>\$ 90,373</u>	<u>\$ 154,412</u>	<u>\$ 8,604</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, 2014

	<i>Special Revenue Funds</i>			<i>Total Special Revenue Funds</i>
	<i>State Recycling Fund</i>	<i>Galilee Landing Fees Fund</i>	<i>Historical Preservation Fund</i>	
Revenues				
State aid	\$ -	\$ -	\$ -	\$ -
Charges for services	24,591	84,314	28,046	350,514
Operating grants and contributions	15,966	-	-	1,106,911
Capital grants and contributions	-	-	-	735,244
Investment and interest income	-	-	-	7,957
Other revenue	-	-	-	8,737
Total revenues	<u>40,557</u>	<u>84,314</u>	<u>28,046</u>	<u>2,209,363</u>
Expenditures				
Current:				
General government	-	-	26,120	26,120
Public safety	-	-	-	58,787
Public works	-	-	-	-
Social services	-	-	-	93,240
Parks and recreation	47,256	92,368	-	143,449
Food service	-	-	-	403,267
Education	-	-	-	758,332
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	624,569
Total expenditures	<u>47,256</u>	<u>92,368</u>	<u>26,120</u>	<u>2,107,764</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(6,699)</u>	<u>(8,054)</u>	<u>1,926</u>	<u>101,599</u>
Other financing sources (uses)				
Transfers from other funds	-	-	-	32,557
Transfers to other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,557</u>
Net change in fund balance	<u>(6,699)</u>	<u>(8,054)</u>	<u>1,926</u>	<u>134,156</u>
Fund balances (deficits) - beginning of year	<u>28,451</u>	<u>51,496</u>	<u>220,036</u>	<u>410,240</u>
Fund balances (deficits) - end of year	<u>\$ 21,752</u>	<u>\$ 43,442</u>	<u>\$ 221,962</u>	<u>\$ 544,396</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, 2014

	<i>Capital Project Funds</i>				
	<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>
Revenues					
State aid	\$ -	\$ -	\$ -	\$ -	\$ 227,020
Charges for services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	150,000
Investment and interest income	-	-	-	-	-
Other revenue	-	40	-	-	-
Total revenues	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>	<u>377,020</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	63,711	-	-	-	-
Social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Food service	-	-	-	-	-
Education	-	-	-	-	-
Debt service:					
Principal	1,268,095	-	-	-	-
Interest	879,515	-	-	-	-
Capital outlay	-	1,400	1,083,963	582,472	854,402
Total expenditures	<u>2,211,321</u>	<u>1,400</u>	<u>1,083,963</u>	<u>582,472</u>	<u>854,402</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(2,211,321)</u>	<u>(1,360)</u>	<u>(1,083,963)</u>	<u>(582,472)</u>	<u>(477,382)</u>
Other financing sources (uses)					
Transfers from other funds	2,175,221	50,000	2,668,197	805,000	350,000
Transfers to other funds	-	-	-	(1,960,871)	-
Total other financing sources (uses)	<u>2,175,221</u>	<u>50,000</u>	<u>2,668,197</u>	<u>(1,155,871)</u>	<u>350,000</u>
Net change in fund balance	(36,100)	48,640	1,584,234	(1,738,343)	(127,382)
Fund balances (deficits) - beginning of year	<u>36,100</u>	<u>24,203</u>	<u>565,599</u>	<u>1,738,343</u>	<u>452,219</u>
Fund balances (deficits) - end of year	<u>\$ -</u>	<u>\$ 72,843</u>	<u>\$ 2,149,833</u>	<u>\$ -</u>	<u>\$ 324,837</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, 2014

	<u>Capital Project Funds</u>		<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Athletic Complex Fund</u>	<u>Street Improvement Fund</u>		
Revenues				
State aid	\$ -	\$ -	\$ 227,020	\$ 227,020
Charges for services	-	-	-	350,514
Operating grants and contributions	-	-	-	1,106,911
Capital grants and contributions	91,100	-	241,100	976,344
Investment and interest income	-	-	-	7,957
Other revenue	-	-	40	8,777
Total revenues	<u>91,100</u>	<u>-</u>	<u>468,160</u>	<u>2,677,523</u>
Expenditures				
Current:				
General government	-	-	-	26,120
Public safety	-	-	-	58,787
Public works	-	-	-	63,711
Social services	-	-	-	93,240
Parks and recreation	-	-	-	143,449
Food service	-	-	-	403,267
Education	47,125	-	47,125	805,457
Debt service:				
Principal	-	-	-	1,268,095
Interest	-	-	-	879,515
Capital outlay	-	663,297	3,185,534	3,810,103
Total expenditures	<u>47,125</u>	<u>663,297</u>	<u>3,232,659</u>	<u>7,551,744</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>43,975</u>	<u>(663,297)</u>	<u>(2,764,499)</u>	<u>(4,874,221)</u>
Other financing sources (uses)				
Transfers from other funds	-	-	3,873,197	6,080,975
Transfers to other funds	-	-	(1,960,871)	(1,960,871)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,912,326</u>	<u>4,120,104</u>
Net change in fund balance	43,975	(663,297)	(852,173)	(754,117)
Fund balances (deficits) - beginning of year	<u>(37,760)</u>	<u>479,790</u>	<u>3,222,394</u>	<u>3,668,734</u>
Fund balances (deficits) - end of year	<u>\$ 6,215</u>	<u>\$ (183,507)</u>	<u>\$ 2,370,221</u>	<u>\$ 2,914,617</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<u>IDEA</u>	<u>Title I Part A</u>	<u>PL 94 - 142 IDEA Preschool</u>	<u>Title II Part A</u>	<u>Title III</u>
ASSETS					
Due from the state	\$ 106,364	\$ 61,420	\$ 161	\$ 33,929	\$ -
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 106,364</u></u>	<u><u>\$ 61,420</u></u>	<u><u>\$ 161</u></u>	<u><u>\$ 33,929</u></u>	<u><u>\$ -</u></u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>106,364</u>	<u>61,420</u>	<u>161</u>	<u>33,929</u>	<u>-</u>
Total liabilities	<u>106,364</u>	<u>61,420</u>	<u>161</u>	<u>33,929</u>	<u>-</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 106,364</u></u>	<u><u>\$ 61,420</u></u>	<u><u>\$ 161</u></u>	<u><u>\$ 33,929</u></u>	<u><u>\$ -</u></u>

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<i>Wireless Classroom Initiative</i>	<i>Race to the Top Instructional Improvement System Set Aside</i>	<i>Casit, Inc. AP Italian Program</i>	<i>Race to the Top Educator Effectiveness Set Aside</i>	<i>Race to the Top Instructional Improvement System</i>
ASSETS					
Due from the state	\$ 186,355	\$ -	\$ -	\$ -	\$ 18,161
Due from other funds	<u>-</u>	<u>-</u>	<u>1,046</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 186,355</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,046</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,161</u></u>
 LIABILITIES AND FUND BALANCES					
<i>Liabilities</i>					
Accounts payable	\$ 186,355	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,161</u>
Total liabilities	<u>186,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,161</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>1,046</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u><u>\$ 186,355</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,046</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,161</u></u>

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Special Revenue Funds - School Restricted Fund
June 30, 2014

	<i>Race to the Top Standards & Curriculum</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<i>Total</i>
ASSETS				
Due from the state	\$ 4,521	\$ -	\$ -	\$ 410,911
Due from other funds	-	929	1,876	3,851
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,521</u>	<u>\$ 929</u>	<u>\$ 1,876</u>	<u>\$ 414,762</u>
 LIABILITIES AND FUND BALANCES				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 186,355
Due to other funds	4,521	-	-	224,556
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,521</u>	<u>-</u>	<u>-</u>	<u>410,911</u>
 <i>Fund balances - restricted</i>	 <u>-</u>	 <u>929</u>	 <u>1,876</u>	 <u>3,851</u>
 Total liabilities and fund balances	 <u>\$ 4,521</u>	 <u>\$ 929</u>	 <u>\$ 1,876</u>	 <u>\$ 414,762</u>

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, 2014

	<i>IDEA</i>	<i>Title I Part A</i>	<i>PL 94 - 142 IDEA Preschool</i>	<i>Title II Part A</i>	<i>Title III</i>
Revenues					
Operating grants and contributions	\$ 431,042	\$ 167,538	\$ 7,601	\$ 95,618	\$ 1,040
Capital grants and contributions	-	-	-	-	-
Total revenues	<u>431,042</u>	<u>167,538</u>	<u>7,601</u>	<u>95,618</u>	<u>1,040</u>
Expenditures					
Salaries	304,155	115,393	7,061	72,786	-
Employee benefits	115,370	52,050	540	22,832	-
Purchased services	10,600	-	-	-	625
Supplies and materials	917	95	-	-	375
Capital outlay	-	-	-	-	-
Miscellaneous	-	-	-	-	40
Total expenditures	<u>431,042</u>	<u>167,538</u>	<u>7,601</u>	<u>95,618</u>	<u>1,040</u>
Net change in fund balances	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-
Fund balances - end of year	<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, 2014

	<i>Wireless Classroom Initiative</i>	<i>Race to the Top Instructional Improvement System Set Aside</i>	<i>Casit, Inc. AP Italian Program</i>	<i>Race to the Top Educator Effectiveness Set Aside</i>	<i>Race to the Top Instructional Improvement System</i>
Revenues					
Operating grants and contributions	\$ -	\$ 7,519	\$ 1,000	\$ 2,448	\$ 27,580
Capital grants and contributions	186,355	-	-	-	-
Total revenues	<u>186,355</u>	<u>7,519</u>	<u>1,000</u>	<u>2,448</u>	<u>27,580</u>
Expenditures					
Salaries	-	-	-	-	8,900
Employee benefits	-	-	-	-	680
Purchased services	-	7,519	85	2,448	18,000
Supplies and materials	-	-	1,599	-	-
Capital outlay	186,355	-	-	-	-
Miscellaneous	-	-	50	-	-
Total expenditures	<u>186,355</u>	<u>7,519</u>	<u>1,734</u>	<u>2,448</u>	<u>27,580</u>
Net change in fund balances	-	-	(734)	-	-
Fund balances - beginning of year	-	-	1,780	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,046</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, 2014

	<i>Race to the Top Standards & Curriculum</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<i>Total</i>
Revenues				
Operating grants and contributions	\$ 12,073	\$ 1,500	\$ 1,000	\$ 755,959
Capital grants and contributions	-	-	-	186,355
Total revenues	<u>12,073</u>	<u>1,500</u>	<u>1,000</u>	<u>942,314</u>
Expenditures				
Salaries	7,919	-	-	516,214
Employee benefits	603	-	-	192,075
Purchased services	3,551	3,401	-	46,229
Supplies and materials	-	738	-	3,724
Capital outlay	-	-	-	186,355
Miscellaneous	-	-	-	90
Total expenditures	<u>12,073</u>	<u>4,139</u>	<u>-</u>	<u>944,687</u>
Net change in fund balances	-	(2,639)	1,000	(2,373)
Fund balances - beginning of year	<u>-</u>	<u>3,568</u>	<u>876</u>	<u>6,224</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 929</u>	<u>\$ 1,876</u>	<u>\$ 3,851</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 Fiduciary Net Position
Pension Trust Funds
June 30, 2014

	Town Plan	Police Plan	Total Pension Trust Funds
Assets			
Cash and cash equivalents	\$ 2,087,704	\$ -	\$ 2,087,704
Investments at fair value:			
U.S. government obligations	2,295,385	-	2,295,385
Municipal obligations	33,752	-	33,752
Corporate bonds	3,806,626	-	3,806,626
Mortgage backed securities	724,679	-	724,679
Common stock	27,507,418	-	27,507,418
Preferred stock	896,942	-	896,942
Mutual and exchange traded funds - equities	17,116,923	-	17,116,923
Mutual and exchange traded funds - fixed income	13,018,864	-	13,018,864
Mutual and exchange traded funds - other	2,823,196	-	2,823,196
Hedge fund	3,568,262	-	3,568,262
Total investments	71,792,047	-	71,792,047
Accrued interest receivable	59,584	-	59,584
Contribution receivable	71,822	-	71,822
Prepaid expenses	338,867	21,643	360,510
Due from other fund - Town Plan	-	1,025,880	1,025,880
Total assets	74,350,024	1,047,523	75,397,547
Liabilities			
Due to other funds	1,765,274	198,427	1,963,701
Due to other fund - Police Plan	1,025,880	-	1,025,880
Total liabilities	2,791,154	198,427	2,989,581
Net Position			
Restricted for pension benefits	\$ 71,558,870	\$ 849,096	\$ 72,407,966

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2014

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Total Pension Trust Funds</u>
Additions			
Contributions:			
Employer	\$ 3,237,890	\$ 124,954	\$ 3,362,844
Plan member	1,272,360	-	1,272,360
Total contributions	<u>4,510,250</u>	<u>124,954</u>	<u>4,635,204</u>
Investment income:			
Net increase (decrease) in fair value of investments	8,950,239	-	8,950,239
Interest and dividends	1,511,876	-	1,511,876
Less: investment expense	(390,132)	-	(390,132)
Net investment income	<u>10,071,983</u>	<u>-</u>	<u>10,071,983</u>
Total additions	<u>14,582,233</u>	<u>124,954</u>	<u>14,707,187</u>
Deductions			
Benefits	3,907,976	244,698	4,152,674
Refunds of contributions	243,106	-	243,106
Administrative expenses	36,250	-	36,250
Total deductions	<u>4,187,332</u>	<u>244,698</u>	<u>4,432,030</u>
Change in net position	10,394,901	(119,744)	10,275,157
Net position - beginning of year	<u>61,163,969</u>	<u>968,840</u>	<u>62,132,809</u>
Net position - end of year	<u>\$ 71,558,870</u>	<u>\$ 849,096</u>	<u>\$ 72,407,966</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 Fiduciary Net Position
Private-Purpose Trust Funds
June 30, 2014

	<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>
Assets								
Cash and cash equivalents	\$ 7,394	\$ -	\$ 604	\$ -	\$ -	\$ -	\$ -	\$ 7,998
Investments	-	7,966	-	-	-	-	-	7,966
Due from other funds	-	-	-	529	3,461	2,719	67,043	73,752
Total assets	<u>7,394</u>	<u>7,966</u>	<u>604</u>	<u>529</u>	<u>3,461</u>	<u>2,719</u>	<u>67,043</u>	<u>89,716</u>
Liabilities								
Due to other funds	250	250	-	-	-	-	-	500
Total liabilities	<u>250</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Net Position								
Restricted for other purposes	<u>\$ 7,144</u>	<u>\$ 7,716</u>	<u>\$ 604</u>	<u>\$ 529</u>	<u>\$ 3,461</u>	<u>\$ 2,719</u>	<u>\$ 67,043</u>	<u>\$ 89,216</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trusts Funds
For the Fiscal Year Ended June 30, 2014

	<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>
Additions								
Investment earnings:								
Net increase (decrease) in fair value of investments	\$ -	\$ 1,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,395
Interest and dividends	4	81	-	-	-	-	-	85
Net investment earnings	4	1,476	-	-	-	-	-	1,480
Total additions	4	1,476	-	-	-	-	-	1,480
Deductions								
Scholarships	250	250	-	-	-	-	-	500
Miscellaneous	-	-	-	-	-	-	10,175	10,175
Total deductions	250	250	-	-	-	-	10,175	10,675
Change in net position	(246)	1,226	-	-	-	-	(10,175)	(9,195)
Net position - beginning of year	7,390	6,490	604	529	3,461	2,719	77,218	98,411
Net position - end of year	<u>\$ 7,144</u>	<u>\$ 7,716</u>	<u>\$ 604</u>	<u>\$ 529</u>	<u>\$ 3,461</u>	<u>\$ 2,719</u>	<u>\$ 67,043</u>	<u>\$ 89,216</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 Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

	<u>Student Activities - High School</u>	<u>Student Activities - Pier School</u>	<u>Student Activities - Elementary School</u>	<u>Total</u>
Assets				
Due from other funds	<u>\$ 78,316</u>	<u>\$ 64,877</u>	<u>\$ 48,661</u>	<u>\$ 191,854</u>
Total assets	<u><u>\$ 78,316</u></u>	<u><u>\$ 64,877</u></u>	<u><u>\$ 48,661</u></u>	<u><u>\$ 191,854</u></u>
Liabilities				
Accounts payable	\$ -	\$ 479	\$ -	\$ 479
Deposits held in custody for others	<u>78,316</u>	<u>64,398</u>	<u>48,661</u>	<u>191,375</u>
Total liabilities	<u><u>\$ 78,316</u></u>	<u><u>\$ 64,877</u></u>	<u><u>\$ 48,661</u></u>	<u><u>\$ 191,854</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
STUDENT ACTIVITIES - HIGH SCHOOL				
<i>Assets</i>				
Due from other funds	\$ 71,846	\$ 186,173	\$ 179,703	\$ 78,316
Total assets	<u>\$ 71,846</u>	<u>\$ 186,173</u>	<u>\$ 179,703</u>	<u>\$ 78,316</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 71,846	\$ 186,173	\$ 179,703	\$ 78,316
Total liabilities	<u>\$ 71,846</u>	<u>\$ 186,173</u>	<u>\$ 179,703</u>	<u>\$ 78,316</u>
STUDENT ACTIVITIES - PIER SCHOOL				
<i>Assets</i>				
Due from other funds	\$ 52,021	\$ 93,520	\$ 80,664	\$ 64,877
Total assets	<u>\$ 52,021</u>	<u>\$ 93,520</u>	<u>\$ 80,664</u>	<u>\$ 64,877</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 479	\$ -	\$ 479
Deposits held in custody for others	52,021	93,041	80,664	64,398
Total liabilities	<u>\$ 52,021</u>	<u>\$ 93,520</u>	<u>\$ 80,664</u>	<u>\$ 64,877</u>
STUDENT ACTIVITIES - ELEMENTARY SCHOOL				
<i>Assets</i>				
Due from other funds	\$ 40,260	\$ 60,480	\$ 52,079	\$ 48,661
Total assets	<u>\$ 40,260</u>	<u>\$ 60,480</u>	<u>\$ 52,079</u>	<u>\$ 48,661</u>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 40,260	\$ 60,480	\$ 52,079	\$ 48,661
Total liabilities	<u>\$ 40,260</u>	<u>\$ 60,480</u>	<u>\$ 52,079</u>	<u>\$ 48,661</u>
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Due from other funds	\$ 164,127	\$ 340,173	\$ 312,446	\$ 191,854
Total assets	<u>\$ 164,127</u>	<u>\$ 340,173</u>	<u>\$ 312,446</u>	<u>\$ 191,854</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 479	\$ -	\$ 479
Deposits held in custody for others	164,127	339,694	312,446	191,375
Total liabilities	<u>\$ 164,127</u>	<u>\$ 340,173</u>	<u>\$ 312,446</u>	<u>\$ 191,854</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2014

Real Estate and Personal Property Taxes

Tax Year	Balance June 30, 2013	Assessments December 31, 2012	Additions	Refunds	Abatements and Adjustments	Amount to be Collected	Current Year Collections	Balance June 30, 2014
2013	\$ -	\$ 46,060,213	\$ 43,508	\$ 52,735	\$ (48,661)	\$ 46,107,795	\$ 45,754,896	\$ 352,899
2012	398,291	-	-	5,720	(8,847)	395,164	324,203	70,961
2011	60,283	-	-	7,561	(8,211)	59,633	18,051	41,582
2010	37,675	-	-	10,960	(11,203)	37,432	3,261	34,171
2009	36,079	-	-	2,168	(2,169)	36,078	560	35,518
2008	57,418	-	-	9,727	(9,727)	57,418	1,792	55,626
2007	36,464	-	-	9,403	(9,403)	36,464	811	35,653
2006	25,498	-	-	-	-	25,498	582	24,916
2005	28,804	-	-	-	-	28,804	140	28,664
2004	27,608	-	-	-	-	27,608	219	27,389
2003	23,665	-	-	-	(16,549)	7,116	138	6,978
2002	18,210	-	-	-	(5,330)	12,880	8,944	3,936
2001	24,189	-	-	-	(17,887)	6,302	-	6,302
2000	6,513	-	-	-	-	6,513	-	6,513
1999	4,830	-	-	-	-	4,830	-	4,830
1998	5,781	-	-	-	-	5,781	-	5,781
	<u>\$ 791,308</u>	<u>\$ 46,060,213</u>	<u>\$ 43,508</u>	<u>\$ 98,274</u>	<u>\$ (137,987)</u>	<u>\$ 46,855,316</u>	<u>\$ 46,113,597</u>	<u>\$ 741,719</u>

Schedule of Most Recent Net Assessed Property Value by Category

Description of Property	Valuation	Levy
Real property	\$ 4,381,601,903	\$ 44,244,163
Motor vehicles	164,955,122	2,715,161
Tangible personal property	41,353,346	607,068
Total	<u>4,587,910,371</u>	<u>47,566,392</u>
Exemptions	<u>103,770,781</u>	<u>1,506,179</u>
Net assessed value	<u>\$ 4,484,139,590</u>	<u>\$ 46,060,213</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Assets, Liabilities and Fund Balance
School Department Operating Fund
June 30, 2014

ASSETS

Cash	\$ 125
Due from federal and state governments	13,900
Other receivables	22,553
Due from other funds	6,050,622
Prepaid expenditures	110,141
Other assets	224,233
Total assets	<u><u>\$ 6,421,574</u></u>

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenditures	\$ 161,759
Due to other funds	710,819
Total liabilities	<u><u>872,578</u></u>

Fund balances

Nonspendable:	
Prepaid expenditures	110,141
Other assets- WB deposits	224,233
Restricted for:	
Education	5,214,622
Total fund balances	<u><u>5,548,996</u></u>

Total liabilities and fund balances	<u><u>\$ 6,421,574</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, 2014

REVENUES

Town appropriation	\$ 24,340,415
State aid	2,858,881
Charges for services	338,033
Other revenues	357,486
Total revenues	<u>27,894,815</u>

EXPENDITURES

Education	<u>26,400,316</u>
Total expenditures	<u>26,400,316</u>

*Excess of revenues over expenditures
before other financing uses*

1,494,499

Other financing uses:

Transfers to other funds	<u>(482,557)</u>
Total other financing uses	<u>(482,557)</u>

Net change in fund balances

1,011,942

Fund balances - beginning of year

4,537,054

Fund balances - end of year

\$ 5,548,996

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of General Fund - Fund Balance
Restricted for Education Programs
June 30, 2014

Restricted for Education:

School Committee designation for other post-employment benefit costs	\$ 1,022,788
School Committee designation for use in subsequent year budget	700,000
Undesignated	<u>4,529,190</u>
<i>Total</i>	<u><u>\$ 6,251,978</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
School Department Operating Budget
For the Fiscal Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Town appropriation	\$ 24,340,415	\$ 24,340,415	\$ 24,340,415	\$ -
State aid	1,711,169	1,711,169	1,805,079	93,910
Charges for services	275,000	275,000	338,033	63,033
Other revenues	353,632	353,632	357,486	3,854
Re-appropriated school surplus	700,000	700,000	-	(700,000)
Total revenues	<u>27,380,216</u>	<u>27,380,216</u>	<u>26,841,013</u>	<u>(539,203)</u>
Expenditures				
Salaries	16,510,878	16,517,094	15,945,338	571,756
Employee benefits	6,340,591	6,297,553	6,097,215	200,338
Purchased services	2,674,472	2,625,370	2,090,614	534,756
Supplies and materials	1,162,295	1,145,989	894,869	251,120
Capital outlay	159,585	257,851	279,174	(21,323)
Other costs	40,395	44,359	39,304	5,055
Total expenditures	<u>26,888,216</u>	<u>26,888,216</u>	<u>25,346,514</u>	<u>1,541,702</u>
Excess of revenues over expenditures before other financing uses	<u>492,000</u>	<u>492,000</u>	<u>1,494,499</u>	<u>1,002,499</u>
Other financing uses				
Transfer to other funds	(492,000)	(492,000)	(482,557)	9,443
Total other financing uses	<u>(492,000)</u>	<u>(492,000)</u>	<u>(482,557)</u>	<u>9,443</u>
Net change in fund balance (budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,011,942</u>	<u>\$ 1,011,942</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 POSITION BY COMPONENT
 LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

Exhibit 1

	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:									
Net investment in capital assets	\$ 73,242,220	\$ 72,797,383	\$ 73,799,642	\$ 72,788,921	\$ 76,328,788	\$ 65,852,760	\$ 30,048,212	\$ 26,117,977	\$ 23,203,860
Restricted	7,151,671	6,041,787	5,465,023	5,048,391	-	-	-	845,523	737,751
Unrestricted	<u>(35,628,525)</u>	<u>(32,394,422)</u>	<u>(26,820,119)</u>	<u>(21,287,061)</u>	<u>(13,189,145)</u>	<u>(12,642,946)</u>	<u>(6,403,948)</u>	<u>(3,886,114)</u>	<u>(4,047,557)</u>
Total governmental activities net position	<u>\$ 44,765,366</u>	<u>\$ 46,444,748</u>	<u>\$ 52,444,546</u>	<u>\$ 56,550,251</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>
Business-type activities:									
Net investment in capital assets	\$ 30,664,018	\$ 30,053,171	\$ 29,007,798	\$ 26,981,862	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410	\$ 22,693,334
Unrestricted	<u>9,251,642</u>	<u>9,138,656</u>	<u>7,993,878</u>	<u>9,644,978</u>	<u>10,288,862</u>	<u>9,643,685</u>	<u>10,419,879</u>	<u>10,158,298</u>	<u>9,472,908</u>
Total business-type activities net position	<u>\$ 39,915,660</u>	<u>\$ 39,191,827</u>	<u>\$ 37,001,676</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>
Primary government:									
Net investment in capital assets	\$ 103,906,238	\$ 102,850,554	\$ 102,807,440	\$ 99,770,783	\$ 102,854,373	\$ 92,252,710	\$ 54,958,414	\$ 49,650,387	\$ 45,897,194
Restricted	7,151,671	6,041,787	5,465,023	5,048,391	-	-	-	845,523	737,751
Unrestricted	<u>(26,376,883)</u>	<u>(23,255,766)</u>	<u>(18,826,241)</u>	<u>(11,642,083)</u>	<u>(2,900,283)</u>	<u>(2,999,261)</u>	<u>4,015,931</u>	<u>6,272,184</u>	<u>5,425,351</u>
Total primary government net position	<u>\$ 84,681,026</u>	<u>\$ 85,636,575</u>	<u>\$ 89,446,222</u>	<u>\$ 93,177,091</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>

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION
LAST NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Exhibit 2

	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:									
Governmental activities:									
General government	\$ 3,657,602	\$ 3,697,034	\$ 3,967,108	\$ 1,960,227	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633	\$ 2,941,590
Financial administration	1,677,212	1,719,594	1,972,289	1,108,193	1,109,011	868,872	951,634	1,029,179	1,035,841
Public safety	15,180,592	15,284,664	14,644,220	11,627,180	10,922,031	10,932,393	12,652,621	12,191,560	9,318,715
Public works	4,978,149	4,757,802	4,107,512	4,523,343	3,921,244	3,757,059	2,084,085	1,720,256	1,880,594
Social services	93,240	54,874	93,959	187,285	362,588	249,641	264,272	655,799	356,170
Parks and recreation	2,398,295	2,403,126	2,323,745	1,387,846	1,460,487	1,451,280	1,423,735	1,695,839	1,601,978
Planning, engineering and inspection	1,204,386	1,333,057	1,226,549	1,491,691	1,282,366	1,843,867	1,229,624	1,137,184	2,093,327
Library	709,574	743,782	697,801	656,175	682,173	727,401	667,178	-	-
Food service	-	-	-	380,926	361,762	357,069	343,724	363,427	419,440
Other	-	-	-	5,953,585	6,816,208	7,590,833	1,648,603	1,275,265	838,715
Education	30,396,974	30,074,899	30,177,912	29,487,050	28,544,163	27,651,643	27,177,622	25,829,729	24,897,064
Interest on long-term debt	894,414	890,143	979,348	966,891	1,047,327	1,152,315	536,422	318,649	226,897
Total governmental activities expenses	61,190,438	60,958,975	60,190,443	59,730,392	57,508,854	60,340,921	52,462,865	49,383,520	45,610,331
Business-type activities:									
Water Fund	1,922,478	1,888,917	1,873,817	1,682,772	1,732,292	1,722,238	1,611,942	1,420,822	1,815,665
Sewer Fund	3,780,631	3,712,886	3,764,890	4,101,213	3,659,479	3,497,571	3,009,609	2,998,432	3,070,767
Beach Fund	1,768,047	2,027,956	1,613,978	1,439,581	1,383,501	1,194,320	1,143,886	1,099,735	1,047,187
Middlebridge Recreation Fund	43,983	189,469	-	-	-	-	-	-	-
Total business-type activities expenses	7,515,139	7,819,228	7,252,685	7,223,566	6,775,272	6,414,129	5,765,437	5,518,989	5,933,619
Total primary government expenses	68,705,577	68,778,203	67,443,128	66,953,958	64,284,126	66,755,050	58,228,302	54,902,509	51,543,950
Program Revenues:									
Governmental activities:									
Charges for services:									
General government	1,369,157	1,356,215	1,271,041	1,415,282	1,033,620	1,018,126	974,427	983,611	1,019,898
Financial administration	700,491	700,491	656,167	656,167	641,989	645,099	325,000	325,000	195,000
Public safety	724,676	712,988	568,833	625,609	593,592	507,740	621,966	524,600	494,861
Public works	2,125	1,050	400	1,050	1,100	1,625	1,075	1,250	-
Social services	-	-	-	-	-	-	31,499	-	15,632
Parks and recreation	660,367	623,976	598,997	109,911	131,421	135,667	548,215	629,984	668,716
Planning, engineering and inspection	501,068	468,874	402,698	325,717	313,100	228,230	421,343	376,977	367,820
Library	12,811	9,619	10,619	8,412	6,997	6,644	-	-	-
Food Service	-	-	-	229,198	215,034	234,592	264,559	295,032	303,682
Other	-	-	-	500,793	368,003	381,414	-	-	-
Education	645,067	605,599	636,300	688,583	870,270	342,412	472,852	202,797	273,618
Operating grants and contributions	4,681,774	4,630,534	4,556,277	4,200,924	3,945,898	2,996,995	4,718,839	3,376,402	3,316,221
Capital grants and contributions	1,203,364	202,815	981,500	1,146,219	638,539	1,190,259	3,717,528	2,059,431	2,455,066
Total governmental activities program revenues	10,500,900	9,312,161	9,682,832	9,907,865	8,759,563	7,688,803	12,097,303	8,775,084	9,110,514
Business-type activities:									
Charges for services:									
Water Fund	2,015,463	2,123,262	1,541,433	1,291,766	1,371,384	1,263,442	1,305,178	1,212,254	1,275,912
Sewer Fund	4,334,115	4,576,529	4,177,713	3,900,155	3,995,311	3,935,886	3,842,147	3,818,004	3,682,157
Beach Fund	2,081,062	1,862,687	1,902,033	1,659,461	1,678,536	1,394,208	1,504,371	1,380,711	1,204,459
Middlebridge Recreation Fund	55,556	65,113	-	-	-	-	-	-	-
Capital grants and contributions, Sewer Fund	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	8,486,196	8,627,591	7,621,179	6,851,382	7,045,231	6,593,536	6,651,696	6,410,969	6,162,528
Total primary government program revenues	18,987,096	17,939,752	17,304,011	16,759,247	15,804,794	14,282,339	18,748,999	15,186,053	15,273,042
Net (Expense) Revenue:									
Governmental activities	(50,689,538)	(51,646,814)	(50,507,611)	(49,822,527)	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)	(36,499,817)
Business-type activities	971,057	808,363	368,494	(372,184)	269,959	179,407	886,259	891,980	228,909
Total primary government net expenses	(49,718,481)	(50,838,451)	(50,139,117)	(50,194,711)	(48,479,332)	(52,472,711)	(39,479,303)	(38,169,434)	(36,270,908)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION
LAST NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues and Other Changes in Net Position:									
Governmental activities:									
Property taxes and in lieu of taxes	46,131,289	44,974,695	44,908,921	44,522,795	42,585,105	41,435,378	38,699,963	37,454,608	36,424,752
State aid, unrestricted	1,604,893	1,526,105	1,422,516	1,686,866	2,466,572	2,501,803	2,828,020	3,651,506	3,297,710
Investment income	280,124	40,703	168,042	65,845	274,532	(172,041)	596,193	687,436	208,292
Other revenues	651,609	30,182	101,577	159,064	90,826	111,390	37,436	468,859	440,452
Transfers	342,241	(924,669)	-	-	-	-	-	-	-
Gain (loss) on sale of capital	-	-	-	-	-	-	317,850	(17,663)	(69,349)
Total governmental activities	49,010,156	45,647,016	46,601,056	46,434,570	45,417,035	43,876,530	42,479,462	42,244,746	40,301,857
Business-type activities:									
Investment income	95,017	65,032	80,336	354,455	500,853	534,147	753,114	651,007	354,565
Transfers	(342,241)	924,669	-	-	-	-	-	-	-
Other revenues	-	392,087	-	-	-	-	-	(18,521)	-
Total business-type activities	(247,224)	1,381,788	80,336	354,455	500,853	534,147	753,114	632,486	354,565
Total primary government	48,762,932	47,028,804	46,681,392	46,789,025	45,917,888	44,410,677	43,232,576	42,877,232	40,656,422
Change in Net Position:									
Governmental activities	(1,679,382)	(5,999,798)	(3,906,555)	(3,387,957)	(3,332,256)	(8,775,588)	2,113,900	3,183,332	3,802,040
Business-type activities	723,833	2,190,151	448,830	(17,729)	770,812	713,554	1,639,373	1,524,466	583,474
Total primary government	\$ (955,549)	\$ (3,809,647)	\$ (3,457,725)	\$ (3,405,686)	\$ (2,561,444)	\$ (8,062,034)	\$ 3,753,273	\$ 4,707,798	\$ 4,385,514

(concluded)

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 3

	FISCAL YEAR								
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
General Fund:									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 380,047	\$ 288,903	\$ 310,481	\$ 268,762	\$ 271,989
Unreserved:									
Designated for next year's budget	-	-	-	-	-	148,171	1,000,000	800,000	700,000
Undesignated	-	-	-	-	4,099,653	1,735,519	1,611,116	2,755,351	3,088,227
Nonspendable	1,787,715	2,000,281	2,112,420	331,498	-	-	-	-	-
Restricted	6,290,018	5,195,278	4,655,701	3,745,542	-	-	-	-	-
Assigned	407,462	2,219,760	414,758	-	-	-	-	-	-
Unassigned	8,231,880	4,229,693	6,580,480	6,340,414	-	-	-	-	-
Total General Fund	16,717,075	13,645,012	13,763,359	10,417,454	4,479,700	2,172,593	2,921,597	3,824,113	4,060,216
All Other Governmental Funds:									
Reserved	-	-	-	-	-	-	220,017	2,780	-
Unreserved:									
Designated for next year's budget	-	-	-	-	-	-	692,456	530,646	219,973
Unreserved	-	-	-	-	-	-	859,171	792,456	530,646
Unreserved, reported in:									
Special Revenue Funds	-	-	-	-	4,802,382	5,864,427	1,301,496	293,909	1,105,154
Debt Service Fund	-	-	-	-	-	-	377,081	372,951	29,860
Capital Projects Funds	-	-	-	-	3,216,836	(112,274)	(67,310)	845,523	737,751
Restricted	576,405	553,042	493,255	982,020	-	-	-	-	-
Committed	2,222,676	2,844,035	2,582,359	3,983,825	-	-	-	-	-
Assigned	324,837	452,219	561,192	729,013	-	-	-	-	-
Unassigned	(209,301)	(180,562)	(118,319)	(2,112,922)	-	-	-	-	-
Total All Other Governmental Funds	2,914,617	3,668,734	3,518,487	3,581,936	8,019,218	5,752,153	3,382,911	2,838,265	2,623,384
Grand Total	\$ 19,631,692	\$ 17,313,746	\$ 17,281,846	\$ 13,999,390	\$ 12,498,918	\$ 7,924,746	\$ 6,304,508	\$ 6,662,378	\$ 6,683,600

TOWN OF NARRAGANSETT, RHODE ISLAND

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

<i>Exhibit 4</i>	FISCAL YEAR									
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
Revenues:										
General property taxes and payments in lieu of taxes	\$ 46,583,683	\$ 45,255,391	\$ 45,232,567	\$ 44,897,780	\$ 43,132,950	\$ 40,314,466	\$ 38,503,227	\$ 37,441,499	\$ 36,476,981	\$ 34,839,274
State aid, unrestricted	5,012,113	4,752,274	4,453,025	2,629,201	3,358,167	3,715,817	5,616,213	5,554,466	5,028,480	4,835,115
Charges for services	4,603,869	4,445,998	4,097,518	4,560,722	4,175,126	3,501,549	3,189,383	2,669,414	3,168,384	3,505,203
Operating grants and contributions	1,133,829	1,219,449	1,350,198	2,285,726	1,966,682	2,180,945	1,930,646	2,139,810	1,649,235	1,996,819
Capital grants and contributions	976,344	32,425	811,998	1,184,276	638,539	1,190,259	3,717,528	2,062,900	2,562,125	2,142,157
Investment income	280,124	40,703	168,042	65,845	274,532	49,041	601,366	707,448	208,292	452,438
State contribution to teachers pension plan	-	-	-	933,945	-	-	-	-	-	-
Other revenues	642,769	60,529	148,322	465,288	980,017	117,189	508,989	468,859	440,452	422,888
Total revenues	59,232,731	55,806,769	56,261,670	57,022,783	54,526,013	51,069,266	54,067,352	51,044,396	49,533,949	48,193,894
Expenditures:										
Current:										
General government	1,904,804	1,895,652	1,832,287	1,767,415	1,278,395	1,728,193	2,005,594	1,787,904	1,898,830	1,247,670
Financial administration	1,266,781	1,275,723	1,541,310	1,118,473	1,054,645	957,878	950,184	1,026,003	1,032,665	981,876
Public safety	11,334,333	11,613,905	10,641,387	11,223,322	10,776,537	10,999,683	13,358,804	12,705,577	11,575,387	10,828,386
Public works	2,551,415	2,437,380	2,118,369	3,138,946	2,466,899	2,978,866	2,271,703	2,435,924	2,315,190	1,986,598
Social services	93,240	54,874	100,779	177,829	353,678	226,346	256,836	662,110	421,544	721,123
Parks and recreation	1,888,093	1,963,199	1,864,081	1,410,040	1,363,896	1,511,348	1,446,171	1,928,093	1,584,859	1,711,517
Planning, engineering and inspection	990,026	971,121	854,110	2,048,533	1,306,309	2,136,033	1,495,884	1,113,164	2,195,105	1,662,827
Library	697,892	690,615	670,406	649,384	679,346	634,152	-	-	-	-
Municipal Court	-	-	-	380,926	-	357,069	343,724	363,427	419,440	419,192
Other	2,867,951	2,184,981	2,346,879	1,800,117	2,075,712	1,389,536	1,658,389	1,275,265	838,715	853,015
Education	27,733,729	27,397,152	27,630,424	27,659,222	27,062,964	26,087,223	26,809,613	26,466,513	25,018,820	25,333,368
Debt service:										
Principal	1,268,095	1,370,553	1,534,485	1,526,266	2,194,667	22,929,810	2,226,986	2,142,138	2,147,297	2,256,027
Interest	879,515	922,026	969,447	1,012,797	1,072,286	1,290,766	-	-	-	-
Capital outlay and Major Maintenance	3,810,103	2,378,620	2,367,389	1,011,065	146,592	9,482,535	11,771,334	-	-	-
Total expenditures	57,285,977	55,155,801	54,471,353	54,924,335	51,831,926	82,709,438	64,595,222	51,906,118	49,447,852	48,001,599
Excess (deficiency) of revenues over expenditures	1,946,754	650,968	1,790,317	2,098,448	2,694,087	(31,640,172)	(10,527,870)	(861,722)	86,097	192,295
Other financing sources (uses):										
Bond anticipation note, net	-	-	-	-	-	11,548,271	9,800,000	-	-	-
Bond proceeds	-	-	-	-	-	20,930,000	-	840,500	-	-
Bond premium	-	-	-	-	-	780,950	-	-	-	39,040
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	4,213,835
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	(4,156,083)
Capital lease proceeds	-	280,540	142,041	709,807	-	-	-	-	-	617,175
Transfers from other funds	6,505,644	5,097,416	8,122,110	28,367,059	28,835,043	29,380,961	28,979,592	28,510,981	27,641,778	26,156,616
Transfers to other funds	(6,163,403)	(6,022,085)	(8,122,110)	(28,367,059)	(28,835,043)	(29,380,961)	(28,979,592)	(28,510,981)	(27,641,778)	(26,156,616)
Sale of capital assets	28,951	25,061	12,375	18,500	27,900	-	360,000	-	-	-
Total other financing sources (uses)	371,192	(619,068)	154,416	728,307	27,900	33,259,221	10,160,000	840,500	-	713,967
Net change in fund balances	\$ 2,317,946	\$ 31,900	\$ 1,944,733	\$ 2,826,755	\$ 2,721,987	\$ 1,619,049	\$ (367,870)	\$ (21,222)	\$ 86,097	\$ 906,262
Debt service as a percentage of noncapital expenditures	4.0%	4.3%	4.8%	4.7%	6.3%	33.1%	4.2%	4.1%	4.3%	4.7%

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	
12/31/2003	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%
12/31/2011	2012-13	4,350,353,287	4,439,136,007	133,943,059	133,943,059	4,484,296,346	4,573,079,066	98.06%
12/31/2012	2013-14	4,351,278,768	4,542,366,625	132,860,822	132,860,822	4,484,139,590	4,675,227,447	95.91%

Source: Town of Narragansett, Rhode Island Assessor

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 6

Taxpayer	Type of Business	FISCAL YEAR 2013-14 (ASSESSED VALUE AS OF 12-31-12)			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	\$ 22,790,500	1	0.51%	\$ 12,982,000	1	0.79%
Dunes Corporation	Private Beach Club	13,506,500	2	0.30%	7,751,230	2	0.47%
National Grid	Electric Utility	11,323,400	3	0.25%	3,509,010	4	0.21%
Point Judith Country Club	Private Golf Course	8,205,400	4	0.18%	3,388,200	6	0.21%
JDL Family LTD Partnership	Shopping Plaza	7,136,900	5	0.15%	3,051,900	7	0.19%
Gilbane Properties Retail Shopping	Retail Shopping	7,047,800	6	0.16%	2,762,800	8	0.17%
United Water Company	Water Utility	6,726,120	7	0.16%	5,066,030	3	0.31%
Recreation Partners I	Hotel/Restaurant	6,393,100	8	0.14%	3,443,300	5	0.21%
J. Terrance Murray	Residential Property	5,988,900	9	0.13%	845,750	10	0.05%
Boss, Marhorie & Russell	Residential Property	5,490,700	10	0.12%			
Frank, Marilyn & William	Residential Property	5,360,800	11	0.12%			
580 Ocean Road-Personal Resid Trust	Residential Property	5,229,000	12	0.11%			
Micacci, Anthony & Lucille	Residential Property	5,151,100	13	0.12%			
Murray, Stephen P & Tami A.	Residential Property	4,958,200	14	0.11%			
Picerne, John G. Trust	Residential Property	4,819,500	15	0.11%	2,447,200	9	0.15%
Beachwood Preservation Assoc.	Senior Apartments	4,400,000	16	0.10%			
		<u>\$ 124,527,920</u>		<u>2.78%</u>	<u>\$ 45,247,420</u>		<u>2.77%</u>
	Total assessed valuation (gross)	<u>\$ 4,484,139,590</u>			<u>\$ 1,636,397,139</u>		
	Commercial/Industrial Values	\$ 87,529,720		1.95%	\$ 41,954,470		2.56%
	Residential Values	36,998,200		0.83%	3,292,950		0.20%

* assessed value for 12-31-02 is unavailable using the year prior 12-31-2001

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 Outstanding for the Fiscal Year	Collected within the Fiscal year	
		Amount	Percentage of Balance
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%
2012-13	45,635,119	44,843,811	98.27%
2013-14	46,855,316	46,113,597	98.42%

	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%
2012-13	44,946,199	44,547,908	99.11%
2013-14	46,107,795	45,754,896	99.23%

Source: Town of Narragansett Tax Collector

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 8

<u>List Year</u>	<u>Fiscal Year</u>	<u>Residential Property Rate</u>	<u>Commercial Property Rate</u>	<u>Personal Property Rate</u>	<u>Motor Vehicle Rate</u>	<u>Inventory Rate</u>
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
2011	2012-13	\$9.57	\$14.35	\$14.35	\$16.46	\$0.00
2012	2013-14	\$9.80	\$14.68	\$14.68	\$16.46	\$0.00
2013	2014-15	\$10.04	\$15.06	\$15.06	\$16.46	\$0.00

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 9

Fiscal Year	Population	Assessed Valuation	Gross Bonded Debt	Debt payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita
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
2012-13	15,868	4,484,296,346	25,968,000	5,198,315	20,769,685	0.46%	1,308.90
2013-14	15,868	4,484,139,590	23,824,610	4,323,020	19,501,590	0.43%	1,228.99

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 10

	Assessment Date 12/31/2012 FY 2013-14	Assessment Date 12/31/2011 FY 2012-13	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
Net assessed valuation	\$ 4,484,139,590	\$ 4,484,296,346	\$ 4,764,166,250	\$ 4,851,134,862	\$ 4,806,550,396	\$ 5,398,104,887	\$ 5,360,420,599	\$ 5,367,870,289
Debt limit	134,524,188	134,528,890	142,924,988	145,534,046	144,196,512	161,943,147	160,812,618	161,036,109
Total net debt applicable to limit	20,287,944	21,653,251	21,949,850	23,557,763	25,035,448	24,159,047	14,456,620	6,142,899
Legal debt margin	114,236,244	112,875,639	120,975,138	121,976,283	119,161,064	137,784,100	146,355,998	154,893,210
Total net debt applicable to limit as a percentage of the debt limit	15.08%	16.10%	15.36%	16.19%	17.36%	14.92%	8.99%	3.81%

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 11

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Funds Expenditures (1)	Ratio of Total Debt Service to Total Governmental Expenditures
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	54,471,353	4.60%
2013	1,370,553	922,026	2,292,579	55,155,801	4.16%
2014	1,268,095	879,515	2,147,610	57,285,977	3.75%

Note:

(1) Modified accrual basis of accounting

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS*

JUNE 30, 2014
(UNAUDITED)

Exhibit 12

Employer	Type of Business	Number of Employees
Town of Narragansett	Municipality/Schools	443.5
University of Rhode Island/Bay Campus	Colleges & Universities	300
Dunes Club	Beach Club/Seasonal - Private	180
VNS Home Health Service	Healthcare Services	150
DeWal Industries	Manufacturer - Specialty films, tapes, etc.	135
Ocean Rose Inn	Hotel and Motel	120
George's of Galilee Restaurant	Restaurant	118
Stop & Shop	Grocery Retail - Supermarket	100
Aunt Carrie's Restaurant	Restaurant	100
Environmental Protection Agency	Federal Government Laboratory	100
Point Judith Country Club	Parks & Recreation - Private Club	80
NOAA National Marine Fisheries Service	Federal Government	70
Bonnet Shores Beach Club	Beach Club/Seasonal - Private	70
Unemployment rate: 4.4% - June 2014	* Source: RIEDC, Major Employers in RI March 2011	

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 13

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Administration	10.0	11.0	11.0	11.0	10.0	9.0	11.0	10.0	10.0	10.0
Financial administration	15.0	15.0	16.0	16.0	16.0	15.0	12.0	14.0	14.0	14.0
Public safety:										
Police:										
Officers	40.0	41.0	41.0	41.0	42.0	42.0	41.0	41.0	41.0	39.0
Civilians	13.0	15.0	14.0	13.0	13.0	13.0	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	88.0	91.0	90.0	89.0	90.0	90.0	88.0	88.0	88.0	86.0
Public works:										
Administration & Highway	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0
Parks Maintenance	0.0	0.0	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Engineering	2.6	2.6	2.6	2.6	2.6	2.7	3.0	3.0	3.0	3.0
Total Public Works & Engineering	14.6	15.6	15.6	21.1	21.1	21.2	21.5	21.5	22.5	22.5
Parks and recreation	4.5	4.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	8.0
Parks Maintenance	5.5	5.5	0.0	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	8.0	8.0	9.0	9.0	10.0	9.0	9.0
Administrative, noncertified	11.7	11.4	11.0	11.0	11.0	11.0	11.0	12.0	11.0	10.0
Classroom aides	32.0	28.0	28.0	31.0	29.0	28.0	28.0	28.0	25.0	28.0
Teachers	153.9	154.8	154.9	158.0	158.0	154.0	158.0	159.0	163.0	179.0
Bus drivers, monitors, and bus aides	22.5	24.0	24.0	22.0	24.0	27.0	27.0	26.0	26.0	26.0
Clerks	12.0	12.0	12.0	11.0	11.0	12.0	13.0	14.0	15.0	15.0
Operation and maintenance	18.4	18.0	18.0	20.0	22.0	20.0	20.0	20.0	19.0	19.0
	258.5	256.2	255.9	261.0	263.0	261.0	266.0	269.0	268.0	286.0
Library - full-time	5.0	5.0	5.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0
Library-part-time	15.0	18.0	18.0	16.0	16.0	16.0	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	5.6	5.6	4.0	4.0	4.0
Wastewater Treatment	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.0	9.0	9.0
Beach	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Total	443.5	449.2	447.9	449.0	451.0	448.1	434.4	435.0	435.0	455.5

TOWN OF NARRAGANSETT, RHODE ISLAND
 MISCELLANEOUS STATISTICS
 JUNE 30, 2014
 (UNAUDITED)

Exhibit 14

Town Incorporation	1901	Municipal buildings:	
Type of Government	Council / Town Manager	Town Hall	1
Population:		Fire Stations	3
Official U.S. Census:		Police Station	1
1950	2,288	Port Facility Building	1
1960	3,444	Education	
1970	7,138	High School (Grades 9 – 12)	1
1980	12,088	Middle School (Grades 5 – 8)	1
1990	15,004	Elementary (Grades Pre-K – 4)	1
2000	16,361	Wastewater pumping stations	19
2010 (State of RI Est.)	17,454	Wastewater treatment plant	1
2010 Census	15,876	Water pumping stations	1
Area of Town	18.3 square miles	Water storage tanks	3
Shoreline	44.2 miles	Water chlorine injections stations	3
Miles of Streets:		Public works garage/maintenance facility	2
Local Paved	103	Library	1
State Paved	25	Parks/recreation buildings	9
Construction (Period 1-1-13 to 12-31-13):		Beach Cabanas – 60 units	1
Permits Issued	2,370	Beach clubhouse	1
Total Value	\$41,996,270	North Beach Pavilion – 263 units	1
Elections – November 2012:		South Beach Pavilion – 218 units	1
Registered voters	11,906	Kinney Bungalow	1
Number of votes cast	7,623	Comfort station	1
Percentage voting	64%	Community Center	1
Fire Protection:		The Towers	1
Fire alarm boxes	200	Recreation Facilities:	
Fire hydrants	680	Public squares	3
Education:		Acres for recreation (developed)	48
Student Enrollments:		Playgrounds	6
Pre-Kindergarten	57	Tot lots	1
Elementary (grades k – 4)	485	Major recreation facilities	12
Middle School (grades 5 – 8)	411	Undeveloped sites	2
High (grades 9 – 12)	422	Municipal tennis courts	16
Special Education-Out of Dist	9	Bathing beaches	1
CHARIHO	10	Diamonds:	
Total in all schools	1,394	Hard ball	4
Home Instruction	16	Soft ball	1
Charter Schools	19	Basketball courts:	
Total	1,429	Outdoor	7
		Indoor (schools)	3
		Soccer Fields	7
		Marina - 37 slips	1
		Marina Building	1
		Residential Cottages	4
		Residential House	1
		Café/Restaurant Building	1
		Farm House (Sunset Farm)	1
		Barn (Sunset Farm)	1



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Narragansett, Rhode Island's basic financial statements, and have issued our report thereon dated January 20, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-002 to be a significant deficiency.

Compliance and Other Matters

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

Town of Narragansett, Rhode Island's Response to Findings

The Town of Narragansett, Rhode Island's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Narragansett, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Warwick, Rhode Island
January 20, 2015

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

Capital Assets

2014-001 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. Although the Town prepared the detail schedules of capital assets and depreciation for the year ended June 30, 2014, it was not prepared until several months after year-end.

The Town is also not recording to the general ledger the capital asset transactions for the Enterprise Funds. 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 – Management acknowledges the need for improvement and has started to implement changes in the system through a new financial software program. There has been considerable improvement in the timeliness of the reconciliations but the written procedures and policies need to be addressed. These policies and procedures will be created after the implementation of the new software program.

Financial Reporting and Closing Procedures

2014-002 Significant Deficiency – 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.

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2014

The Town's system of internal controls does not include formal monthly and year-end closing and review 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's reconciliation procedures do not include a process to ensure that adjustments identified as part of the reconciliation process are supported by an approved journal entry and recorded properly to the general ledger. The Town also does not have a procedure in place that requires the monthly review and approval of account reconciliations and financial reports.

Recommendation – We recommend that the Town implement formal monthly and year-end financial reporting and closing procedures. The procedures should include the timely monthly reconciliation of all significant accounts; monthly review and approval by the Finance Director of account reconciliations, adjustments, and financial reports; 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 – Management acknowledges the need for improvement and has started to implement changes in the system through a new financial software program. There has been considerable improvement in the timeliness of the reconciliations but the written procedures and policies need to be addressed. These policies and procedures will be created after the implementation of the new software program.