

***TOWN OF NARRAGANSETT, RHODE ISLAND***  
***Comprehensive Annual Financial Report***  
***For the Fiscal Year Ended***  
***June 30, 2013***

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Finance Director

Prepared by: Finance Department

## **INTRODUCTORY SECTION**

**THIS SECTION CONTAINS  
THE FOLLOWING:**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2013**

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

March 3, 2014

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

The comprehensive annual financial report of the Town of Narragansett, Rhode Island, for the fiscal year ended June 30, 2013, 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 licensed certified public accountants licensed to practice in the State of Rhode Island. The Audit is late in being completed this year due to the inability to obtain required reports from the computer software programs and staffing changes that resulted in errors being made and bills not being processed.

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 framework of internal controls that are 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, it is my assentation that, to the best of my knowledge and belief, this financial report is complete and reliable in all material aspects.

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 is to provide reasonable assurance that the financial statements of the Town of Narragansett for the fiscal year ended June 30, 2013, 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, 2013 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**

### **History**

The Town of Narragansett encompasses a narrow strip of land running along the eastern bank of the Pettaquamscutt River to the western shore of Narragansett Bay. The Town was separated from South Kingstown in 1888 and incorporated as the Town of Narragansett on March 28, 1901. Several events were held in celebration of the Town's 125<sup>th</sup> Anniversary during 2013.

The early history of Narragansett is shared with the adjacent community of South Kingstown. It was in this general area that the rival Narragansett and Niantic Native-Americans hunted, fished, tilled the soil and fought. Narragansett was originally a farming area but rapidly developed into a summer resort and fishing community. Residential development was predominantly single-family dwellings, with many used as seasonal residences, renting both in the winter as well as the summer.

The parallel pair of stone arches spanning Ocean Road in the Pier section of Town, anchored on either side by curved towers, are a powerful reminder of the Town's illustrious past. The Towers are all that remain of the famous Casino that burned in a fire in 1900, and are a testament to the Golden Victorian resort era. Designed in 1883 by the famous New York architectural firm of McKim, Mead and White, the three-story edifice was built of blocks of granite, with semi-circular ends and topped by conical roofs. The two towers are connected by one long gallery room.

Narragansett is situated in Washington County, on the southeastern coast of the State of Rhode Island, approximately 30 miles south of Providence. The total area of the community is 18.3 square miles, of which 4.2 square miles is inland water. Over the years, the year-round population of the Town had continued to increase from 3,444 persons counted in the 1960 census to 15,004 persons counted in the 1990 census and 16,361 persons counted in the 2000 census. The 2010 population, while estimated by

the R.I. State Department of Administration to be 17,454, turned out to be 15,868 according to the official 2010 Census. The actual population served is much higher as the 2500 identified rental units are filled with college students in the winter and homeowners and tourists in the summer. It is estimated that these rental units add over 10,000 to the resident population both in the winter as well as the summer. In addition, during the summer, Town and State beaches and the ferries to Block Island attract many more tourists to the area.

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

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

In the early 1900s, a series of construction projects allowed Point Judith's Port of Galilee to become one of the largest fishing ports on the east coast. First, the Town of South Kingstown and the State of Rhode Island dredged the current breachway and stabilized it with stone jetties. Then, the U.S. Army Corps of Engineers around 1914 constructed nearly three miles of stone breakwaters in the open ocean to create the Point Judith Harbor of Refuge. Originally constructed to provide a refuge for ships traveling between Boston and New York during bad weather, the breakwaters also protected the breachway to the Port of Galilee from the full force of the sea.

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

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

boats and, of course, seafood restaurants.

## Government

### *Town:*

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

### *Schools:*

The School Department is governed by a five-member School Committee serving concurrent two-year terms. The School Committee determines and controls all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committee appoints a Superintendent as its chief administrative agent, submits a detailed budget of expenditures and revenues to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The School Department provides for an education system for educating Narragansett students from Pre-school through 12<sup>th</sup> grade. The school system includes three schools: Narragansett Elementary School (Pre-K - 4), Narragansett Middle School (5 - 8) and Narragansett High School (9 - 12). Of total revenues for FY 2013, 91.17% (or \$24,277,345) of the School Department budget is funded locally, 6.25% (or \$1,663,260) is funded by the State, 1.14% (or \$303,445) is funded by the federal government while 1.44% or (\$383,763) is funded from other local sources. The following chart shows student enrollment for the past several years, as well as the projected enrollment for the next two years:

<b>FISCAL YEAR ENDING JUNE 30,</b>	<b>ENROLLMENT</b>
2003	1,758
2004	1,685
2005	1,680
2006	1,600
2007	1,543
2008	1,485
2009	1,462
2010	1,469
2011	1,481
2012	1,466
2013	1,443
Projected	
2014	1,413
2015	1,390

The Town provides the following major public services:

*Wastewater Facilities:*

The Town of Narragansett Wastewater Division has 19 sewage-pumping stations and approximately 90 miles of sanitary sewers. Service to the southern portion of the Town, including the commercial fishing port of Galilee, is provided at the Town-owned Scarborough Wastewater Treatment Plant, a 1.4 million-gallon per day (MGD) extended aeration plant. The South Kingstown Regional Treatment Facility provides wastewater treatment for the Pier area and the northern portion of the Town. The Town services 6,381 connections, distributed as follows:

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

The minimum charge for residential users is currently \$345 per unit, with an excess charge applied based upon water consumption. The Wastewater Division operates as an enterprise fund, with all operations funded from user fees and assessments. Unrestricted net position grew from \$6,296,625 at the end of FY 2012 to \$6,647,707 at the end of FY 2013.

*Water Facilities:*

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

The Town of Narragansett owns, operates and maintains three water storage tanks, with a combined capacity of two million gallons, and approximately 71 miles of water mains. Approximately one-half of the Town's populated area (representing 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 2 of the storage tanks. The Water Division operates as an enterprise fund, with all operations funded from user fees and assessments. Unrestricted net position grew from \$1,551,375 at the end of 2012 to \$1,877,616 at the end of FY 2013.

*Public Works:*

The Town of Narragansett Highway and Facilities Maintenance staff provide a full range

of services including street construction/maintenance, street sweeping, snow removal and the maintenance of Town property. Huge amounts of time were expended in 2012-13 in responding to the tropical Super Storm Sandy in October and blizzard Storm Nemo in February. Public Works activities cost \$2,430,379 for the fiscal year ended June 30, 2013 while \$2,480,438 was budgeted for the fiscal year ending June 30, 2014.

*Public Safety:*

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

The Narragansett Police Department has a force that consists of 52 full-time police officers and other support personnel including dispatch, animal control and harbor patrol. The Police Department expended \$6,996,164 for the fiscal year ended June 30, 2013 and budgeted \$6,814,436 for the fiscal year ending June 30, 2014.

The Narragansett Fire Department has three fire stations staffed by 33 full-time firefighters, the Chief and a secretary. The Fire Department expended \$4,449,782 for the fiscal year ended June 30, 2013 and operations were budgeted at \$4,551,450 for the fiscal year ending June 30, 2014.

Dispatching is a part of the Police Department and provides dispatch services for both Fire and Police Operations. This 9 person unit expended \$801,505 for the fiscal year ended June 30, 2013 and is budgeted to spend \$832,049 for the 2013-14 fiscal year.

*Employee Relations:*

The Town currently employs 193 full-time equivalent employees while the School Department employs 168 professional employees (teachers and other certified staff) and 114 full-time and part-time non-professional employees.

The Town and School Department have agreements with six collective bargaining units. Through the collective bargaining process, the Town and the collective bargaining units have committed to higher co-payments for health insurance, higher employee pension contributions, affordable wage increases, increased co-payments by retirees for retiree health insurances to help offset OPEB unfunded liabilities and limitations to overtime wages to ensure the sustainability of the workforce. It is anticipated that similar agreements will be reached with the Town's Middle Management and Public Works-Clerical Groups and the Non-certified employees of the School Department when those contracts are negotiated in 2014.

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

<b>BARGAINING GROUP</b>	<b>TERM &amp; EXPIRATION</b>
Fire Department	3 year contract expires June 30, 2016
Municipal Middle Management	3 year contract expires June 30, 2014
Police Department	3 year contract expires June 30, 2016
Public Works & Municipal Clerical	4 year contract expires June 30, 2014
School Teachers-Certified Staff	3 year contract expires August 31, 2015
School Non-Certified Staff	3 year contract expires June 30, 2014

## FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when considered together with the broader perspective of the specific environment within which the Town of Narragansett operates.

### *Local Economy:*

The fiscal year began with the State and the country still in the throes of an economic downturn of epic proportions. The downturn was wreaking havoc on governmental operations. During the slide, funding support from the State diminished as the State, facing looming and increasing budget shortfalls began to withhold revenue from the State's municipalities. To date, the recession has not had an impact on the property tax collection rate of property taxes as collections remain at over 100% of the just under 98%. Narragansett has weathered the economic storm somewhat better than many of the other 38 Rhode Island cities and towns. The Town has not laid off any employees, still provides essential government services to its citizens and is making preparations for a long and slow recovery.

Major economic sectors within the Town include retail industries, service industries, fishing and government. The *Rhode Island Economic Development Corporation* (RIEDC) annually issues a listing of the "Major Employers in Rhode Island" with a "major employer" defined as one employing over 100 employees. This report cites the following as "major" employers located in Narragansett as of March 2011:

<b>NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM</b>	<b>EMPLOYER</b>
Ambulatory Health Care Services	VNS Home Health Services
Amusement, Gambling & Recreational Industries	The Dunes Club
Executive, Legislative & General Government	Town of Narragansett
Food & Beverage Stores	The Stop & Shop Co., Inc.
Food Services & Drinking Places	Georges of Galilee Restaurants, Inc.

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

The Rhode Island Department of Labor & Training issues a Quarterly Census of Employment & Wages. For illustrative and comparative purposes, the First Quarter of 2011 and the First Quarter of 2010 are exhibited:

*First Quarter, 2011*

	<b>NUMBER OF UNITS</b>	<b>AVERAGE EMPLOYMENT</b>	<b>TOTAL WAGES</b>
Total Private & Government	476	3591	\$ 32,109,203
Total Private Only	457	2575	18,306,975
Agriculture, Forestry, Fishing & Hunting	6	11	97,017
Construction	42	66	588,538
Manufacturing	18	82	1,005,731
Wholesale Trade	24	86	778,595
Retail Trade	48	586	3,234,384
Transportation & Warehousing	8	73	577,173
Information	6	18	567,146
Finance & Insurance	15	39	1,370,529
Real Estate, Rental & Listing	27	85	741,972
Professional & Technical Services	50	87	1,392,659
Administrative Support & Waste Services	32	51	508,517
Educational Services	6	3	25,877
Health Care & Social Assistance	43	412	3,431,748
Arts, Entertainment & Recreation	15	58	387,675
Accommodation & Food Services	72	779	2,468,577
Other Services (except Public)	43	137	816,207
Government	19	1,016	13,802,228

*First Quarter, 2010*

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

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

The Rhode Island Department of Labor & Training also provides statistics regarding unemployment for both the Town of Narragansett and the State. The following is a comparison of unemployment data as of June 30, 2013:

<b>JUNE 30, 2013</b>	<b>RHODE ISLAND</b>	<b>NARRAGANSETT</b>
Labor Force	435,542	9,361
Employed	400,678	8,840
Unemployment	34,864	521
Unemployment Rate	8.0%	5.6%

Source: Rhode Island Labor Force Statistics

The local economy is also impacted by the University of Rhode Island which, while located in neighboring South Kingstown, has a student enrollment in excess of 16,500 and employs more than 2,350 people. Many employees live in Narragansett and the Town's 2800 rental residential units are often rented to URI students during the academic year. South County Hospital and tourism trade are also key components of the Narragansett economy. According to employment data available for June 2013, as reported by the RI Department of Labor and Training, the Town had a labor force of 9,361 of whom 8,840 were reported as employed. The 521 unemployed constituted 5.6% of the labor force. The annual average for 2012 showed a labor force of 9,346 with 8,679 employed and 667 unemployed. The unemployment rate was 7.1%. The labor force has dropped from 9,768 in June 2009 to 9,361 in June 2013, a decline of 4.2%.

Statewide, the labor force for June 2013 was 435,542 with 400,678 reported as employed. Those unemployed of 34,864 constituted 8.0% of the labor force. The State-wide annual average for 2012 showed an unemployment rate of 10.0%. The adjusted unemployment rate for June 2013 was 8.8%, 10.6 for June 2012, 11.3 for June 2011 and 11.7 for June 2010. State labor force totals were 565,549 in June 2009 and 558,429 in June 2013, a decline of 1.3%. Those employed climbed from 504,166 in June 2009 to 509,027 in June 2013, an increase of 9.6%.

For calendar 2011 the Building Department issued 799 permits with a construction value of \$24,818,651. For calendar year 2012 total permits were 1,945 with a value of \$32,523,238. These statistics, although modest in terms of a positive trend are viewed as showing the re-emergence of a more "normal" local economy especially in contrast to FY 2010 when 749 permits were issued with a value of \$13,622,572.

A statistical profile of the Town is provided below to show local population, housing and economic trends and conditions that influence the demand for public services and facilities and the ability of the Town to support needed services. The following indicators highlight the magnitude of change that has taken place in Narragansett in recent years:

According to the 2010 Census. the Town's population fell by 493 people from 16,361 to 15,868, a loss of 3% from 2000 to 2010.

The median sale price of a single-family home in Narragansett fell from \$379,000 a year ago to \$340,000 for the July –October 2013 period, a drop of 10%. Five years ago the median price of homes was \$379,000.

According to the 2000 census (latest data available), 91.3% of Narragansett residents had a high school degree of higher and 41.8% had a bachelor's degree of higher.

For the five period 2007-2011, Narragansett's median household income was \$64,031, the median family income was \$94,255 while the per capita income was \$40,803. Statewide incomes were \$55,795, \$72,724 and \$29,685 respectively.

**Long-term capital financial planning.** As a part of the annual budget process, the Town Manager prepares and presents a six-year capital improvement plan. This plan identifies costs and financing methods for those capital projects that the Town anticipates funding over the next 6 years. The plan is divided into two parts, Capital Items that require the application of depreciation and those projects and purchases that do not rise to the level of needing to be capitalized. The town is using benchmarks of a useful life in excess of three years and a unit cost in excess of \$10,000 for items needing to be capitalized.

The 2012-13 to 2017-18 Major Maintenance-Non Capitalization plan totaled \$10,139,212 of which \$1,962,712 was for 2012-13 program items. The Capital Plan totaled \$7,940,204 of which \$1,009,600 was for 2012-13 program expenditures.

These plans provide for the needs of the general government and addresses such issues as infrastructure, major equipment replacement, public safety and parks and recreation. The plan also identifies needs of the Enterprise Funds - Water, Wastewater, the Beach and the Middlebridge Recreation Fund.

**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 at the same time conforming to all state statutes governing the investment of municipal funds. Cash temporarily idle during the year is 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 in the pension and other post-employment trust funds includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue nor is it always possible to achieve market value increases.

**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 insurance needs of Rhode Island municipalities. Narragansett became a member on July 1, 1988. The pool provides property, liability and worker's compensation insurance 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 selected. 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. Additional information on the Town of Narragansett's risk management activity can be found in Note 13 on page 55 of the notes to the financial statements.

**Pension and other post-employment benefits.** The Town of Narragansett operates its own defined benefit pension plan covering most town and school employees except for certified school staff. The plan covers permanent employees who work in excess of 20 hours per week. Inasmuch as the funded status of the plan dipped under the state mandated 60%, the Town was required to prepare a Funding Improvement Plan (FIP) and to present this plan to the State. If the town is able to achieve the elements of the FIP, the funded status of the plan should increase to over 60%.

As of June 30, 2013 Pension Fund assets totaled \$64,197,899 compared to \$56,814,337 as of June 30, 2012.

The Town of Narragansett provides Other Post-retirement (OPEB) health and medical benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 169 retired Town employees receiving these benefits. The Town has completed an actuarial valuation of the OPEB obligations with a valuation date of July 1, 2012. The Town has established an irrevocable trust fund for the funding of Other Post-Employment Benefits and as such the financial statements include an OPEB Trust Fund with related disclosure requirements and required supplementary information in accordance with GASB Statement 45. OPEB Trust Fund assets were \$1,885,568 as of June 30, 2013 compared to \$1,186,217 as of June 30, 2012.

Additional information on OPEB may be found in Note 11 on pages 48-54 while the pension plan can be found in Note 15 on pages 57-64 respectively in the notes to the financial statements.

## **COMMITMENTS AND CONTINGENCIES**

On October 4, 1989, the US Environmental Protection Agency (USEPA) notified the Town of Narragansett that the Rose Hill Regional Landfill had been placed on the National Priorities List (NPL) for contaminated sites requiring clean-up actions. The landfill was previously operated by the Towns of Narragansett and South Kingstown (The Towns). A "Record of Decision" (ROD) was issued in December 1999, which delineates EPA's approved remediation strategy for the site. Consent Decree negotiations with EPA and the Rhode Island Department of Environmental Management (RIDEM) began in November 2000 and were completed in January 1, 2003. The Consent Decree designates RIDEM as the lead agency to oversee the remediation design and remediation action for the site. The initial waste consolidation phase commenced in June 2005 and was completed in September 2007. The RIDEM solicited bids during the spring of 2007 for the second phase of the project, which includes construction of a gas collection system and multi-layer cap. Construction of the second phase began in November 2006 and was completed in December 2007.

The Towns have paid \$4,125,000 to settle all past and future Federal liabilities associated with the Rose Hill site. Narragansett's \$2,000,000 payment to the Federal Government was funded with a 20-year general obligation bond sold in September 2002 at an interest rate of 1.648%. Repayment of the debt service associated with this bond will be provided from funds from property taxes. Narragansett also paid \$504,931 for natural resource damages associated with the landfill contamination.

The Consent Decree also requires reimbursement of 30% of the State of Rhode Island costs associated with the remediation of this landfill site and ongoing operation and maintenance costs. These costs will also be shared equally between the two Towns. The estimated cost of reimbursing the State, over the 25 years of payments remaining as of June 30, 2013, was \$1,938,397. During the 2013 year the Town paid \$59,829 towards this liability. The balance of the estimated liability of \$1,938,397 has been included in the government-wide financial statements at June 30, 2013.

In addition to the Rose Hill Regional Landfill Site, the West Kingston//URI Disposal Area Landfills, located on Plains Road, were added to the NPL on July 29, 1992. The West Kingston town dump began operation in the 1950's and ceased operations in 1978. The University of Rhode Island (URI) and the Towns of Narragansett and South Kingstown agreed to participate as Potentially Responsible Parties (PRP) Group in the remediation of the site under State landfill closure regulations. The final cost for the site remediation at this location is \$7,072,692. In addition, there will be ongoing operation and maintenance costs estimated at \$290,000 paid out as part of the annual operating budget. The balance of the estimated liability of \$290,000 has been included in the government-wide financial statements at June 30, 2013.

#### ACKNOWLEDGEMENTS

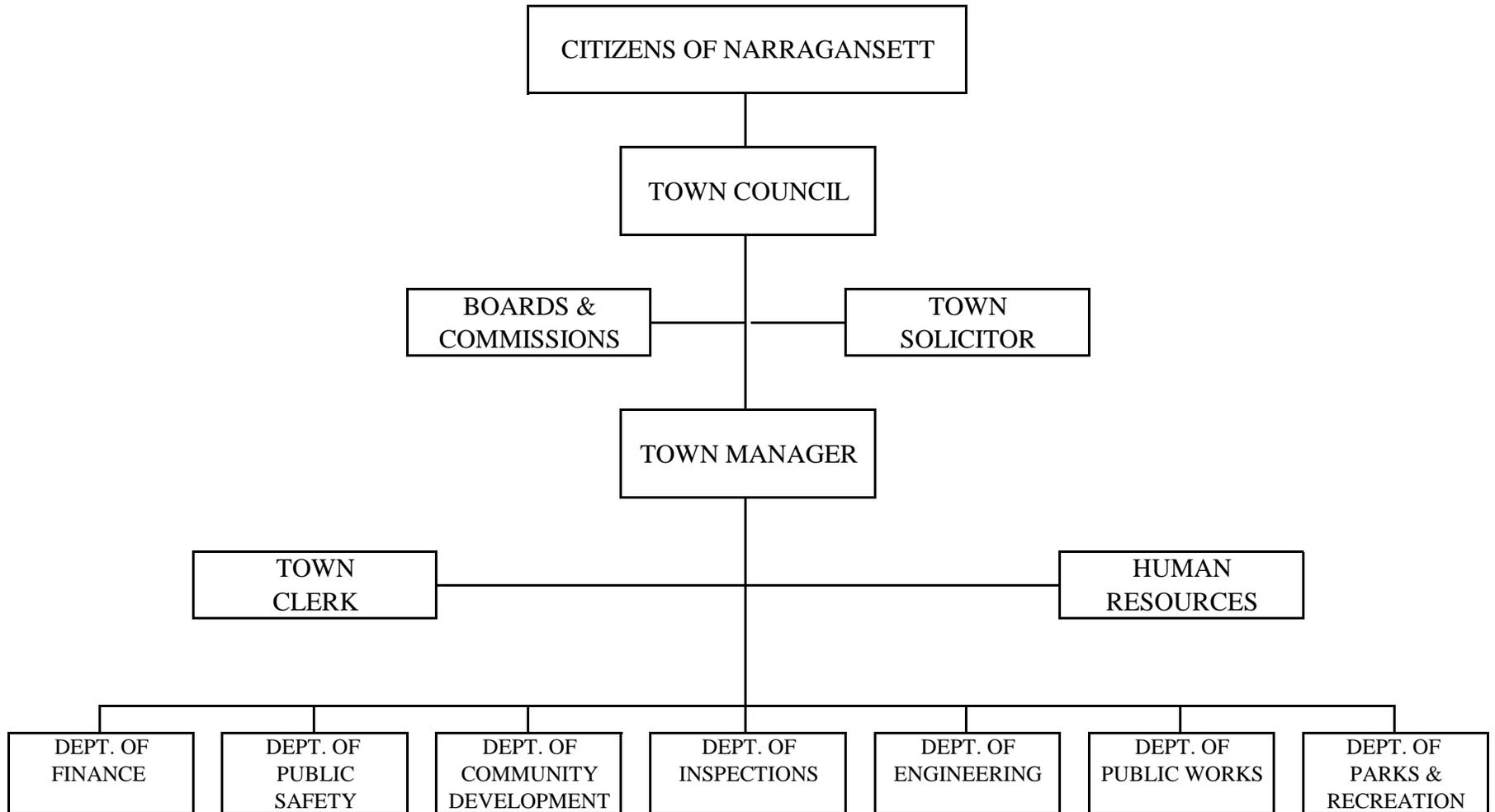
In closing, I would like to express my appreciation to the Town Manager and the Town Council for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner.

Respectfully submitted,



Donald W. Goodrich  
Director of Finance

**THE TOWN OF NARRAGANSETT**  
GOVERNMENTAL ORGANIZATION



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

JUNE 30, 2013

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	Richard I. Kerbel, Interim
Town Solicitor	Mark A. McSally
Finance Director	Donald W. Goodrich
Town Clerk	Anne M. Irons
Town Engineer	Jeffry Ceasrine
Police Chief	F. Dean Hoxsie
Fire Chief	David S. Arnold, Acting
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. Fairhurst
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

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

**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, 2013, 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, 2013, 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 14 and pages 65 through 73 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, and 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 relates 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 dated March 3, 2014 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. The 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  
March 3, 2014

## 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, 2013 (FY2013) has been prepared. The Town administration encourages all to consider the information presented herein in conjunction with the additional information furnished in the *Letter of Transmittal*, which can be found at the beginning of this report.

### Overview of the Financial Statements

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

1. Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.
  - a. *Statement of Net Position*: This statement presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.
  - b. *Statement of Activities*: This statement presents information showing how the government's net 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 15 and 16 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

- a. *Governmental Funds:* *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information may be helpful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Thus, the long-term impact of the government's near-term financing decisions becomes apparent. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Funds are classified as "major" and "nonmajor." Data from major governmental funds is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances. Data from the nonmajor funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* and can be found on pages 74-81 of this report.

The Town adopts annual budgets for its General Fund, Water Fund, Sewer Fund, Internal Services Fund (Vehicle Maintenance), Library Fund, Beach Fund, Middlebridge Recreation 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 17-20 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Overview of the Financial Statements (Continued)

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 21-24 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 25-26 of this report.

3. Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 27-64 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 65-73 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 exceeded liabilities by \$46,624,865 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 (CONTINUED)**

**Government-wide Financial Analysis (Continued)**

**Town of Narragansett's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,103,843	\$ 20,128,038	\$ 14,550,047	\$ 14,600,368	\$ 35,653,890	\$ 34,728,406
Capital assets	<u>93,050,939</u>	<u>95,138,020</u>	<u>35,246,720</u>	<u>34,010,139</u>	<u>128,297,659</u>	<u>129,148,159</u>
Total assets	<u>114,154,782</u>	<u>115,266,058</u>	<u>49,796,767</u>	<u>48,610,507</u>	<u>163,951,549</u>	<u>163,876,565</u>
Current liabilities	5,142,149	4,269,688	1,503,820	1,120,066	6,645,969	5,389,754
Noncurrent liabilities	<u>62,387,768</u>	<u>58,352,674</u>	<u>9,045,471</u>	<u>10,414,771</u>	<u>71,433,239</u>	<u>68,767,445</u>
Total liabilities	<u>67,529,917</u>	<u>62,622,362</u>	<u>10,549,291</u>	<u>11,534,837</u>	<u>78,079,208</u>	<u>74,157,199</u>
Net position:						
Net investment in capital assets	72,977,500	73,998,792	30,108,820	29,081,792	103,086,320	103,080,584
Restricted	6,041,787	5,465,023			6,041,787	5,465,023
Unrestricted	<u>(32,394,422)</u>	<u>(26,820,119)</u>	<u>9,138,656</u>	<u>7,993,878</u>	<u>( 23,255,766)</u>	<u>(18,826,241)</u>
Total net position	<u>\$46,624,865</u>	<u>\$52,643,696</u>	<u>\$39,247,476</u>	<u>\$37,075,670</u>	<u>\$85,872,341</u>	<u>\$89,719,366</u>

At June 30, 2013, 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 (CONTINUED)

### Government-wide Financial Analysis (Continued)

*Governmental Activities:* Governmental activities decreased the Town's net position by \$(6,018,831).

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 4,478,812	\$ 4,145,055	\$ 8,627,591	\$ 7,621,179	\$13,106,403	\$11,766,234
Operating grants and Contributions	4,630,534	4,556,277			4,630,534	4,556,277
Capital grants and Contributions	202,815	981,500			202,815	981,500
General revenues, property taxes	44,974,695	44,908,921			44,974,695	44,908,921
State aid and in lieu of taxes	1,526,105	1,422,516			1,526,105	1,422,516
Miscellaneous	70,885	269,619	457,119	80,336	528,004	349,955
Total revenues	<u>55,883,846</u>	<u>56,283,888</u>	<u>9,084,710</u>	<u>7,701,515</u>	<u>64,968,556</u>	<u>63,985,403</u>
Expenses:						
General government	3,697,034	3,967,108			3,697,034	3,967,108
Financial administration	1,719,594	1,972,289			1,719,594	1,972,289
Public safety	15,284,664	14,644,220			15,284,664	14,644,220
Public works	4,757,802	4,107,512			4,757,802	4,107,512
Social Services	54,874	93,959			54,874	93,959
Parks and recreation	2,403,126	2,323,745			2,403,126	2,323,745
Plan, engineer & inspection	1,333,057	1,226,549			1,333,057	1,226,549
Library	743,782	697,801			743,782	697,801
Education	30,074,899	30,177,912			30,074,899	30,177,912
Interest on Long term debt	909,176	979,348			909,176	979,348
Water Fund			1,890,030	1,873,817	1,890,030	1,873,817
Sewer Fund			3,730,118	3,764,890	3,730,118	3,764,890
Beach Fund			2,027,956	1,613,978	2,027,956	1,613,978
Middlebridge Recreation			189,469		189,469	
Total expenses	<u>60,978,008</u>	<u>60,190,443</u>	<u>7,837,573</u>	<u>7,252,685</u>	<u>68,815,581</u>	<u>67,443,128</u>
Increase (decrease) in net position before transfers	(5,094,162)	(3,906,555)	1,247,137	448,830	(3,847,025)	(3,457,725)
Transfers	(924,669)		924,669			
Change in net position	(6,018,831)	(3,906,555)	2,171,806	448,830	(3,847,025)	(3,457,725)
Net position, beginning of year, restated	<u>52,643,696</u>	<u>56,550,251</u>	<u>37,075,670</u>	<u>36,626,840</u>	<u>89,719,366</u>	<u>93,177,091</u>
Net position, end of year	<u>\$ 46,624,865</u>	<u>\$ 52,643,696</u>	<u>\$ 39,247,476</u>	<u>\$ 37,075,670</u>	<u>\$85,872,341</u>	<u>\$89,719,366</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Government-wide Financial Analysis (Continued)

Property taxes levied for FY 2012-13 based on the December 31, 2011 grand list increased by \$312,834 to \$45,045,014 from the amount levied for 2011-12 of \$44,732,180. This was an increase of 0.70%, 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 2013 was \$44,118,433 which was based on a rate of collection of 98%. Current year collections were \$44,667,514 compared to the budgeted amount of \$44,118,433, an increase of \$549,081 or 1.24%.

*Business-type activities:* Business-type activities increased the Town's net position by \$2,171,806. Key elements of the increase are as follows:

- a. Water Fund: The net position of the Water enterprise is up \$251,447, or 4.49%.
- b. Sewer Fund: The net position for the Sewer enterprise is up \$918,797, or 3.58%
- c. Beach Fund: The net position for the Beach enterprise is up \$625,918, or 10.80%.
- d. Middlebridge: The net position for the new Middlebridge Fund was: \$375,644

### 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 \$17,313,746. Approximately 23.4% of this total amount or \$4,049,131 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 \$4,229,693, while total fund balance was \$13,645,012. 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 \$4,229,693 represents 7.77% of total General Fund expenditures and transfers of \$54,458,726, while total fund balance represents 25.1% of the same amount. When the funds

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

advanced to the Streets Fund of \$500,000 and the Beach Fund of \$424,669 are returned to the general fund, unassigned fund balance will be \$5,154,362 or 9.46% of general fund expenditures and transfers.

The Town's General Fund – Fund Balance decreased by (\$118,347) due mainly to the advance of \$426,669 to the Beach Fund to help pay for damages to the Beach from Super Storm Sandy and the advancement of \$500,000 to the Streets Improvement Fund. These funds will be returned to the General Fund as Beach surpluses allow and when bonds are sold for the street improvement work.

*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, 2013 was \$1,877,616.
- b. Sewer Fund: The unrestricted net position of the Sewer Fund at June 30, 2013 amounted to \$6,647,707.
- c. Beach Fund: The unrestricted net position of the Beach Fund at June 30, 2013 was \$608,349.
- d. Middlebridge Fund: The unrestricted net position of Middlebridge Recreation Fund at June 30, 2013 was \$4,984.

### General Fund Budgetary Highlights

The general fund operating budget was amended by \$1,352,602 in supplemental appropriations. These included the following: \$312,325 for a new generator for the Town Hall so that the entire building now has power in the case of a power outage; \$57,820 for new wood shingles for the Towers – roof replacement due to Super Storm Sandy; \$57,788 for deficits in the Town's Grants Fund; \$424,669 advanced to the Beach Fund to help pay for damages to the Beach from Super Storm Sandy – to be repaid to the General Fund as Beach revenues allow; and \$500,000 advanced to the Streets Improvement Fund – to be repaid to the General Fund when Street Bonds are sold. Minor transfers between budgetary line items within the same department are routinely administered by the Purchasing Agent subject to the approval of the Finance Director and Town Manager. There was \$640,654 in year-end transfers to cover shortages in various departments in closing out the fiscal year.

1. Taxation: Due to the strong follow-up effort on the late payment of current taxes, property tax collections were strong throughout the year. Collections were \$44,667,514 and exceeded the budget amount of \$44,118,433 by \$549,081. Taxes from prior year's levies were budgeted at \$601,000 while collections only reached \$51,992, \$549,008 as several long outstanding tax appeals were finally settled. Interest on delinquent taxes was budgeted at \$195,000 while collections were \$180,578 or \$14,422 less than budgeted. Current tax collections of \$44,547,908 were 99.11% of the adjusted levy of \$44,946,199.
2. State Payment for Motor Vehicle Tax Phase-out: The Town received \$94,780 in phase-out payments. There is continuing concern over whether the program will be eliminated in its entirety by the General Assembly. The Town continued the motor vehicle exemption at \$6,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### General Fund Budgetary Highlights (Continued)

3. The Town's other State-shared revenues for beach parking fees, hotel tax and the meal tax were budgeted at \$838,446 while \$815,461 was received or \$22,985 less than budgeted. Beach parking fees were \$60,849 less while the hotel tax was down by \$29,088, reflective of a colder and wetter summer than normal. The meals tax was \$66,952 more than budgeted. Total State aid of \$1,395,732 was \$1,070,840 less than the \$2,466,572 received in FY 2010, almost all attributed to the cuts in reimbursements for motor vehicle taxes of \$946,854.
4. Storm damage reimbursements from FEMA were \$167,331. The Federal refuge revenue sharing grant was \$60,739.
5. In spite of the continuing economic downturn, slow housing market and low investment interest rates, total user charges, permit fees and investment income was \$50,269 more than the budget estimates of \$2,363,548. Private Police Detail receipts were \$36,785 more than budgeted. Building permits were \$53,874 more than budgeted in part due to repairs from Super Storm Sandy.
6. Fines and forfeitures were \$47,819 under budget estimates due to a higher budget estimate for court fines than was achieved.

### 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, 2013 amounted to \$128,297,659 (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 FY2013 was (\$850,500), or (.66)% (a 2.19% decrease for governmental activities and a 3.64% increase for business-type activities). Major capital asset events during the reporting period included the following:
  - a. The purchase of police cars, trucks and related equipment in the amount of \$585,670
  - b. Equipment purchases including \$301,220 for a new Town Hall Generator.
  - c. Water Fund chlorine injector system and water meter replacements, \$255,080.
  - d. Repairs to Sewer Fund remote pumping stations, \$277,218.
  - e. Repairs to Beach facilities, partly due to Super Storm Sandy, \$815,723.

Many expenditures formerly classified as capital improvements are now accounted for in the new Major Maintenance and Non-capitalization expenditure fund pursuant to new accounting rules. These purchases, repairs and other expenditures totaled \$680,397.

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

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

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$43,983,624	\$ 43,983,624	\$ 3,240,280	\$ 2,187,780	\$ 47,223,904	\$ 46,171,404
Construction in progress	131,563	352,106	1,209,500	601,382	1,341,063	953,488
Buildings and improvements	28,474,692	29,579,976	10,202,440	9,873,998	38,677,132	39,453,974
Machinery and equipment	3,161,717	2,758,198	588,604	612,799	3,750,321	3,370,997
Vehicles	1,561,326	1,519,733	40,953	23,477	1,602,279	1,543,210
Infrastructure	15,738,017	16,944,383	19,964,943	20,710,703	35,702,960	37,655,086
<b>Total</b>	<b>\$93,050,939</b>	<b>\$95,138,020</b>	<b>\$ 35,246,720</b>	<b>\$ 34,010,139</b>	<b>\$128,297,659</b>	<b>\$129,148,159</b>

2. Debt administration: At the end of the fiscal year, the Town’s governmental activities had total bonds and notes outstanding of \$21,047,498, all of which is backed by the full faith and credit of the Town. Total debt was reduced from \$22,221,849 with additions of \$280,540 offset by retirements of \$1,454,891 for a net reduction of \$1,174,351 during FY2013.

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

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 18,865	\$ 19,975	\$ 1,124	\$ 200	\$ 19,989	\$ 20,175
Notes and loans	1,905	2,094	4,074	5,595	5,979	7,689
Capital leases	277	153			277	153
<b>Total</b>	<b>\$ 21,047</b>	<b>\$ 22,222</b>	<b>\$ 5,198</b>	<b>\$ 5,795</b>	<b>\$ 26,245</b>	<b>\$ 28,017</b>

Except as provided below, under Rhode Island general laws, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$134,528,890 based on net assessed valuations of \$4,484,296,346 as of December 31, 2011. As of June 30, 2013, the Town had \$112,875,639 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:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Assets and Debt Administration (Continued)

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 \$21,635,241 and debt service of \$2,292,579 for FY 2013 equates to the following (excludes compensated absences, pollution remediation obligations and pension and OPEB obligations):

- 4.43% Debt service as a Percent of the Operating Budget (FY 13 budget was \$51,716,509 while debt service was \$2,292,579).
- 0.5% Outstanding general obligation debt as a percentage of Net Assessed valuation \$4,484,296,346
- 5.1% Debt service as a percent of net tax levy of \$44,946,199
- \$1,363 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	\$ 3,603,681	\$ 2,292,579	63.6%
Debt at 2.5% of assessed value	\$112,107,409	\$ 21,635,241	19.3%
Debt service at 8% of the tax levy	\$ 3,595,696	\$ 2,292,579	63.8%
Debt per capita at \$2,500	\$ 2,500	\$ 1,363	54.5%

To stay within the debt policy, and focusing just on annual debt service payments at 7% of the operating budget and debt service at 8% of the tax levy, the Town could add \$1.311 and \$1.303 million to annual debt service. In reviewing tables from the Town's financial advisors, the Town could issue approximately \$15 million with level debt payments (annual debt service would be \$1,275,000) or if \$10 million were issued with descending debt payments (annual debt service would be \$850,000).

### Environmental Remediation

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

#### *Rose Hill Regional Landfill:*

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Environmental Remediation (Continued)**

may be necessary in the future. The current estimated cost of completing the clean-up of Rose Hill is approximately \$22,101,839. The Town of Narragansett paid \$2,000,000 to the Federal Government to settle all past liabilities associated with Rose Hill. The amount was funded through a 20-year general obligation bond sold in September 2002 with interest at 1.18%. The outstanding bond balance at June 30, 2013 is \$1,139,685. The Town also paid \$504,931 for its share of natural resource damages. The Final Consent Decree also requires reimbursement to the State of 30% of the costs associated with remediation of this landfill and ongoing operation and maintenance costs. Such costs are currently estimated at \$3,725,000 and will be shared equally by the two towns. The Town of Narragansett's share of the estimated cost of \$2,142,500, which includes an estimated \$280,000 for continued monitoring and site maintenance, will be paid to the State over a 27-year period beginning in 2011. As such, approximately \$1,938,000 has been reported as a pollution remediation obligation in the 2013 government-wide financial statements.

#### *West Kingston/URI Disposal Area Landfills:*

The West Kingston/URI Disposal Area Landfills, also known as the Plains Road Landfill (Plains Road), was added to the Superfund list in 1992. The University of Rhode Island (URI) and the Towns of Narragansett and South Kingstown have agreed to participate in the remediation of the site under State landfill closure regulations. Total project costs paid to date were \$7,072,693, for which the Town was obligated to pay \$1,766,124. The balance of the \$290,000 for operation and maintenance costs will be paid over the next 27 years and as such been reported as a pollution remediation obligation in the 2012 government-wide financial statements.

### **Other Postemployment Benefits**

The Town's annual Other Post Employment Benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The Town's net OPEB obligation at June 30, 2013 of \$18,994,386 composed of \$18,414,648 for the Town and \$579,738 for schools has been recorded as a long-term obligation in the government-wide financial statements.

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

The primary economic factor affecting fiscal year 2013 has been the recession that is plaguing the entire nation and the world, especially Europe. Rhode Island has been identified as one of the three states most adversely affected by the downturn. The recession has negatively impacted investment earnings and state aid. Fortunately, tax and utility collections remain strong.

### **Requests for Information**

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

Director of Finance  
Town of Narragansett  
25 Fifth Avenue  
Narragansett, RI 02882

## **BASIC FINANCIAL STATEMENTS**

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

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

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

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Statement of Net Position*

June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 18,018,755	\$ 4,000	\$ 18,022,755
Investments	5,947,689	-	5,947,689
Accrued interest receivable	-	107,597	107,597
Real estate and personal property tax receivable (net)	491,308	-	491,308
Water and Sewer use and assessments receivable	-	828,986	828,986
Due from federal and state government	591,028	45,065	636,093
Other receivables	2,395,840	14,803	2,410,643
Internal balances	(9,028,137)	9,028,137	-
Inventories	51,408	-	51,408
Prepaid expenses	92,201	-	92,201
<b>Total current assets</b>	<b>18,560,092</b>	<b>10,028,588</b>	<b>28,588,680</b>
<b>Noncurrent assets:</b>			
Sewer assessments receivable	-	4,465,810	4,465,810
Capital assets: (Note 2)			
Land and land easements	43,983,624	3,240,280	47,223,904
Depreciable buildings, property, equipment, infrastructure (net)	48,935,752	30,796,940	79,732,692
Construction in progress	131,563	1,209,500	1,341,063
Other assets (net)	2,543,751	55,649	2,599,400
<b>Total noncurrent assets</b>	<b>95,594,690</b>	<b>39,768,179</b>	<b>135,362,869</b>
<b>Total assets</b>	<b>114,154,782</b>	<b>49,796,767</b>	<b>163,951,549</b>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	2,807,706	506,618	3,314,324
Accrued interest payable	128,486	37,633	166,119
Customer deposits payable	-	14,925	14,925
Unearned revenue	43,920	6,502	50,422
Compensated absences payable	704,049	65,533	769,582
Pollution remediation obligations	88,145	-	88,145
Long-term debt - due within one year (Note 6)	1,369,843	872,609	2,242,452
<b>Total current liabilities</b>	<b>5,142,149</b>	<b>1,503,820</b>	<b>6,645,969</b>
<b>Noncurrent Liabilities:</b>			
Long-term debt - due in more than one year (Note 6)	20,265,398	4,320,939	24,586,337
Compensated absences payable	2,735,831	371,325	3,107,156
Unearned revenue	-	4,353,207	4,353,207
Pollution remediation obligations	2,140,252	-	2,140,252
Net pension obligation	18,251,901	-	18,251,901
Net other post employment benefit obligation	18,994,386	-	18,994,386
<b>Total noncurrent liabilities</b>	<b>62,387,768</b>	<b>9,045,471</b>	<b>71,433,239</b>
<b>Total liabilities</b>	<b>67,529,917</b>	<b>10,549,291</b>	<b>78,079,208</b>
<b>Net Position:</b>			
Net Investment in capital assets	72,977,500	30,108,820	103,086,320
Restricted for:			
Education programs	5,168,773	-	5,168,773
Public safety programs	36,584	-	36,584
Historical records preservation	220,036	-	220,036
Community service programs	444,185	-	444,185
Parks and recreation programs	110,493	-	110,493
Other programs	61,716	-	61,716
Unrestricted	(32,394,422)	9,138,656	(23,255,766)
<b>Total net position</b>	<b>\$ 46,624,865</b>	<b>\$ 39,247,476</b>	<b>\$ 85,872,341</b>

*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, 2013*

<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>
<b>Governmental Activities:</b>							
General government	\$ 3,697,034	\$ 1,356,215	\$ 96,250	\$ -	\$ (2,244,569)	\$ -	\$ (2,244,569)
Financial administration	1,719,594	700,491	-	-	(1,019,103)	-	(1,019,103)
Public safety	15,284,664	712,988	44,398	23,256	(14,504,022)	-	(14,504,022)
Public works	4,757,802	1,050	196,584	8,600	(4,551,568)	-	(4,551,568)
Social services	54,874	-	58,805	-	3,931	-	3,931
Parks and recreation	2,403,126	623,976	24,050	-	(1,755,100)	-	(1,755,100)
Planning, engineering and inspection	1,333,057	468,874	-	-	(864,183)	-	(864,183)
Library	743,782	9,619	123,975	-	(610,188)	-	(610,188)
Education	30,074,899	605,599	3,600,981	170,959	(25,697,360)	-	(25,697,360)
Interest on long-term debt	909,176	-	485,491	-	(423,685)	-	(423,685)
<b>Total governmental activities</b>	<b>60,978,008</b>	<b>4,478,812</b>	<b>4,630,534</b>	<b>202,815</b>	<b>(51,665,847)</b>	<b>-</b>	<b>(51,665,847)</b>
<b>Business-Type Activities:</b>							
Water	1,890,030	2,123,262	-	-	-	233,232	233,232
Sewer	3,730,118	4,576,529	-	-	-	846,411	846,411
Beach	2,027,956	1,862,687	-	-	-	(165,269)	(165,269)
Middlebridge Recreation	189,469	65,113	-	-	-	(124,356)	(124,356)
<b>Total business-type activities</b>	<b>7,837,573</b>	<b>8,627,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>790,018</b>	<b>790,018</b>
<b>Total</b>	<b>\$ 68,815,581</b>	<b>\$ 13,106,403</b>	<b>\$ 4,630,534</b>	<b>\$ 202,815</b>	<b>(51,665,847)</b>	<b>790,018</b>	<b>(50,875,829)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes					44,974,695	-	44,974,695
State aid and in lieu of taxes, not restricted for a specific purpose					1,526,105	-	1,526,105
Investment earnings					40,703	65,032	105,735
Miscellaneous					30,182	392,087	422,269
<b>Transfers</b>					(924,669)	924,669	-
<b>Total general revenues and transfers</b>					<b>45,647,016</b>	<b>1,381,788</b>	<b>47,028,804</b>
<b>Change in net position</b>					<b>(6,018,831)</b>	<b>2,171,806</b>	<b>(3,847,025)</b>
<b>Net position - beginning of year, restated</b>					<b>52,643,696</b>	<b>37,075,670</b>	<b>89,719,366</b>
<b>Net position - end of year</b>					<b>\$ 46,624,865</b>	<b>\$ 39,247,476</b>	<b>\$ 85,872,341</b>

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Balance Sheet  
Governmental Funds  
June 30, 2013*

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash	\$ 18,003,433	\$ 15,322	\$ 18,018,755
Investments	5,947,689	-	5,947,689
Real estate and personal property			
tax receivable	791,308	-	791,308
Due from federal and state governments	306,984	284,044	591,028
Due from other funds	2,636,995	4,055,813	6,692,808
Other receivables	36,263	294,487	330,750
Inventory	51,408	-	51,408
Prepaid expenditures	92,201	-	92,201
Other assets	2,363,634	-	2,363,634
<b>Total assets</b>	<b>\$ 30,229,915</b>	<b>\$ 4,649,666</b>	<b>\$ 34,879,581</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenditures	\$ 1,918,662	\$ 122,872	\$ 2,041,534
Due to other funds	13,331,175	558,040	13,889,215
Claims payable	371,054	-	371,054
Deferred revenues	829,477	300,020	1,129,497
Other liabilities	134,535	-	134,535
<b>Total liabilities</b>	<b>16,584,903</b>	<b>980,932</b>	<b>17,565,835</b>
<b>Fund Balances:</b>			
Nonspendable:			
Other assets WB Community Health	1,856,672	-	1,856,672
Inventory	51,408	-	51,408
Prepaid expenditures	92,201	-	92,201
Restricted for:			
Education programs	5,162,549	6,224	5,168,773
Public safety programs	-	36,584	36,584
Historical records preservation	-	220,036	220,036
Community service programs	-	150,718	150,718
Parks and recreation programs	-	110,493	110,493
Library programs	32,729	-	32,729
Other programs	-	28,987	28,987
Committed for:			
Debt service	-	36,100	36,100
Capital projects	-	2,807,935	2,807,935
Assigned to:			
2014 budget	1,920,000	-	1,920,000
Parks and recreation programs	101,962	-	101,962
Towers	92,132	-	92,132
Kinney Bungalow	75,381	-	75,381
Sunset Farm	24,111	-	24,111
Capital projects	-	452,219	452,219
Other	6,174	-	6,174
Unassigned	4,229,693	(180,562)	4,049,131
<b>Total fund balances</b>	<b>13,645,012</b>	<b>3,668,734</b>	<b>17,313,746</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,229,915</b>	<b>\$ 4,649,666</b>	<b>\$ 34,879,581</b>

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2013**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 17,313,746</b>
 <b>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</b>	
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.	92,993,319
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	293,467
Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred revenue (a liability) in Governmental Funds financial statements.	492,110
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.	(128,486)
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.	30,397
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.	(64,549,805)
Debt issue costs are reported as expenditures in the Governmental Funds financial statements. The cost and related accumulated amortization is reflected as an other asset on the Government-Wide financial statements.	<u>180,117</u>
 <b>Net Position of Governmental Activities</b>	 <b><u><u>\$ 46,624,865</u></u></b>

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
General property taxes and payments in lieu of taxes	\$ 45,255,391	\$ -	\$ 45,255,391
State and federal aid	4,581,884	170,390	4,752,274
Charges for services	4,111,870	334,128	4,445,998
Operating grants and contributions	22,396	1,197,053	1,219,449
Capital grants and contributions	-	32,425	32,425
Investment and interest income	30,424	10,279	40,703
Other revenues	32,813	27,716	60,529
<b>Total revenues</b>	<u>54,034,778</u>	<u>1,771,991</u>	<u>55,806,769</u>
<b>Expenditures:</b>			
<i>Current:</i>			
General government	1,778,110	117,542	1,895,652
Financial administration	1,275,723	-	1,275,723
Public safety	11,584,641	29,264	11,613,905
Public works	2,437,380	-	2,437,380
Social services	-	54,874	54,874
Parks and recreation	1,862,201	100,998	1,963,199
Planning, engineering and inspection	971,121	-	971,121
Library	690,615	-	690,615
Food service	-	384,140	384,140
Education	26,151,869	861,143	27,013,012
Other	2,184,981	-	2,184,981
Debt Service	-	2,292,579	2,292,579
Capital outlay	-	2,378,620	2,378,620
<b>Total expenditures</b>	<u>48,936,641</u>	<u>6,219,160</u>	<u>55,155,801</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>5,098,137</u>	<u>(4,447,169)</u>	<u>650,968</u>
<b>Other financing sources (uses):</b>			
Capital related debt issued	280,540	-	280,540
Sale of capital assets	25,061	-	25,061
Transfers from other funds	-	5,097,416	5,097,416
Transfers to other funds	(5,522,085)	(500,000)	(6,022,085)
<b>Total other financing sources (uses)</b>	<u>(5,216,484)</u>	<u>4,597,416</u>	<u>(619,068)</u>
<b>Net change in fund balances</b>	(118,347)	150,247	31,900
<b>Fund balances - beginning of year, restated</b>	<u>13,763,359</u>	<u>3,518,487</u>	<u>17,281,846</u>
<b>Fund balances - end of year</b>	<u>\$ 13,645,012</u>	<u>\$ 3,668,734</u>	<u>\$ 17,313,746</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, 2013**

<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 31,900</b>
<b>Amounts reported for Governmental Activities in the Statement of Activities are different because:</b>	
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.	1,946,437
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements.	(4,011,434)
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.	(17,814)
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.	52,271
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 new debt issued during the current period.	(280,540)
This amount represents debt principal payments during the current period.	1,454,891
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.	8,087
The Internal Service Fund is used by management to charge the costs of vehicle maintenance to individual funds. The net revenues (expenses) of the Internal Service Fund is reported with Governmental Activities in the Government-Wide financial statements.	(4,271)
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Debt issuance costs and loss on refundings are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.	
This amount represents amortization on loss on refundings during the current period.	(15,255)
This amount represents amortization of premium on debt during the current period.	39,047
This amount represents amortization of debt issuance costs during the current period.	(19,033)
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.	37,866
This amount represents the change in the net pension obligation during the current period.	(2,775,320)
This amount represents the change in the net OPEB obligation during the current period.	(2,517,674)
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.	52,011
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (6,018,831)</u></b>

*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, 2013*

	<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>Internal Service Fund</i>
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 4,000	\$ -	\$ 4,000	\$ -
Accounts receivable:						
Water and sewer use fees	377,451	423,484	-	-	800,935	-
Sewer assessment	-	28,051	-	-	28,051	-
Accrued interest	-	107,597	-	-	107,597	-
Other	5,776	6,528	2,499	-	14,803	-
Due from federal and state government	-	7,351	37,714	-	45,065	-
Due from other funds	1,768,984	6,627,495	620,224	11,434	9,028,137	-
<b>Total current assets</b>	<b>2,152,211</b>	<b>7,200,506</b>	<b>664,437</b>	<b>11,434</b>	<b>10,028,588</b>	<b>-</b>
<b>Noncurrent assets:</b>						
Sewer assessments receivable	-	4,465,810	-	-	4,465,810	-
Capital assets:						
Non-depreciable assets	583,124	817,361	1,996,795	1,052,500	4,449,780	-
Depreciable assets - net	3,534,638	23,155,328	3,814,814	292,160	30,796,940	57,620
Other assets - net	2,226	53,423	-	-	55,649	-
<b>Total noncurrent assets</b>	<b>4,119,988</b>	<b>28,491,922</b>	<b>5,811,609</b>	<b>1,344,660</b>	<b>39,768,179</b>	<b>57,620</b>
<b>Total assets</b>	<b>6,272,199</b>	<b>35,692,428</b>	<b>6,476,046</b>	<b>1,356,094</b>	<b>49,796,767</b>	<b>57,620</b>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable and accrued expenses	112,893	353,115	40,374	236	506,618	12,529
Due to other funds	-	-	-	-	-	14,694
Accrued interest payable	2,237	30,557	-	4,839	37,633	-
Accrued compensated absences	21,996	41,373	2,164	-	65,533	-
Customer and security deposits payable	-	-	13,550	1,375	14,925	-
Unearned revenue	-	6,502	-	-	6,502	-
Current portion of bonds, notes and loans payable	55,000	688,609	-	129,000	872,609	-
<b>Total current liabilities</b>	<b>192,126</b>	<b>1,120,156</b>	<b>56,088</b>	<b>135,450</b>	<b>1,503,820</b>	<b>27,223</b>
<b>Noncurrent liabilities:</b>						
Accrued compensated absences	137,469	233,856	-	-	371,325	-
Unearned revenue	-	4,353,207	-	-	4,353,207	-
Bonds, notes and loans payable	90,233	3,385,706	-	845,000	4,320,939	-
<b>Total noncurrent liabilities</b>	<b>227,702</b>	<b>7,972,769</b>	<b>-</b>	<b>845,000</b>	<b>9,045,471</b>	<b>-</b>
<b>Total liabilities</b>	<b>419,828</b>	<b>9,092,925</b>	<b>56,088</b>	<b>980,450</b>	<b>10,549,291</b>	<b>27,223</b>
<b>Net Position</b>						
Net investment in capital assets	3,974,755	19,951,796	5,811,609	370,660	30,108,820	57,620
Unrestricted	1,877,616	6,647,707	608,349	4,984	9,138,656	(27,223)
<b>Total net position</b>	<b>\$ 5,852,371</b>	<b>\$ 26,599,503</b>	<b>\$ 6,419,958</b>	<b>\$ 375,644</b>	<b>\$ 39,247,476</b>	<b>\$ 30,397</b>

*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, 2013**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental</b>
					<b>Internal</b>	
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Beach Fund</b>	<b>Middlebridge Recreation Fund</b>	<b>Total</b>	<b>Service Fund</b>
<b>Operating revenues</b>						
Assessments and user fees	\$ 2,086,162	\$ 4,528,787	\$ -	\$ -	\$ 6,614,949	\$ -
Admittance and rental fees	-	-	1,846,540	64,863	1,911,403	-
Vehicle maintenance charges	-	-	-	-	-	468,167
Other revenues	41,999	68,879	382,198	250	493,326	19,493
<b>Total operating revenues</b>	<u>2,128,161</u>	<u>4,597,666</u>	<u>2,228,738</u>	<u>65,113</u>	<u>9,019,678</u>	<u>487,660</u>
<b>Operating expenses</b>						
Salaries and benefits	572,277	976,013	762,926	-	2,311,216	291,920
Materials, supplies and maintenance	725,104	1,040,913	598,530	35,740	2,400,287	190,725
Utilities	15,523	189,364	16,339	3,182	224,408	1,361
Administrative and miscellaneous	220,165	645,883	425,922	127,004	1,418,974	3,654
Depreciation and amortization	348,324	770,363	224,239	6,640	1,349,566	4,271
<b>Total operating expenses</b>	<u>1,881,393</u>	<u>3,622,536</u>	<u>2,027,956</u>	<u>172,566</u>	<u>7,704,451</u>	<u>491,931</u>
<b>Operating income (loss)</b>	<u>246,768</u>	<u>975,130</u>	<u>200,782</u>	<u>(107,453)</u>	<u>1,315,227</u>	<u>(4,271)</u>
<b>Nonoperating revenues (expenses)</b>						
Investment income	13,316	51,249	467	-	65,032	-
Amortization expense	(2,384)	-	-	-	(2,384)	-
Interest expense	(6,253)	(107,582)	-	(16,903)	(130,738)	-
<b>Total nonoperating revenues (expenses)</b>	<u>4,679</u>	<u>(56,333)</u>	<u>467</u>	<u>(16,903)</u>	<u>(68,090)</u>	<u>-</u>
<b>Income (loss) before transfers</b>	<u>251,447</u>	<u>918,797</u>	<u>201,249</u>	<u>(124,356)</u>	<u>1,247,137</u>	<u>(4,271)</u>
<b>Transfers in</b>	-	-	424,669	500,000	924,669	-
<b>Change in net position</b>	<u>251,447</u>	<u>918,797</u>	<u>625,918</u>	<u>375,644</u>	<u>2,171,806</u>	<u>(4,271)</u>
<b>Total net position - beginning of year</b>	<u>5,600,924</u>	<u>25,680,706</u>	<u>5,794,040</u>	<u>-</u>	<u>37,075,670</u>	<u>34,668</u>
<b>Total net position - end of year</b>	<u>\$ 5,852,371</u>	<u>\$ 26,599,503</u>	<u>\$ 6,419,958</u>	<u>\$ 375,644</u>	<u>\$ 39,247,476</u>	<u>\$ 30,397</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, 2013**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Beach Fund</b>	<b>Middlebridge Recreation Fund</b>	<b>Total</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities</b>						
Cash received from vehicle maintenance charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,167
Cash received from customers	1,983,152	4,366,873	1,844,595	66,238	8,260,858	-
Cash payments to suppliers for goods and services	(789,874)	(1,295,879)	(721,119)	(74,990)	(2,881,862)	(192,132)
Cash payments to employees for services	(568,238)	(968,907)	(765,896)	-	(2,303,041)	(292,236)
Payments for interfund services used	(168,262)	(559,623)	(325,138)	-	(1,053,023)	-
Other operating receipts	41,999	61,528	412,601	250	516,378	19,493
Customer deposits received	-	-	30,850	-	30,850	-
Customer deposits repaid	-	-	(31,200)	-	(31,200)	-
<b>Net cash provided by (used for) operating activities</b>	<b>498,777</b>	<b>1,603,992</b>	<b>444,693</b>	<b>(8,502)</b>	<b>2,538,960</b>	<b>3,292</b>
<b>Cash flows from non-capital financing activities</b>						
Interfund transactions	(216,448)	(505,180)	(413,026)	(11,434)	(1,146,088)	(3,292)
Transfer from other funds	-	-	424,669	500,000	924,669	-
<b>Net cash provided by (used for) non-capital related financing activities</b>	<b>(216,448)</b>	<b>(505,180)</b>	<b>11,643</b>	<b>488,566</b>	<b>(221,419)</b>	<b>(3,292)</b>
<b>Cash flows from capital and related financing activities</b>						
Acquisition and construction of capital assets	(238,645)	(297,052)	(455,803)	(1,442,000)	(2,433,500)	-
Proceeds from capital debt	-	-	-	974,000	974,000	-
Payment of interest on bonds and loans	(7,000)	(117,834)	-	(12,064)	(136,898)	-
Payment of principal on bonds and loans	(50,000)	(735,175)	-	-	(785,175)	-
<b>Net cash used for capital and related financing activities</b>	<b>(295,645)</b>	<b>(1,150,061)</b>	<b>(455,803)</b>	<b>(480,064)</b>	<b>(2,381,573)</b>	<b>-</b>
<b>Cash flows from investing activities</b>						
Investment income	13,316	51,249	467	-	65,032	-
<b>Net cash provided by investing activities</b>	<b>13,316</b>	<b>51,249</b>	<b>467</b>	<b>-</b>	<b>65,032</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ -</b>	<b>\$ 4,000</b>	<b>\$ -</b>
<b>Noncash capital and related financing activities:</b>						
Payment of principal on loans	\$ -	\$ 785,693	\$ -	\$ -	\$ 785,693	\$ -

(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, 2013*

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Governmental</b>
						<b>Activities</b>
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Beach Fund</u>	<u>Middlebridge Recreation Fund</u>	<u>Total</u>	<u>Internal Service Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>						
Operating income (loss)	\$ 246,768	\$ 975,130	\$ 200,782	\$ (107,453)	\$ 1,315,227	\$ (4,271)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>						
Depreciation and amortization	348,324	770,363	224,239	6,640	1,349,566	4,271
Impairment of capital assets	-	-	68,117	90,700	158,817	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(101,969)	532,999	(37,659)	-	393,371	-
Increase (decrease) in accounts payable and accrued expenses	1,615	20,411	(9,054)	236	13,208	3,292
Increase (decrease) in accrued compensated absences	4,039	7,353	618	-	12,010	-
Increase (decrease) in deposits payable	-	-	(350)	1,375	1,025	-
Increase (decrease) in unearned revenue	-	(702,264)	(2,000)	-	(704,264)	-
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 498,777</u>	<u>\$ 1,603,992</u>	<u>\$ 444,693</u>	<u>\$ (8,502)</u>	<u>\$ 2,538,960</u>	<u>\$ 3,292</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, 2013*

	<u><i>Pension Trust Funds</i></u>	<u><i>Other Post- Employment Benefit Trust Fund</i></u>	<u><i>Private- Purpose Trust Funds</i></u>	<u><i>Agency Funds</i></u>
<b><i>Assets</i></b>				
Cash and cash equivalents	\$ 2,053,079	\$ 5,796	\$ 7,994	\$ -
Investments at fair value:				
U.S. government obligations	1,323,656	-	-	-
Municipal obligations	33,134	-	-	-
Corporate bonds	3,286,024	-	-	-
Mortgage backed securities	1,130,531	-	-	-
Common stock	23,619,752	669,710	-	-
Preferred stock	834,371	23,320	-	-
Mutual and exchange traded funds - equities	19,362,454	220,512	6,490	-
Mutual and exchange traded funds - fixed income	7,178,249	277,164	-	-
Mutual and exchange traded funds - other	2,127,354	-	-	-
Hedge fund	2,740,142	-	-	-
Other	127,132	-	-	-
Total investments	<u>61,762,799</u>	<u>1,190,706</u>	<u>6,490</u>	<u>-</u>
Contribution receivable	-	689,066	-	-
Due from other funds	-	-	83,927	164,127
Accrued interest receivable	51,474	-	-	-
Prepaid expenses	330,547	-	-	-
<b><i>Total assets</i></b>	<u>64,197,899</u>	<u>1,885,568</u>	<u>98,411</u>	<u>164,127</u>
<b><i>Liabilities</i></b>				
Accounts payable and accrued expenses	-	17,057	-	-
Due to other funds	2,065,090	-	-	-
Deposits held in custody for others	-	-	-	164,127
<b><i>Total liabilities</i></b>	<u>2,065,090</u>	<u>17,057</u>	<u>-</u>	<u>164,127</u>
<b><i>Net Position</i></b>				
Restricted for pension benefits, post-employment benefits and other purposes	<u>\$ 62,132,809</u>	<u>\$ 1,868,511</u>	<u>\$ 98,411</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, 2013**

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 2,723,539	\$ 2,516,858	\$ -
Plan member	1,156,823	-	-
Total contributions	<u>3,880,362</u>	<u>2,516,858</u>	<u>-</u>
Investment income:			
Net increase (decrease) in fair value of investments	6,198,280	74,901	1,314
Interest and dividends	1,521,834	23,984	723
Less: investment expense	(362,084)	(2,388)	-
Net investment income	<u>7,358,030</u>	<u>96,497</u>	<u>2,037</u>
<b>Total additions</b>	<u>11,238,392</u>	<u>2,613,355</u>	<u>2,037</u>
<b>Deductions</b>			
Benefits	3,694,233	1,900,185	-
Refunds of contributions	158,585	-	-
Administrative expenses	40,405	16,490	-
Scholarships	-	-	750
Miscellaneous	-	-	1,368
<b>Total deductions</b>	<u>3,893,223</u>	<u>1,916,675</u>	<u>2,118</u>
<b>Change in net position</b>	7,345,169	696,680	(81)
<b>Net position - beginning of year</b>	<u>54,787,640</u>	<u>1,171,831</u>	<u>98,492</u>
<b>Net position - end of year</b>	<u>\$ 62,132,809</u>	<u>\$ 1,868,511</u>	<u>\$ 98,411</u>

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

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**

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

**Government-Wide Financial Statements**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net 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. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions. When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net 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.

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

**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.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund 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.

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

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. CASH EQUIVALENTS**

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

### **D. INVESTMENTS**

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

### **E. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE**

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

Property taxes which were levied on June 14, 2012 and other delinquent balances are recorded as receivables.

### **F. UNBILLED SERVICES RECEIVABLE**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Notes to Financial Statements*  
**June 30, 2013**

**G. INVENTORY**

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

**H. CAPITAL ASSETS AND DEPRECIATION**

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

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

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

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

**I. DEBT PREMIUMS AND ISSUANCE COSTS**

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

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

**J. DEFERRED REVENUE**

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

**K. PROPERTY TAXES**

The Town is permitted by Rhode Island General Law to levy property taxes. Current tax collections for the Town were approximately 98.9% of the total 2012 levy. The tax rate of the Town is established in accordance with Town Ordinance.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

The Town's fiscal 2012-2013 property taxes were levied on June 14, 2012, on assessed valuation as of December 31, 2011. 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 2013.

**L. COMPENSATED ABSENCES**

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2013.

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.

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

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

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

**N. ESTIMATES**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 2 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land and land easements	\$ 43,983,624	\$ -	\$ -	\$ 43,983,624
Construction in progress	352,106	405,888	626,431	131,563
	<u>44,335,730</u>	<u>405,888</u>	<u>626,431</u>	<u>44,115,187</u>
Depreciable assets:				
Land improvements and infrastructure	39,914,955	112,642	-	40,027,597
Buildings and improvements	46,547,430	731,711	-	47,279,141
Machinery and equipment	6,910,576	781,770	7,899	7,684,447
Vehicles	7,699,441	540,858	358,928	7,881,371
	<u>101,072,402</u>	<u>2,166,981</u>	<u>366,827</u>	<u>102,872,556</u>
<b>Total capital assets</b>	<u>145,408,132</u>	<u>2,572,869</u>	<u>993,258</u>	<u>146,987,743</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	22,970,572	1,319,008	-	24,289,580
Buildings and improvements	16,967,454	1,836,995	-	18,804,449
Machinery and equipment	4,152,378	375,618	5,266	4,522,730
Vehicles	6,179,708	484,084	343,747	6,320,045
<b>Total accumulated depreciation</b>	<u>50,270,112</u>	<u>4,015,705</u>	<u>349,013</u>	<u>\$ 53,936,804</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 95,138,020</u>	<u>\$ (1,442,836)</u>	<u>\$ 644,245</u>	<u>\$ 93,050,939</u>
<b>Business-Type Activities:</b>				
Nondepreciable assets:				
Land	\$ 2,187,780	\$ 1,052,500	\$ -	\$ 3,240,280
Construction in progress	601,382	963,839	355,721	1,209,500
	<u>2,789,162</u>	<u>2,016,339</u>	<u>355,721</u>	<u>4,449,780</u>
Depreciable assets:				
System improvements and infrastructure	35,828,694	-	-	35,828,694
Buildings and improvements	16,205,352	996,349	230,498	16,971,203
Machinery and equipment	2,287,592	39,650	-	2,327,242
Vehicles	457,411	30,003	-	487,414
	<u>54,779,049</u>	<u>1,066,002</u>	<u>230,498</u>	<u>55,614,553</u>
<b>Total capital assets</b>	<u>57,568,211</u>	<u>3,082,341</u>	<u>586,219</u>	<u>60,064,333</u>
Less accumulated depreciation for:				
System improvements and infrastructure	15,117,991	745,760	-	15,863,751
Buildings and improvements	6,331,354	509,089	71,680	6,768,763
Machinery and equipment	1,674,793	63,845	-	1,738,638
Vehicles	433,934	12,527	-	446,461
<b>Total accumulated depreciation</b>	<u>23,558,072</u>	<u>1,331,221</u>	<u>71,680</u>	<u>24,817,613</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 34,010,139</u>	<u>\$ 1,751,120</u>	<u>\$ 514,539</u>	<u>\$ 35,246,720</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
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Depreciation expense was charged to governmental functions as follows:

General government	\$ 109,368
Public safety	395,962
Public works	1,562,160
Parks and Recreation	241,934
Public libraries	8,664
Education	<u>1,697,617</u>
<b>Total Depreciation Expense</b>	<b><u><u>\$ 4,015,705</u></u></b>

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

Water	\$347,211
Sewer	753,131
Beach	224,239
Middlebridge Recreation	<u>6,640</u>
<b>Total Depreciation Expense</b>	<b><u><u>\$1,331,221</u></u></b>

The Beach Fund is reporting an impairment loss of \$68,117 due to the destruction of cabanas during Hurricane Sandy in November 2012. The impairment loss is reported net of insurance recoveries of \$396,454 and is reported as an operating revenue in the Statement of Revenues, Expenses and Changes in Net Position and a General Revenue in the Statement of Activities.

The Middlebridge Recreation Fund is reporting an impairment loss of \$90,700 due to the destruction of buildings during Hurricane Sandy. The impairment loss is reported as an operating expense in the Statement of Revenues, Expenses and Changes in Net Position and a Program Expense in the Statement of Activities.

**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 \$134,528,890. As of June 30, 2013, the Town's debt subject to the legal debt margin is \$21,653,251 and the Town is under the debt limit by \$112,875,639. The debt subject to the debt limitation is based on the type of debt that is issued.

**B. DEFICIT FUND BALANCES**

The following nonmajor governmental funds have deficits in unassigned fund balance: Grants Fund - \$(141,972) and Forfeited Funds - \$(830) and School Athletic Complex - \$(37,760).

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 4 – CASH DEPOSITS**

**DEPOSITS** – are in nine 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	\$18,767,098
Add: Petty Cash	10,875
Add: Investments classified as cash equivalents	1,723,191
Less: Cash classified as investments	(411,540)
<b><i>Total Cash and Cash Equivalents Reported in the Financial Statements</i></b>	<b>\$20,089,624</b>

**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, 2013, \$13,041,422 of the Town’s bank balance of \$19,352,779 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (federal depository insurance funds)	\$ 6,311,357
Collateralized with securities held by pledging financial institution or its agent, in the Town’s name	-
Uninsured and uncollateralized	13,041,422
<b><i>Total</i></b>	<b>\$19,352,779</b>

Under Rhode Island General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2013, the Town's uncollateralized deposits with institutions were \$13,041,422. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**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.
- 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, 2013**

As of June 30, 2013 the Town had the following investments:

<u><b>Investments</b></u>	<u><b>Fair Value</b></u>	<u><b>Rating (Moody's)</b></u>
Corporate Bonds	\$ 772,675	A1
Corporate Bonds	309,618	A2
Corporate Bonds	688,754	A3
Corporate Bonds	85,868	AA1
Corporate Bonds	62,323	AA2
Corporate Bonds	129,762	AA3
Corporate Bonds	35,037	AAA
Corporate Bonds	746,183	BAA1
Corporate Bonds	467,765	BAA2
Corporate Bonds	53,848	BAA3
Corporate Bonds	250,000	Not rated
Municipal Obligations	33,134	A2
US Government Obligations	1,323,656	AAA
US Gov. Agency Obligations	114,861	AA2
US Gov. Agency Obligations	682,704	AAA
Mortgage-Backed Securities	1,082,054	AAA
Mortgage-Backed Securities	204,537	Not rated
Mutual Funds & ETFs - Fixed Income	2,149,131	Average AA
Mutual Funds & ETFs - Fixed Income	805,553	Average A
Mutual Funds & ETFs - Fixed Income	408,789	Average BB
Mutual Funds & ETFs - Fixed Income	2,163,485	Average BBB
Mutual Funds & ETFs - Fixed Income	1,124,597	Not rated
Mutual Funds & ETFs - Fixed Income	557,492	Average AAA
Mutual Funds & ETFs - Fixed Income	1,867,187	Not available
Mutual Funds & ETFs - Equities	19,589,456	Not applicable
Common Stock	24,539,463	Not applicable
Preferred Stock	903,541	Not applicable
Money Market Funds	96,244	Not rated
Money Market Funds	1,686,567	Aaa - mf
Hedge Fund	2,740,142	Not rated
Mutual Fund - Other	1,010,407	Not available
Mutual Fund - Other	1,349,009	AAA/BBB
Real Estate Investment Trust	127,132	Not rated
Annuity	2,058,361	Not rated
	<hr/>	
	70,219,335	
Less: Investment classified as cash and cash equivalents	(1,723,191)	
Add: Cash classified as investments	411,540	
	<hr/>	
<b>Total investments reported in the financial statements</b>	<u><u>\$ 68,907,684</u></u>	

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

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>						
		<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>	<u>21-25 Years</u>	<u>26-30 Years</u>
Corporate Bonds	\$ 3,601,833	\$ 445,916	\$ 2,411,241	\$ 744,676	\$ -	\$ -	\$ -	\$ -
Municipal Obligations	33,134	-	-	33,134	-	-	-	-
US Government Obligations	1,323,656	5,024	988,058	330,574	-	-	-	-
US Agency Obligations	797,565	-	114,861	130,200	-	-	552,504	-
Mortgage-Backed Securities	1,286,591	-	1,082,054	6,293	66,266	-	14,460	117,518
Mutual Funds & ETFs -								
Fixed Income	10,425,243	-	3,590,915	3,879,130	2,706,623	248,575	-	-
Money Market Funds	1,782,811	1,782,811	-	-	-	-	-	-
<b>Total</b>	<b>\$19,250,833</b>	<b>\$ 2,233,751</b>	<b>\$ 8,187,129</b>	<b>\$ 5,124,007</b>	<b>\$2,772,889</b>	<b>\$248,575</b>	<b>\$566,964</b>	<b>\$ 117,518</b>

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

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

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

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy related to custodial credit risk. The Town’s investments are held by the Town’s counterparty not in the Town’s name.

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

<i>Currency</i>	<i>Fair Value</i>	
	<i>Equities</i>	<i>Fixed Income Securities</i>
Australian dollar	\$ 113,809	\$ 36,945
Bermudian dollar	246,283	-
Brazilian real	119,481	-
British pound	1,142,972	202,711
Canadian dollar	130,797	65,377
Euro	2,267,263	325,900
Israeli new shekel	88,200	-
Japanese yen	786,775	-
Mexican peso	-	22,770
Netherlands Antillean guilder	65,927	-
New Zealand dollar	78,873	-
Norwegian krone	114,906	-
Renminbi	38,143	-
South Korean won	63,208	-
Swedish krona	160,357	-
Swiss franc	487,475	-
	<u>\$ 5,904,469</u>	<u>\$ 653,703</u>

The Town's investment in mutual funds and ETFs – fixed income includes \$1,526,009 in international bond funds.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 6 – LONG TERM LIABILITIES**

**A. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
<b>Bonds, notes, loans and capital leases payable:</b>					
General obligation bonds	\$19,975,000	\$ -	\$ 1,110,000	\$18,865,000	\$1,125,000
Notes and loans payable	2,094,004	-	189,319	1,904,685	143,095
Capital leases payable	152,845	280,540	155,572	277,813	101,748
	<u>22,221,849</u>	<u>280,540</u>	<u>1,454,891</u>	<u>21,047,498</u>	<u>1,369,843</u>
Plus amortized premium on bonds	657,298	-	39,046	618,252	-
Less deferred amount of refundings	(45,764)	-	(15,255)	(30,509)	-
<b>Total bonds, notes, loans and capital leases</b>	<u>22,833,383</u>	<u>280,540</u>	<u>1,478,682</u>	<u>21,635,241</u>	<u>1,369,843</u>
<b>Other liabilities:</b>					
Compensated absences	3,492,150	183,642	235,912	3,439,880	704,049
Pollution remediation obligations	2,266,263	21,963	59,829	2,228,397	88,145
Net pension obligation	15,476,579	2,775,322	-	18,251,901	-
Net other post employment benefit obligation	16,476,712	2,517,674	-	18,994,386	-
<b>Total Governmental Activities Long-Term Liabilities</b>	<u>\$60,545,087</u>	<u>\$5,779,141</u>	<u>\$ 1,774,423</u>	<u>\$64,549,805</u>	<u>\$2,162,037</u>
<b>Business Type Activities:</b>					
<b>Bonds, notes and loans payable:</b>					
General obligation bonds	\$ 200,000	\$ 974,000	\$ 50,000	1,124,000	\$ 184,000
Notes and loans payable	5,595,183	-	1,520,868	4,074,315	688,609
	<u>5,795,183</u>	<u>974,000</u>	<u>1,570,868</u>	<u>5,198,315</u>	<u>872,609</u>
Less deferred amount on refundings	(7,150)	-	(2,383)	(4,767)	-
<b>Total bonds, notes and loans</b>	<u>5,788,033</u>	<u>974,000</u>	<u>1,568,485</u>	<u>5,193,548</u>	<u>872,609</u>
<b>Other liabilities:</b>					
Compensated absences	424,848	12,010	-	436,858	65,533
<b>Business-Type Activities Long-Term Liabilities</b>	<u>\$ 6,212,881</u>	<u>\$ 986,010</u>	<u>\$ 1,568,485</u>	<u>\$ 5,630,406</u>	<u>\$ 938,142</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 Debt Service 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**  
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**June 30, 2013**

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

The debt service requirements at June 30, 2013, were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities General Obligation Bonds</u>		<u>Business-Type Activities General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$1,125,000	\$846,500	\$184,000	\$27,183
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
2019-2023	5,360,000	2,735,750	295,000	7,289
2024-2028	6,695,000	1,412,850	-	-
2029	1,545,000	77,250	-	-
	<u>\$18,865,000</u>	<u>\$8,070,550</u>	<u>\$1,124,000</u>	<u>\$94,845</u>

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

The debt service requirements at June 30, 2013, were as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$143,095	\$32,539	\$688,609	\$95,357
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
2019-2023	854,838	67,950	1,345,223	95,414
2024-2028	226,000	17,551	352,993	7,451
2029-2030	72,000	1,487	-	-
	<u>\$1,904,685</u>	<u>\$224,306</u>	<u>\$4,074,315</u>	<u>\$444,038</u>

**D. CAPITAL LEASE COMMITMENTS**

The Town acquired computer equipment valued at \$335,536 and vehicles valued at \$87,045 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, 2013.

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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Obligations of governmental activities under capital leases at June 30, 2013 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Lease Payment Requirements</i>
2014	\$ 110,429
2015	110,429
2016	73,730
Total minimum lease payments	294,588
Less: Amount representing interest cost	(16,775)
Present value of minimum lease payments	\$277,813

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Notes to Financial Statements*

June 30, 2013

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

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Authorized and Issued</u>	<u>Outstanding June 30, 2012</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2013</u>
<b>Governmental Activities:</b>								
<b>Bonds Payable:</b>								
Pavement Management/Pier School	07/13/2004	3.00-5.00%	08/15/2015	\$ 3,740,000	\$ 1,280,000	\$ -	\$ 330,000	\$ 950,000
School Construction	05/14/2009	3.00-5.00%	04/01/2029	20,910,000	18,695,000	-	780,000	17,915,000
<b>Total Governmental Bonds</b>					<u>19,975,000</u>	<u>-</u>	<u>1,110,000</u>	<u>18,865,000</u>
<b>Notes and Loans Payable:</b>								
Rose Hill Closing and Capping	09/03/2002	1.68%	09/01/2022	2,000,000	1,237,004	-	97,319	1,139,685
Narrow River	12/12/2007	1.64-2.04%	09/01/2029	600,000	549,000	-	26,000	523,000
Landfill Closure	12/15/2005	1.59-2.00%	09/01/2025	350,000	258,000	-	16,000	242,000
Camp Jori	06/05/2003	3.70%	06/05/2013	500,000	50,000	-	50,000	-
<b>Total Governmental Notes and Loans</b>					<u>2,094,004</u>	<u>-</u>	<u>189,319</u>	<u>1,904,685</u>
<b>Total Governmental Activities</b>					<u>22,069,004</u>	<u>-</u>	<u>1,299,319</u>	<u>20,769,685</u>
<b>Business-Type Activities:</b>								
<b>Bonds Payable:</b>								
Water Bond	07/13/2004	2.50-4.00%	08/15/2015	585,000	200,000	-	50,000	150,000
Middlebridge	10/18/2012	2.45%	10/18/2019	974,000	-	974,000	-	974,000
<b>Total Business-Type Bonds</b>					<u>200,000</u>	<u>974,000</u>	<u>50,000</u>	<u>1,124,000</u>
<b>Notes and Loans Payable:</b>								
Sewer Projects	03/12/1992	4.19%	09/01/2013	4,189,137	418,702	-	206,664	212,038
Sewer Projects	06/29/1994	3.46%	09/01/2014	2,100,000	315,000	-	105,000	210,000
Sewer Projects	08/25/1999	3.25%	09/01/2019	780,000	363,403	-	41,231	322,172
Sewer Projects	02/04/1999	3.00%	09/01/2019	3,500,000	1,610,078	-	184,280	1,425,798
Briggs Farm Sewer Project	11/13/2003	0.97-2.12%	09/01/2024	4,200,000	2,888,000	-	983,693	1,904,307
<b>Total Business-Type Notes and Loans</b>					<u>5,595,183</u>	<u>-</u>	<u>1,520,868</u>	<u>4,074,315</u>
<b>Total Business-Type Activities</b>					<u>5,795,183</u>	<u>974,000</u>	<u>1,570,868</u>	<u>5,198,315</u>
<b>Total Bonds, Notes and Loans Payable</b>					<u>\$ 27,864,187</u>	<u>\$ 974,000</u>	<u>\$ 2,870,187</u>	<u>\$ 25,968,000</u>

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

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

***Rose Hill Regional Landfill*** – Rose Hill was previously operated by the Towns of South Kingstown and Narragansett. In September 2002, the US EPA, the Rhode Island Department of Environmental Management (RIDEM) and the Towns of Narragansett and South Kingstown entered into a Final Consent Decree for remediation of Rose Hill. Since then, the site has been capped and long-term groundwater and air monitoring has commenced to determine the effectiveness of the cap and what, if any, additional remediation actions may be necessary in the future. The current estimated total cost of completing the clean-up of Rose Hill is \$22,101,839. The Town's share of this obligation is estimated to be \$4,647,584. 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 \$204,256 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 \$1,938,397 at June 30, 2013, will be paid to the State over a 25-year period. Accordingly, \$1,938,397 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, 2013. 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, 2013**

**NOTE 7 – INTERFUND BALANCES**

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

	<i>Due From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Internal Service Fund</i>	<i>Pension Trust Funds</i>	
<b><i>Due To:</i></b>					
General Fund	\$ -	\$ 557,211	\$ 14,694	\$2,065,090	\$ 2,636,995
Nonmajor Governmental Funds	4,054,984	829	-	-	4,055,813
Water Fund	1,768,984	-	-	-	1,768,984
Sewer Fund	6,627,495	-	-	-	6,627,495
Beach Fund	620,224	-	-	-	620,224
Middlebridge Recreation Fund	11,434	-	-	-	11,434
Private Purpose Trust Funds	83,927	-	-	-	83,927
Agency Funds	164,127	-	-	-	164,127
<b><i>Total</i></b>	<b><u><u>\$13,331,175</u></u></b>	<b><u><u>\$ 558,040</u></u></b>	<b><u><u>\$ 14,694</u></u></b>	<b><u><u>\$2,065,090</u></u></b>	<b><u><u>\$ 15,968,999</u></u></b>

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

**NOTE 8 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>		<i>Total</i>
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	
<b><i>Transfer To:</i></b>			
Nonmajor Governmental Funds	\$ 4,597,416	\$ 500,000	\$ 5,097,416
Beach Fund	424,669	-	424,669
Middlebridge Recreation Fund	500,000	-	500,000
<b><i>Total</i></b>	<b><u><u>\$ 5,522,085</u></u></b>	<b><u><u>\$ 500,000</u></u></b>	<b><u><u>\$ 6,022,085</u></u></b>

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

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**NOTE 9 – NET POSITION/FUND BALANCES**

The Government-Wide Financial Statements utilize a net position presentation. Net position is categorized as 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.

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

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

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

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

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

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

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

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

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Committed fund balances are established, modified or rescinded by an ordinance adopted by the Town Council. The Town Council delegates to the Town Manager the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

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

**A. ACCOUNTS RECEIVABLE**

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

**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2013, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<i>Governmental activities:</i>				
General Fund	\$ 678,081	\$ 521,789	\$ 1,472,435	\$ 2,672,305
Other Governmental Funds	121,634	1,238	-	122,872
Internal Service Fund	12,454	75	-	12,529
<b>Total</b>	<u>\$ 812,169</u>	<u>\$ 523,102</u>	<u>\$ 1,472,435</u>	<u>\$ 2,807,706</u>
<i>Business-Type activities:</i>				
Water Fund	\$ 96,727	\$ 50	\$ 16,116	\$ 112,893
Sewer Fund	352,412	703	-	353,115
Beach Fund	12,938	27,436	-	40,374
Middlebridge Recreation Fund	236	-	-	236
<b>Total</b>	<u>\$ 462,313</u>	<u>\$ 28,189</u>	<u>\$ 16,116</u>	<u>\$ 506,618</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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**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 15. 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 2013. The plan does not issue a publicly available financial report.

The plan provides the following benefits based on employee group:

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

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

**Firefighters** – Employees who have 20 years of service are eligible for lifetime medical, dental and life insurance benefits 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

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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.

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%).

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

	<b><i>Town</i></b>
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, 2013, 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, 2013, the Town contributed \$2,516,858 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.

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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:

	<b><u>Town</u></b>
Annual required contribution (ARC)	\$5,117,673
Interest on net OPEB obligation	723,481
Adjustment to annual required contribution	(987,014)
Annual OPEB cost	<u>4,854,140</u>
Contributions made	<u>(2,516,858)</u>
Increase in net OPEB obligation	2,237,282
Net OPEB obligation, beginning of year	<u>16,077,366</u>
Net OPEB obligation, end of year	<u><u>\$18,414,648</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/11	\$5,142,244	36.9%	\$13,367,023
6/30/12	5,741,131	52.8%	16,077,366
6/30/13	4,854,140	51.8%	18,414,648

***Funded Status and Funding Progress***

The funded status of the Town's plan as of July 1, 2012, the most recent actuarial valuation, is as follows:

	<b><u>Town</u></b>
Actuarial Accrued Liability (AAL)	\$58,932,348
Actuarial Value of Plan Assets	<u>1,171,831</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$57,760,517</u></u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	2%
Annual Covered Payroll (Active Plan Members)	\$9,104,183
UAAL as a Percentage of Covered Payroll	634.4%

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
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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, 2012 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><b>FYE</b></u>	<u><b>Medical</b></u>	<u><b>Dental</b></u>	<u><b>Part B</b></u>
2013	Various	0%	0%
2014	9.00%	4.50%	3.25%
2015	8.00%	4.00%	3.50%
2016	7.00%	3.50%	3.75%
2017	6.50%	3.00%	4.00%
2018	6.00%	3.00%	4.25%
2019	5.50%	3.00%	4.25%
2020+	5.00%	3.00%	4.25%

The unfunded actuarial accrued liability as of July 1, 2012 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 15. 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, 2013, 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, 2013, the School System contributed \$301,939 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:

	<b><i>School</i></b>
Annual required contribution (ARC)	\$488,877
Interest on net OPEB obligation	17,971
Adjustment to annual required contribution	(24,517)
Annual OPEB cost	482,331
Contributions made	(301,939)
Increase in net OPEB obligation	180,392
Net OPEB obligation, beginning of year	399,346
Net OPEB obligation, end of year	<u>\$579,738</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:

<b><i>Fiscal Year Ended</i></b>	<b><i>Annual OPEB Cost</i></b>	<b><i>Percentage of Annual OPEB Cost Contributed</i></b>	<b><i>Net OPEB Obligation</i></b>
6/30/11	\$473,447	51.0%	\$232,193
6/30/12	441,643	62.2%	399,346
6/30/13	482,331	62.6%	579,738

**Funded Status and Funding Progress**

The funded status of the Town's plan as of July 1, 2012, the most recent actuarial valuation, is as follows:

	<b><i>School</i></b>
Actuarial Accrued Liability (AAL)	\$3,974,657
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$3,974,657</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$15,565,980
UAAL as a Percentage of Covered Payroll	25.5%

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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, 2012 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>
2013	24.4%	(16.0%)
2014	9.00%	4.50%
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, 2012 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, 2012 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 deposits are

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reduced by the claims paid by WBCH on the Town's behalf and the administrative costs paid to WBCH. 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 \$200,000 per person per contract period.

The claims liability of \$371,054 reported in the General Fund at June 30, 2013 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. The claims liability could not be reasonably estimated at June 30, 2011.

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

	<u><i>Beginning Fiscal Year Liability</i></u>	<u><i>Current Year Claims and Changes In Estimate</i></u>	<u><i>Claims Payments</i></u>	<u><i>Balance Fiscal Year End</i></u>
2011-2012	\$ -	\$6,240,842	\$5,999,705	\$241,137
2012-2013	\$241,137	\$5,954,541	\$5,824,624	\$371,054

**NOTE 14 – RESTATEMENTS**

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

	<u><i>Governmental Activities</i></u>	<u><i>General Fund</i></u>
Net position/fund balances as previously reported , June 30, 2012	\$ 51,273,096	\$ 12,354,406
To correct the nonspendable fund balance and properly report the other assets with WB Community Health	1,408,953	1,408,953
Correct prior year net OPEB obligation	(38,353)	-
<b><i>Net position/fund balances as restated , June 30, 2012</i></b>	<u><u>\$ 52,643,696</u></u>	<u><u>\$ 13,763,359</u></u>

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**NOTE 15 – 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 2013, the total employer rate is 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The Narragansett School System contributed \$1,381,479, \$1,617,408, and \$1,389,248 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions totaling \$921,364 for fiscal year 2013 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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**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 2013, 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 \$596,790 and \$119,269, respectively, during the fiscal year ended June 30, 2013. For financial reporting purposes, the State's share of contributions totaling \$46,769 for fiscal year 2013 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](http://www.ersri.org).

**B. POLICE PLAN**

***Plan Description***

All police officers hired before July 1, 1978 who refused the September 1984 offer to join the Town Plan are covered by the Police Plan, a single-employer defined benefit pension plan established in accordance with Town Ordinance. The Police Plan, which is closed to new entrants, is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Police Plan that includes financial statements and required supplementary information (RSI).

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At July 1, 2013, the date of the latest actuarial valuation, employee membership related to the plan was as follows:

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

The following eligibility and benefit provisions were established and may be amended by Town Ordinance. A police officer may retire upon the earlier of attainment of age 65 or the completion of 20 years of credited service. The normal retirement benefit is equal to 50% of final earnings. Retirement benefits are payable in the form of a 67.5% joint and survivor annuity if the participant is married at the retirement date or a life annuity if single.

Death benefits are provided for members with 25 years of service. The surviving spouse shall receive a monthly benefit equal to 67.5% of the member's accrued benefit continuing until his/her death or remarriage.

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

***Summary of Significant Accounting Policies***

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

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

***Funding Policy***

Contribution requirements are established and maybe amended by Town Ordinance. Employees are not required to contribute to the Police Plan since there are not active participants. The Town is required to contribute an amount appropriated annually by the Town Council to fund the benefits of the Police Plan based on an actuarial valuation. Administrative costs are paid from plan assets.

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$124,954	\$131,117	\$125,293
Interest on net pension obligation	4,112	1,950	2,312
Adjustment to ARC	<u>(4,318)</u>	<u>(2,048)</u>	<u>(2,428)</u>
Annual pension cost	124,748	131,019	125,177
Contributions made	<u>(102,200)</u>	<u>(102,200)</u>	<u>(130,000)</u>
Increase (decrease) in net pension obligation	22,548	28,819	(4,823)
Net pension obligation, beginning of year	54,825	26,006	30,829
Net pension obligation, end of year	<u>\$77,373</u>	<u>\$54,825</u>	<u>\$26,006</u>
Percentage of annual pension cost contributed	81.93%	78.00%	103.85%

The annual required contribution was determined as part of the July 1, 2012 actuarial valuation. The actuarial method used is the entry age normal actuarial cost method. In determining the annual required contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over the expected future lifetime of the plan participants. Significant actuarial assumptions used in the July 1, 2012 valuation include the following:

- 1) Investment return – 7.5%
- 2) Projected salary increases – not applicable – no active employees
- 3) Cost of living adjustment – 3 % for eligible retirees

The actuarial value of assets is equal to the market value of assets on the valuation date. The unfunded actuarial accrued liability is being amortized using level dollar amortization over the average expected lifetime of the participants based on a closed group. The remaining amortization period at July 1, 2012 was 13 years.

***Funded Status and Funding Progress***

As of July 1, 2013, the Police Plan was 0% funded. The actuarial accrued liability for benefits was \$1,001,118 and the actuarial value of assets was (\$49,199), resulting in an unfunded actuarial accrued liability (UAAL) of \$1,050,317. There is no covered payroll as there are no active participants. The July 1, 2013 actuarial valuation used the same methods and assumptions discussed above under Annual Pension Cost and Net Pension Obligation.

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

**C. TOWN PLAN**

***Plan Description***

All permanent, regular and probationary status employees who work for at least five months of a year and for at least twenty hours per week are eligible to participate in the Town Plan, a single-employer defined benefit pension plan, except as follows: School System employees who have been, are, or will be eligible for membership in the Employees' Retirement System of Rhode Island and any police officer covered under the Police Plan who has refused to join the Town Plan. The Town Plan was established by the Town in accordance with Town Ordinance. The Town Plan is included in the Town's financial statements as a pension trust fund. The Town does not issue a separate report for the Town Plan that includes financial statements and required supplementary information (RSI). Covered payroll for the Town Plan for the year ended June 30, 2013 was \$12,466,246.

As of July 1, 2013, the date of the latest actuarial valuation, employee membership data related to the Town Plan is as follows:

Active employees	255
Terminated vested participants	19
Retirees and beneficiaries	175
	449

The following eligibility and benefit provisions were established and may be amended by Town Ordinance. A municipal or school system employee may retire upon the later of attainment of age 58 or the completion of ten years of credited service; but, in any case, the member can retire immediately after completing 20 years of credited service. A police officer 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). Chapter 1666 participants are entitled to a benefit equal to 50% of final earnings. Police officers and firefighters hired on or after July 1, 2013 receive a

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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.

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

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

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

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

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

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

- a) **Municipal Employees** – who retire, except for employees of the School System, 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.

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- 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 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.

**Summary of Significant Accounting Policies**

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

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

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

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

Police	9% of base salary, holiday, incentive and longevity
Fire	9.5% of base salary, holiday, incentive and longevity increasing to 10% as of 1/1/2013
Mid-managers; laborers; clerical	9% of base salary and longevity
Non-union; school	9% of base salary
Council 94; Local 1033	10.5% of base salary

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

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**Annual Pension Cost and Net Pension Obligation**

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$5,432,159	\$4,359,974	\$3,581,961
Interest on net pension obligation (NPO)	1,156,632	996,702	876,584
Adjustment to ARC	(1,214,678)	(1,046,723)	(920,576)
Annual pension cost	<u>5,374,113</u>	<u>4,309,953</u>	<u>3,537,969</u>
Contributions made	(2,621,339)	(2,177,565)	(1,936,385)
Increase in net pension obligation	<u>2,752,774</u>	<u>2,132,388</u>	<u>1,601,584</u>
Net pension obligation, beginning of year	<u>15,421,754</u>	<u>13,289,366</u>	<u>11,687,782</u>
Net pension obligation, end of year	<u>\$18,174,528</u>	<u>\$15,421,754</u>	<u>\$13,289,366</u>
Percentage of annual pension cost contributed	48.78%	50.52%	54.73%

The annual required contribution was determined as part of the July 1, 2012 actuarial valuation using the entry age normal cost actuarial method and is based upon a funding policy which provides for the payment of normal cost plus an amount that will amortize the unfunded actuarial accrued liability as a level percentage of pay over a closed 30 year period. Significant actuarial assumptions used in July 1, 2012 valuation are summarized as follows:

- 1) Investment return – 7.5%
- 2) Projected salary increases – 4 - 6% based on age
- 3) Cost of living adjustment – Council 94 – 3% increase once eligible with a simple COLA occurring once the benefit reaches \$35,000; Local 1033 – 3% increase once eligible and for employees retiring after January 1, 2012, a 3% increase with a simple COLA occurring once the benefit reaches \$45,000; all others – 3% once eligible

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

**Funded Status and Funding Progress** – As of July 1, 2013, the most recent actuarial valuation, the Town Plan was 57.6% funded. The actuarial accrued liability for benefits was \$104,162,759, and the actuarial value of assets was \$59,981,681, resulting in an unfunded actuarial accrued liability (UAAL) of \$44,181,078. The covered payroll (annual payroll of active employees covered by the plan) was \$12,466,246, and the ratio of the UAAL to covered payroll was 354.4%. The July 1, 2013 actuarial valuation used the same assumptions and methods discussed above under Annual Pension Cost and Net Pension Obligation, except the COLA assumption for police and fire employees.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Required Supplementary Information - Pension Plans and Other Post-Employment Benefit 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>
<b><i>Police Pension Plan</i></b>							
	7/1/2008	\$ 3,525	\$ 914,018	\$ 910,493	0.4%	\$ -	N/A
	7/1/1009	(103,557)	872,021	975,578	0.0%	-	N/A
	7/1/2010	(76,563)	840,010	916,573	0.0%	-	N/A
	7/1/2011	(48,816)	844,181	892,997	0.0%	-	N/A
	7/1/2012	(3,065)	1,012,292	1,015,357	0.0%	-	N/A
	7/1/2013	(49,199)	1,001,118	1,050,317	0.0%	-	N/A
<b><i>Town Pension Plan</i></b>							
	7/1/2008	\$ 53,153,249	\$ 66,594,667	\$ 13,441,418	79.8%	\$ 9,620,655	139.7%
	7/1/2009	53,379,846	70,750,626	17,370,780	75.4%	9,620,655	180.6%
	7/1/2010	53,870,256	77,014,388	23,144,132	69.9%	11,975,586	193.3%
	7/1/2011	55,636,412	87,849,253	32,212,841	63.3%	11,393,405	282.7%
	7/1/2012	56,809,355	98,815,043	42,005,688	57.5%	12,482,365	336.5%
	7/1/2013	59,981,681	104,162,759	44,181,078	57.6%	12,466,246	354.4%
<b><i>Town Other Post-Employment Benefit Plan</i></b>							
	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%
<b><i>School System Other Post-Employment Benefit Plan</i></b>							
	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%

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

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

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

---

***Police Pension Plan***

<b><i>Year Ended June 30</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2013	\$ 124,954	81.79%
2012	131,117	77.94%
2011	125,293	103.76%
2010	77,093	155.66%
2009	77,093	0.00%
2008	80,656	267.50%

***Town Pension Plan***

<b><i>Year Ended June 30</i></b>	<b><i>Annual Required Contribution</i></b>	<b><i>Percentage Contributed</i></b>
2013	\$ 5,432,159	48.26%
2012	4,359,974	49.94%
2011	3,581,961	54.06%
2010	2,462,870	63.24%
2009	2,462,870	54.50%
2008	2,630,851	44.30%

***Town Other Post-Employment Benefit Plan***

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

**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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Property taxes:</b>				
Current year taxes	\$ 44,118,433	\$ 44,118,433	\$ 44,667,514	\$ 549,081
Prior year taxes	601,000	601,000	51,992	(549,008)
	<u>44,719,433</u>	<u>44,719,433</u>	<u>44,719,506</u>	<u>73</u>
<b>Prior Years' Surplus</b>				
Appropriated reserve	80,000	1,432,602	1,432,602	-
	<u>80,000</u>	<u>1,432,602</u>	<u>1,432,602</u>	<u>-</u>
<b>Investment and interest revenues:</b>				
Interest from delinquent taxes and charges for services	195,000	195,000	180,578	(14,422)
Interest from investments	110,000	110,000	24,466	(85,534)
	<u>305,000</u>	<u>305,000</u>	<u>205,044</u>	<u>(99,956)</u>
<b>Intergovernmental revenues:</b>				
Motor vehicle tax reimbursement	93,754	93,754	94,780	1,026
Storm damage reimbursement	-	-	167,331	167,331
Police grants - overtime reimbursement	12,000	12,000	4,465	(7,535)
Federal refuge revenue sharing	35,000	35,000	60,739	25,739
State beach parking	258,500	258,500	197,651	(60,849)
State telephone tax	159,103	159,103	199,818	40,715
State hotel tax	111,446	111,446	82,358	(29,088)
State meal and beverage tax	468,500	468,500	535,452	66,952
School housing aid	486,990	486,990	485,491	(1,499)
	<u>1,625,293</u>	<u>1,625,293</u>	<u>1,828,085</u>	<u>202,792</u>
<b>Licenses and permits:</b>				
Building permits	260,500	260,500	314,374	53,874
Mooring fees	65,500	65,500	60,983	(4,517)
Variance and exception fees	12,500	12,500	14,690	2,190
Fire alarm inspection fees	5,125	5,125	7,810	2,685
Road permit fees	1,550	1,550	1,050	(500)
VIN inspections fees	3,100	3,100	4,422	1,322
Rental registration fees	140,000	140,000	139,810	(190)
	<u>488,275</u>	<u>488,275</u>	<u>543,139</u>	<u>54,864</u>
<b>Fines and forfeitures:</b>				
Police fees and fines	10,300	10,300	12,497	2,197
Municipal court	315,500	315,500	265,484	(50,016)
	<u>325,800</u>	<u>325,800</u>	<u>277,981</u>	<u>(47,819)</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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b><i>PILOT &amp; Interfund revenues:</i></b>				
Beach in lieu of taxes	191,796	191,796	191,796	-
Housing authority in lieu of taxes	1,310	1,310	2,775	1,465
Water in lieu of taxes	29,173	29,173	29,173	-
Wastewater in lieu of taxes	131,563	131,563	131,563	-
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>1,054,833</u>	<u>1,054,833</u>	<u>1,055,798</u>	<u>965</u>
<b><i>Miscellaneous revenues:</i></b>				
Police finger print receipts	2,100	2,100	2,940	840
Town clerk general receipts	595,000	595,000	719,537	124,537
Town clerk alcoholic beverages	35,000	35,000	33,774	(1,226)
Police detail revenue	125,500	125,500	162,285	36,785
Cellular tower rentals	188,154	188,154	239,721	51,567
Miscellaneous receipts	41,000	41,000	60,584	19,584
Emergency medical services	410,700	410,700	403,780	(6,920)
Miscellaneous fire department receipts	6,180	6,180	4,934	(1,246)
Miscellaneous police receipts	6,550	6,550	3,644	(2,906)
Police overtime reimbursement	11,320	11,320	28,794	17,474
WB health surplus withdrawal	100,000	100,000	-	(100,000)
Return of dental premium	11,500	11,500	-	(11,500)
Fire marshal plan review	19,500	19,500	20,899	1,399
Retained claims	8,000	8,000	-	(8,000)
Concessions	1,050	1,050	2,257	1,207
Sale of surplus property	5,000	5,000	-	(5,000)
West Bay dividend distribution	45,644	45,644	-	(45,644)
	<u>1,612,198</u>	<u>1,612,198</u>	<u>1,683,149</u>	<u>70,951</u>
<b><i>Recreation revenues:</i></b>				
Community center rental	8,200	8,200	6,686	(1,514)
Parks and recreation receipts	21,250	21,250	15,574	(5,676)
Basketball	44,075	44,075	40,942	(3,133)
Workshops	15,500	15,500	34,390	18,890
Soccer	2,050	2,050	-	(2,050)
The Camp	62,000	62,000	65,471	3,471
	<u>153,075</u>	<u>153,075</u>	<u>163,063</u>	<u>9,988</u>
<b><i>Total revenues</i></b>	<u>50,363,907</u>	<u>51,716,509</u>	<u>51,908,367</u>	<u>191,858</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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
<b>General government:</b>				
Town council	37,776	50,476	50,419	57
Town solicitor	100,749	105,249	103,186	2,063
Municipal court	204,842	204,842	185,542	19,300
Board of canvassers	129,811	129,811	98,242	31,569
Town manager	242,865	318,365	318,352	13
Human resources	107,655	107,655	99,415	8,240
Town clerk	309,767	319,567	319,229	338
Information technology	303,950	303,950	268,604	35,346
Historic district commission	1,595	1,595	737	858
Zoning board of appeals	11,191	12,101	12,044	57
Conservation commission	768	768	260	508
Planning board	5,973	5,973	2,653	3,320
Pension board	16,123	16,123	14,201	1,922
Non-departmental expenditures	273,209	198,209	197,340	869
	<u>1,746,274</u>	<u>1,774,684</u>	<u>1,670,224</u>	<u>104,460</u>
<b>Financial administration:</b>				
Financial and purchasing	287,155	305,955	305,725	230
Accounting	372,509	409,509	409,393	116
Tax collector	237,887	246,087	246,055	32
Tax assessor	246,236	257,740	308,455	(50,715)
	<u>1,143,787</u>	<u>1,219,291</u>	<u>1,269,628</u>	<u>(50,337)</u>
<b>Public safety:</b>				
Police administration	1,065,608	1,316,108	1,312,003	4,105
Uniformed patrol	3,776,271	3,939,271	3,937,542	1,729
Investigations	745,428	715,928	715,843	85
Animal control	179,666	184,466	184,180	286
Harbor master	44,113	45,613	45,091	522
Dispatching & records	817,038	801,538	801,505	33
Fire administration	370,519	401,019	399,546	1,473
Fire operations	3,839,338	3,914,638	3,912,978	1,660
Fire prevention & inspections	129,050	137,440	137,258	182
Emergency management	10,285	10,285	8,571	1,714
	<u>10,977,316</u>	<u>11,466,306</u>	<u>11,454,517</u>	<u>11,789</u>
<b>Public works:</b>				
Public works administration	325,422	337,822	337,503	319
Highway	1,936,814	1,936,814	1,879,445	57,369
Facilities maintenance	211,413	213,563	213,431	132
	<u>2,473,649</u>	<u>2,488,199</u>	<u>2,430,379</u>	<u>57,820</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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><i>Parks and recreation:</i></b>				
Parks and recreation administration	211,648	211,648	208,839	2,809
Parks maintenance	743,003	762,103	760,936	1,167
Recreation programs	413,249	413,249	405,922	7,327
	<u>1,367,900</u>	<u>1,387,000</u>	<u>1,375,697</u>	<u>11,303</u>
<b><i>Planning, engineering and inspection:</i></b>				
Community development	368,542	368,542	350,870	17,672
Inspection services	388,716	402,816	402,189	627
Engineering	235,931	235,931	212,342	23,589
	<u>993,189</u>	<u>1,007,289</u>	<u>965,401</u>	<u>41,888</u>
<b><i>Education appropriation</i></b>	<u>24,277,345</u>	<u>24,277,345</u>	<u>24,277,345</u>	<u>-</u>
<b><i>Library appropriation</i></b>	<u>546,569</u>	<u>546,569</u>	<u>546,569</u>	<u>-</u>
<b><i>Other:</i></b>				
Contingency	433,180	180	-	180
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	560,216	560,216	560,216	-
Police Chapter 1666 pension contribution	102,200	102,200	102,200	-
Retirement and termination benefits	230,878	23,224	-	23,224
	<u>2,849,039</u>	<u>2,208,385</u>	<u>2,184,981</u>	<u>23,404</u>
<b><i>Other financing uses:</i></b>				
<b><i>Transfers to other funds:</i></b>				
Town Capital Projects Fund	637,000	949,325	949,325	-
Capital Maintenance & Noncapitalized Projects Fund	995,930	995,930	995,930	-
Debt Service Fund	2,305,909	2,305,909	2,328,679	(22,770)
Land Conservancy Fund	50,000	50,000	50,000	-
Street Improvement Fund	-	500,000	500,000	-
Beach Fund	-	424,669	424,669	-
Special Revenue Fund	-	57,820	57,820	-
Grants Fund	-	57,788	-	57,788
	<u>3,988,839</u>	<u>5,341,441</u>	<u>5,306,423</u>	<u>35,018</u>
<b><i>Total expenditures and other financing uses</i></b>	<u>50,363,907</u>	<u>51,716,509</u>	<u>51,481,164</u>	<u>235,345</u>
<b><i>Net change in fund balance - budgetary basis</i></b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,203</u>	<u>\$ 427,203</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, 2013**

**NOTE 1**

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

	<u>Police Pension Plan</u>	<u>Town Pension Plan</u>	<u>Town Other Post-Employment Benefit Plan</u>	<u>School Other Post-Employment Benefit Plan</u>
Valuation date	7/1/2013	7/1/2013	7/1/2012	7/1/2012
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar - closed	Level percent of payroll - closed	Level dollar - open	Level dollar - open
Amortization period	13 years	30 years	30 years	30 years
Asset valuation method	Fair market value	Fair market value adjusted for a 5-year phase-in of gains and losses on fair market value of assets	Fair market value	N/A
Actuarial assumptions:				
Investment rate of return /Discount rate	7.5% investment rate of return per annum	7.5% investment rate of return per annum	4.5% discount rate	4.5% discount rate
Projected salary increases	Not applicable	4 - 6% depending on age	N/A	N/A
Cost-of-living adjustments	3% for eligible employees	Council 94 - 3% once participant eligible with simple COLA once benefit reaches \$35,000 Local 1033 - 3% once participant eligible. For employees retiring after 1/1/2012, 3% with simple COLA once benefit reaches \$45,000 Police - hired after 7/1/13 - 3% simple COLA when eligible Fire - retiring on or after 7/1/15 - 3% simple COLA when eligible All Others - 3% compounded once eligible	N/A	N/A
Participant information	Active participants	Active participants	Active participants	Active participants
	Retirees	Retirees	Retirees and beneficiaries	Retirees and beneficiaries
	Beneficiaries	Terminated with deferred benefits		
	<u>0</u>	<u>255</u>	<u>164</u>	<u>257</u>
	5	175	114	55
	7	19	278	312
	<u>12</u>	<u>449</u>		

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

**NOTE 2 - BUDGETARY DATA AND BUDGETARY COMPLIANCE**

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

Appropriations in addition to those contained in the annual operating budget require Town Council approval. Amendments to the operating budgets that do not result in additional appropriations may be made within a department by means of a transfer. The Town Manager has authority to make such transfers within departments. Transfers made outside the departmental level require Town Council approval. The level at which General Fund expenditures may not legally exceed appropriations is at the department level. All unencumbered appropriations lapse at the end of the fiscal year. The Town Council approved \$1,352,602 in additional appropriations during the 2013 fiscal year.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2013 appropriations:

<u>Department</u>	<u>Fund</u>	<i>Expenditures In Excess of Budget</i>
Tax Assessor	General	\$50,715

***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>	<i>General Fund</i>
Actual amounts (budgetary basis)	\$51,908,367
Differences – budget to GAAP:	
Prior year budgeted surplus is a budgetary revenue, but is not a current year revenue for financial reporting purposes.	(1,432,602)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

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.	968,133
Capital lease proceeds are not budgetary revenues but are current year revenues for financial reporting purposes.	280,540
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	<u>2,615,941</u>
<b><i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<b><u>\$54,340,379</u></b>

	<b><i>General Fund</i></b>
<b><u>Expenditures and Other Financing Uses</u></b>	<b><u>\$51,481,164</u></b>
Actual amounts (budgetary basis)	
Differences – budget to GAAP:	
Capital assets acquired with capital lease proceeds are not reported as budgetary expenditures, but are current year expenditures for financial reporting purposes.	280,540
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.	968,133
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	<u>1,728,889</u>
<b><i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<b><u>\$54,458,726</u></b>

## **OTHER SUPPLEMENTARY INFORMATION**

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

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

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

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

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

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013*

	<i>Special Revenue Funds</i>				
	<i>School Restricted Grants</i>	<i>Food Service Fund</i>	<i>Grants Fund</i>	<i>Community Development Fund</i>	<i>Forfeited Funds</i>
<b>ASSETS</b>					
Cash	\$ -	\$ 15,322	\$ -	\$ -	\$ -
Due from federal and state governments	246,708	12,346	24,990	-	-
Due from other funds	6,224	31,219	-	137,732	-
Other receivables	-	1,020	-	293,467	-
<b>Total assets</b>	<b>\$ 252,932</b>	<b>\$ 59,907</b>	<b>\$ 24,990</b>	<b>\$ 431,199</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ 53,368	\$ 2,115	\$ -	\$ -
Due to other funds	246,708	-	55,730	-	830
Deferred revenue	-	6,539	-	293,481	-
<b>Total liabilities</b>	<b>246,708</b>	<b>59,907</b>	<b>57,845</b>	<b>293,481</b>	<b>830</b>
<b>Fund balances (Deficits)</b>					
Restricted for:					
Education programs	6,224	-	-	-	-
Public safety programs	-	-	36,584	-	-
Historical records preservation	-	-	-	-	-
Community service programs	-	-	13,000	137,718	-
Parks and recreation programs	-	-	58,997	-	-
Other programs	-	-	536	-	-
Committed for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Assigned to:					
Capital projects	-	-	-	-	-
Unassigned	-	-	(141,972)	-	(830)
<b>Total fund balances (deficits)</b>	<b>6,224</b>	<b>-</b>	<b>(32,855)</b>	<b>137,718</b>	<b>(830)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 252,932</b>	<b>\$ 59,907</b>	<b>\$ 24,990</b>	<b>\$ 431,199</b>	<b>\$ -</b>

*(Continued)*

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Special Revenue Funds</u>			<i>Total Special Revenue Funds</i>
	<i>State Recycling Fund</i>	<i>Galilee Landing Fees Fund</i>	<i>Historical Preservation Fund</i>	
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 15,322
Due from federal and state governments	-	-	-	284,044
Due from other funds	29,319	60,662	220,036	485,192
Other receivables	-	-	-	294,487
<b>Total assets</b>	<u>\$ 29,319</u>	<u>\$ 60,662</u>	<u>\$ 220,036</u>	<u>\$ 1,079,045</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 868	\$ 9,166	\$ -	\$ 65,517
Due to other funds	-	-	-	303,268
Deferred revenue	-	-	-	300,020
<b>Total liabilities</b>	<u>868</u>	<u>9,166</u>	<u>-</u>	<u>668,805</u>
<b>Fund balances (Deficits)</b>				
Restricted for:				
Education programs	-	-	-	6,224
Public safety programs	-	-	-	36,584
Historical records preservation	-	-	220,036	220,036
Community service programs	-	-	-	150,718
Parks and recreation programs	-	51,496	-	110,493
Other programs	28,451	-	-	28,987
Committed for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Assigned to:				
Capital projects	-	-	-	-
Unassigned	-	-	-	(142,802)
<b>Total fund balances (deficits)</b>	<u>28,451</u>	<u>51,496</u>	<u>220,036</u>	<u>410,240</u>
<b>Total liabilities and fund balances</b>	<u>\$ 29,319</u>	<u>\$ 60,662</u>	<u>\$ 220,036</u>	<u>\$ 1,079,045</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<u>Capital Project Funds</u>				
	<u>Debt Service Fund</u>	<u>Land Trust Fund</u>	<u>Town Capital Projects Fund</u>	<u>Town Capital Maintenance Fund</u>	<u>School Capital Projects Fund</u>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-	-
Due from other funds	36,100	24,203	570,599	1,790,698	669,231
Other receivables	-	-	-	-	-
<b>Total assets</b>	<b>\$ 36,100</b>	<b>\$ 24,203</b>	<b>\$ 570,599</b>	<b>\$ 1,790,698</b>	<b>\$ 669,231</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 5,000	\$ 52,355	\$ -
Due to other funds	-	-	-	-	217,012
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>52,355</b>	<b>217,012</b>
<b>Fund balances (Deficits)</b>					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	-	-	-
Historical records preservation	-	-	-	-	-
Community service programs	-	-	-	-	-
Parks and recreation programs	-	-	-	-	-
Other programs	-	-	-	-	-
Committed for:					
Debt service	36,100	-	-	-	-
Capital projects	-	24,203	565,599	1,738,343	-
Assigned to:					
Capital projects	-	-	-	-	452,219
Unassigned	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>36,100</b>	<b>24,203</b>	<b>565,599</b>	<b>1,738,343</b>	<b>452,219</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,100</b>	<b>\$ 24,203</b>	<b>\$ 570,599</b>	<b>\$ 1,790,698</b>	<b>\$ 669,231</b>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2013**

	<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>		
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 15,322
Due from federal and state governments	-	-	-	284,044
Due from other funds	-	479,790	3,534,521	4,055,813
Other receivables	-	-	-	294,487
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 479,790</b>	<b>\$ 3,534,521</b>	<b>\$ 4,649,666</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ -	\$ -	\$ 57,355	\$ 122,872
Due to other funds	37,760	-	254,772	558,040
Deferred revenue	-	-	-	300,020
<b>Total liabilities</b>	<b>37,760</b>	<b>-</b>	<b>312,127</b>	<b>980,932</b>
<b>Fund balances (Deficits)</b>				
Restricted for:				
Education programs	-	-	-	6,224
Public safety programs	-	-	-	36,584
Historical records preservation	-	-	-	220,036
Community service programs	-	-	-	150,718
Parks and recreation programs	-	-	-	110,493
Other programs	-	-	-	28,987
Committed for:				
Debt service	-	-	-	36,100
Capital projects	-	479,790	2,807,935	2,807,935
Assigned to:				
Capital projects	-	-	452,219	452,219
Unassigned	(37,760)	-	(37,760)	(180,562)
<b>Total fund balances (deficits)</b>	<b>(37,760)</b>	<b>479,790</b>	<b>3,222,394</b>	<b>3,668,734</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 479,790</b>	<b>\$ 3,534,521</b>	<b>\$ 4,649,666</b>

**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, 2013**

	<b>Special Revenue Funds</b>				
	<i>School Restricted Grants</i>	<i>Food Service Fund</i>	<i>Grants Fund</i>	<i>Community Development Fund</i>	<i>Forfeited Funds</i>
<b>Revenues</b>					
State aid	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	210,435	-	-	-
Operating grants and contributions	815,865	150,223	199,977	-	1,735
Capital grants and contributions	-	-	23,256	-	-
Investment and interest income	-	-	-	8,147	-
Other revenue	-	-	-	23,329	-
<b>Total revenues</b>	<u>815,865</u>	<u>360,658</u>	<u>223,233</u>	<u>31,476</u>	<u>1,735</u>
<b>Expenditures</b>					
Current:					
General government	-	-	91,422	-	-
Public safety	-	-	29,264	-	-
Social services	-	-	54,874	-	-
Parks and recreation	-	-	2,115	-	-
Food service	-	384,140	-	-	-
Education	818,969	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	-	-	64,848	-	-
<b>Total expenditures</b>	<u>818,969</u>	<u>384,140</u>	<u>242,523</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(3,104)</u>	<u>(23,482)</u>	<u>(19,290)</u>	<u>31,476</u>	<u>1,735</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	-	23,482	-	-	-
Transfers to other funds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>23,482</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(3,104)</u>	<u>-</u>	<u>(19,290)</u>	<u>31,476</u>	<u>1,735</u>
<b>Fund balances (deficits) - beginning of year</b>	<u>9,328</u>	<u>-</u>	<u>(13,565)</u>	<u>106,242</u>	<u>(2,565)</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 6,224</u>	<u>\$ -</u>	<u>\$ (32,855)</u>	<u>\$ 137,718</u>	<u>\$ (830)</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, 2013**

	<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>	
<b>Revenues</b>				
State aid	\$ -	\$ -	\$ -	\$ -
Charges for services	-	86,578	37,115	334,128
Operating grants and contributions	29,253	-	-	1,197,053
Capital grants and contributions	-	-	-	23,256
Investment and interest income	-	389	-	8,536
Other revenue	-	-	-	23,329
<b>Total revenues</b>	<u>29,253</u>	<u>86,967</u>	<u>37,115</u>	<u>1,586,302</u>
<b>Expenditures</b>				
Current:				
General government	-	-	26,120	117,542
Public safety	-	-	-	29,264
Social services	-	-	-	54,874
Parks and recreation	15,600	83,283	-	100,998
Food service	-	-	-	384,140
Education	-	-	-	818,969
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	64,848
<b>Total expenditures</b>	<u>15,600</u>	<u>83,283</u>	<u>26,120</u>	<u>1,570,635</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>13,653</u>	<u>3,684</u>	<u>10,995</u>	<u>15,667</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	-	23,482
Transfers to other funds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,482</u>
<b>Net change in fund balance</b>	13,653	3,684	10,995	39,149
<b>Fund balances (deficits) - beginning of year</b>	<u>14,798</u>	<u>47,812</u>	<u>209,041</u>	<u>371,091</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 28,451</u>	<u>\$ 51,496</u>	<u>\$ 220,036</u>	<u>\$ 410,240</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, 2013**

	<u>Capital Project Funds</u>				
	<u>Debt Service Fund</u>	<u>Land Trust Fund</u>	<u>Town Capital Projects Fund</u>	<u>Town Capital Maintenance Fund</u>	<u>School Capital Projects Fund</u>
<b>Revenues</b>					
State aid	\$ -	\$ -	\$ -	\$ -	\$ 170,390
Charges for services	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	8,600	-
Investment and interest income	-	1,743	-	-	-
Other revenue	-	160	-	4,227	-
<b>Total revenues</b>	<u>-</u>	<u>1,903</u>	<u>-</u>	<u>12,827</u>	<u>170,390</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Social services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Food service	-	-	-	-	-
Education	-	-	-	-	-
Debt service:					
Principal	1,370,553	-	-	-	-
Interest	922,026	-	-	-	-
Capital outlay	-	-	1,034,937	729,262	529,363
<b>Total expenditures</b>	<u>2,292,579</u>	<u>-</u>	<u>1,034,937</u>	<u>729,262</u>	<u>529,363</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(2,292,579)</u>	<u>1,903</u>	<u>(1,034,937)</u>	<u>(716,435)</u>	<u>(358,973)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	2,328,679	50,000	949,325	995,930	250,000
Transfers to other funds	-	(500,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>2,328,679</u>	<u>(450,000)</u>	<u>949,325</u>	<u>995,930</u>	<u>250,000</u>
<b>Net change in fund balance</b>	36,100	(448,097)	(85,612)	279,495	(108,973)
<b>Fund balances (deficits) - beginning of year</b>	<u>-</u>	<u>472,300</u>	<u>651,211</u>	<u>1,458,848</u>	<u>561,192</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 36,100</u>	<u>\$ 24,203</u>	<u>\$ 565,599</u>	<u>\$ 1,738,343</u>	<u>\$ 452,219</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, 2013**

	<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>		
<b>Revenues</b>				
State aid	\$ -	\$ -	\$ 170,390	\$ 170,390
Charges for services	-	-	-	334,128
Operating grants and contributions	-	-	-	1,197,053
Capital grants and contributions	569	-	9,169	32,425
Investment and interest income	-	-	1,743	10,279
Other revenue	-	-	4,387	27,716
<b>Total revenues</b>	<u>569</u>	<u>-</u>	<u>185,689</u>	<u>1,771,991</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	117,542
Public safety	-	-	-	29,264
Social services	-	-	-	54,874
Parks and recreation	-	-	-	100,998
Food service	-	-	-	384,140
Education	42,174	-	42,174	861,143
Debt service:				
Principal	-	-	-	1,370,553
Interest	-	-	-	922,026
Capital outlay	-	20,210	2,313,772	2,378,620
<b>Total expenditures</b>	<u>42,174</u>	<u>20,210</u>	<u>2,355,946</u>	<u>6,219,160</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(41,605)</u>	<u>(20,210)</u>	<u>(2,170,257)</u>	<u>(4,447,169)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	500,000	2,745,255	5,097,416
Transfers to other funds	-	-	(500,000)	(500,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>500,000</u>	<u>2,245,255</u>	<u>4,597,416</u>
<b>Net change in fund balance</b>	<u>(41,605)</u>	<u>479,790</u>	<u>74,998</u>	<u>150,247</u>
<b>Fund balances (deficits) - beginning of year</b>	<u>3,845</u>	<u>-</u>	<u>3,147,396</u>	<u>3,518,487</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ (37,760)</u>	<u>\$ 479,790</u>	<u>\$ 3,222,394</u>	<u>\$ 3,668,734</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Balance Sheet**  
**Special Revenue Funds - School Restricted Fund**  
**June 30, 2013**

	<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>	<u>Race to the Top PLC Mini Grant</u>
<b>ASSETS</b>						
Due from the state	\$ 137,666	\$ 67,629	\$ 405	\$ 30,051	\$ -	\$ 1,491
Due from other funds	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 137,666</u>	<u>\$ 67,629</u>	<u>\$ 405</u>	<u>\$ 30,051</u>	<u>\$ -</u>	<u>\$ 1,491</u>
 <b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Due to other funds	\$ 137,666	\$ 67,629	\$ 405	\$ 30,051	\$ -	\$ 1,491
<b>Total liabilities</b>	<u>137,666</u>	<u>67,629</u>	<u>405</u>	<u>30,051</u>	<u>-</u>	<u>1,491</u>
<b>Fund balances - restricted</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 137,666</u>	<u>\$ 67,629</u>	<u>\$ 405</u>	<u>\$ 30,051</u>	<u>\$ -</u>	<u>\$ 1,491</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Balance Sheet (Continued)  
Special Revenue Funds - School Restricted Fund  
June 30, 2013*

	<i>Race to the Top Instructional Improvement Systems 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 Educator Effectiveness</i>	<i>Race to the Top Standards &amp; Curriculum</i>
<b>ASSETS</b>					
Due from the state	\$ -	\$ -	\$ -	\$ 8,188	\$ 1,278
Due from other funds	-	1,780	-	-	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 1,780</u>	<u>\$ -</u>	<u>\$ 8,188</u>	<u>\$ 1,278</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ -	\$ -	\$ 8,188	\$ 1,278
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,188</u>	<u>1,278</u>
<b>Fund balances - restricted</b>	<u>-</u>	<u>1,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ -</u>	<u>\$ 1,780</u>	<u>\$ -</u>	<u>\$ 8,188</u>	<u>\$ 1,278</u>

*(Continued)*

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Balance Sheet (Continued)  
Special Revenue Funds - School Restricted Fund  
June 30, 2013*

	<i>Race to the Top Human Capital Development Set Aside</i>	<i>Common Core ELA Grant</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<b><i>Total</i></b>
<b>ASSETS</b>					
Due from the state	\$ -	\$ -	\$ -	\$ -	\$ 246,708
Due from other funds	-	-	3,568	876	6,224
<b><i>Total assets</i></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,568</u></b>	<b><u>\$ 876</u></b>	<b><u>\$ 252,932</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b><i>Liabilities</i></b>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 246,708
<b><i>Total liabilities</i></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>246,708</u></b>
<b><i>Fund balances - restricted</i></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>3,568</u></b>	<b><u>876</u></b>	<b><u>6,224</u></b>
<b><i>Total liabilities and fund balances</i></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,568</u></b>	<b><u>\$ 876</u></b>	<b><u>\$ 252,932</u></b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<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>	<u>Race to the Top PLC Mini Grant</u>
<b>Revenues</b>						
Operating grants and contributions	\$ 456,076	\$ 192,946	\$ 9,377	\$ 80,648	\$ 1,751	\$ 7,567
<b>Total revenues</b>	<u>456,076</u>	<u>192,946</u>	<u>9,377</u>	<u>80,648</u>	<u>1,751</u>	<u>7,567</u>
<b>Expenditures</b>						
Salaries	323,966	139,527	8,711	61,689	-	6,181
Employee benefits	129,613	53,304	666	18,959	-	464
Purchased services	1,700	-	-	-	809	-
Supplies and materials	797	115	-	-	284	922
Capital outlay	-	-	-	-	658	-
Miscellaneous	-	-	-	-	-	-
<b>Total expenditures</b>	<u>456,076</u>	<u>192,946</u>	<u>9,377</u>	<u>80,648</u>	<u>1,751</u>	<u>7,567</u>
<b>Net change in fund balances</b>	-	-	-	-	-	-
<b>Fund balances - beginning of year</b>	-	-	-	-	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Special Revenue Funds - School Restricted Fund**  
**For the Fiscal Year Ended June 30, 2013**

	<i>Race to the Top Instructional Improvement Systems 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 Educator Effectiveness</i>	<i>Race to the Top Standards &amp; Curriculum</i>
<b>Revenues</b>					
Operating grants and contributions	\$ 29,210	\$ 1,000	\$ 6,911	\$ 21,404	\$ 3,738
<b>Total revenues</b>	<u>29,210</u>	<u>1,000</u>	<u>6,911</u>	<u>21,404</u>	<u>3,738</u>
<b>Expenditures</b>					
Salaries	-	-	-	550	3,475
Employee benefits	-	-	-	41	263
Purchased services	28,082	54	6,911	20,813	-
Supplies and materials	-	-	-	-	-
Capital outlay	1,128	555	-	-	-
Miscellaneous	-	50	-	-	-
<b>Total expenditures</b>	<u>29,210</u>	<u>659</u>	<u>6,911</u>	<u>21,404</u>	<u>3,738</u>
<b>Net change in fund balances</b>	-	341	-	-	-
<b>Fund balances - beginning of year</b>	-	1,439	-	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ 1,780</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, 2013**

	<i>Race to the Top Human Capital Development Set Aside</i>	<i>Common Core ELA Grant</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<i>Total</i>
<b>Revenues</b>					
Operating grants and contributions	\$ 172	\$ 2,615	\$ 2,450	\$ -	\$ 815,865
<b>Total revenues</b>	<u>172</u>	<u>2,615</u>	<u>2,450</u>	<u>-</u>	<u>815,865</u>
<b>Expenditures</b>					
Salaries	-	1,500	-	-	545,599
Employee benefits	-	115	-	-	203,425
Purchased services	172	1,000	4,973	-	64,514
Supplies and materials	-	-	447	-	2,565
Capital outlay	-	-	-	-	2,341
Miscellaneous	-	-	-	475	525
<b>Total expenditures</b>	<u>172</u>	<u>2,615</u>	<u>5,420</u>	<u>475</u>	<u>818,969</u>
<b>Net change in fund balances</b>	-	-	(2,970)	(475)	(3,104)
<b>Fund balances - beginning of year</b>	<u>-</u>	<u>-</u>	<u>6,538</u>	<u>1,351</u>	<u>9,328</u>
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,568</u>	<u>\$ 876</u>	<u>\$ 6,224</u>

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Net Position**  
**Pension Trust Funds**  
**June 30, 2013**

	<i>Town Plan</i>	<i>Police Plan</i>	<i>Total Pension Trust Funds</i>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,053,079	\$ -	\$ 2,053,079
Investments at fair value:			
U.S. government obligations	1,323,656	-	1,323,656
Municipal obligations	33,134	-	33,134
Corporate bonds	3,286,024	-	3,286,024
Mortgage backed securities	1,130,531	-	1,130,531
Common stock	23,619,752	-	23,619,752
Preferred stock	834,371	-	834,371
Mutual and exchange traded funds - equities	19,362,454	-	19,362,454
Mutual and exchange traded funds - fixed income	7,178,249	-	7,178,249
Mutual and exchange traded funds - other	2,127,354	-	2,127,354
Hedge fund	2,740,142	-	2,740,142
Other	127,132	-	127,132
Total investments	61,762,799	-	61,762,799
Accrued interest receivable	51,474	-	51,474
Prepaid expenses	322,016	8,531	330,547
<b>Total assets</b>	64,189,368	8,531	64,197,899
<b>Liabilities</b>			
Due to other funds	1,999,519	65,571	2,065,090
<b>Total liabilities</b>	1,999,519	65,571	2,065,090
<b>Net Position</b>			
Restricted for pension benefits	\$ 62,189,849	\$ (57,040)	\$ 62,132,809

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Changes in Net Position**  
**Pension Trust Funds**  
**For the Year Ended June 30, 2013**

	<u>Town Plan</u>	<u>Police Plan</u>	<u>Total Pension Trust Funds</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 2,621,339	\$ 102,200	\$ 2,723,539
Plan member	1,156,823	-	1,156,823
Total contributions	<u>3,778,162</u>	<u>102,200</u>	<u>3,880,362</u>
Investment income:			
Net increase (decrease) in fair value of investments	6,198,280	-	6,198,280
Interest and dividends	1,521,834	-	1,521,834
Less: investment expense	(362,084)	-	(362,084)
Net investment income	<u>7,358,030</u>	<u>-</u>	<u>7,358,030</u>
<b>Total additions</b>	<u>11,136,192</u>	<u>102,200</u>	<u>11,238,392</u>
<b>Deductions</b>			
Benefits	3,592,656	101,577	3,694,233
Refunds of contributions	158,585	-	158,585
Administrative expenses	40,405	-	40,405
<b>Total deductions</b>	<u>3,791,646</u>	<u>101,577</u>	<u>3,893,223</u>
<b>Change in net position</b>	7,344,546	623	7,345,169
<b>Net position - beginning of year</b>	<u>54,845,303</u>	<u>(57,663)</u>	<u>54,787,640</u>
<b>Net position - end of year</b>	<u>\$ 62,189,849</u>	<u>\$ (57,040)</u>	<u>\$ 62,132,809</u>

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

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Combining Statement of Net Position*

*Private-Purpose Trust Funds*

*June 30, 2013*

	<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>
<i>Assets</i>								
Cash and cash equivalents	\$ 7,390	\$ -	\$ 604	\$ -	\$ -	\$ -	\$ -	\$ 7,994
Investments	-	6,490	-	-	-	-	-	6,490
Due from other funds	-	-	-	529	3,461	2,719	77,218	83,927
<b><i>Total assets</i></b>	<u>7,390</u>	<u>6,490</u>	<u>604</u>	<u>529</u>	<u>3,461</u>	<u>2,719</u>	<u>77,218</u>	<u>98,411</u>
 <i>Net Position</i>								
Restricted for other purposes	<u>\$ 7,390</u>	<u>\$ 6,490</u>	<u>\$ 604</u>	<u>\$ 529</u>	<u>\$ 3,461</u>	<u>\$ 2,719</u>	<u>\$ 77,218</u>	<u>\$ 98,411</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Changes in Net Position**  
**Private-Purpose Trusts Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<i>Barton Memorial Scholarship Fund</i>	<i>Richard Colvin Memorial Scholarship Fund</i>	<i>Barbara E. Duggan Memorial Scholarship Fund</i>	<i>Peter Davis Burial Fund</i>	<i>Franklin Burial Fund</i>	<i>James Water Fund</i>	<i>Frank L. Robinson Fund</i>	<i>Total Private- Purpose Trusts</i>
<b>Additions</b>								
Investment earnings:								
Net increase (decrease) in fair value of investments	\$ 99	\$ 1,215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,314
Interest and dividends	35	-	-	4	28	22	634	723
Net investment earnings	<u>134</u>	<u>1,215</u>	<u>-</u>	<u>4</u>	<u>28</u>	<u>22</u>	<u>634</u>	<u>2,037</u>
<b>Total additions</b>	<u>134</u>	<u>1,215</u>	<u>-</u>	<u>4</u>	<u>28</u>	<u>22</u>	<u>634</u>	<u>2,037</u>
<b>Deductions</b>								
Scholarships	500	250	-	-	-	-	-	750
Miscellaneous	42	-	-	-	-	-	1,326	1,368
<b>Total deductions</b>	<u>542</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,326</u>	<u>2,118</u>
<b>Change in net position</b>	(408)	965	-	4	28	22	(692)	(81)
<b>Net position - beginning of year</b>	<u>7,798</u>	<u>5,525</u>	<u>604</u>	<u>525</u>	<u>3,433</u>	<u>2,697</u>	<u>77,910</u>	<u>98,492</u>
<b>Net position - end of year</b>	<u>\$ 7,390</u>	<u>\$ 6,490</u>	<u>\$ 604</u>	<u>\$ 529</u>	<u>\$ 3,461</u>	<u>\$ 2,719</u>	<u>\$ 77,218</u>	<u>\$ 98,411</u>

## **AGENCY FUNDS**

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

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Net Position**  
**Agency Funds**  
**June 30, 2013**

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	<i>Student Activities - High School</i>	<i>Student Activities - Pier School</i>	<i>Student Activities - Elementary School</i>	<i>Total</i>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b><i>Assets</i></b>				
Due from other funds	\$ 71,846	\$ 52,021	\$ 40,260	\$ 164,127
<b><i>Total assets</i></b>	<u><u>\$ 71,846</u></u>	<u><u>\$ 52,021</u></u>	<u><u>\$ 40,260</u></u>	<u><u>\$ 164,127</u></u>
 <b><i>Liabilities</i></b>				
Deposits held in custody for others	\$ 71,846	\$ 52,021	\$ 40,260	\$ 164,127
<b><i>Total liabilities</i></b>	<u><u>\$ 71,846</u></u>	<u><u>\$ 52,021</u></u>	<u><u>\$ 40,260</u></u>	<u><u>\$ 164,127</u></u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>STUDENT ACTIVITIES - HIGH SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ 63,568	\$ 184,675	\$ 176,397	\$ 71,846
<b>Total assets</b>	<b>\$ 63,568</b>	<b>\$ 184,675</b>	<b>\$ 176,397</b>	<b>\$ 71,846</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 63,568	\$ 184,675	\$ 176,397	\$ 71,846
<b>Total liabilities</b>	<b>\$ 63,568</b>	<b>\$ 184,675</b>	<b>\$ 176,397</b>	<b>\$ 71,846</b>
<b>STUDENT ACTIVITIES - PIER SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ 49,140	\$ 86,985	\$ 84,104	\$ 52,021
<b>Total assets</b>	<b>\$ 49,140</b>	<b>\$ 86,985</b>	<b>\$ 84,104</b>	<b>\$ 52,021</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 49,140	\$ 86,985	\$ 84,104	\$ 52,021
<b>Total liabilities</b>	<b>\$ 49,140</b>	<b>\$ 86,985</b>	<b>\$ 84,104</b>	<b>\$ 52,021</b>
<b>STUDENT ACTIVITIES - ELEMENTARY SCHOOL</b>				
<i>Assets</i>				
Due from other funds	\$ 38,037	\$ 45,380	\$ 43,157	\$ 40,260
<b>Total assets</b>	<b>\$ 38,037</b>	<b>\$ 45,380</b>	<b>\$ 43,157</b>	<b>\$ 40,260</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 38,037	\$ 45,380	\$ 43,157	\$ 40,260
<b>Total liabilities</b>	<b>\$ 38,037</b>	<b>\$ 45,380</b>	<b>\$ 43,157</b>	<b>\$ 40,260</b>
<b>TOTAL AGENCY FUNDS</b>				
<i>Assets</i>				
Due from other funds	\$ 150,745	\$ 317,040	\$ 303,658	\$ 164,127
<b>Total assets</b>	<b>\$ 150,745</b>	<b>\$ 317,040</b>	<b>\$ 303,658</b>	<b>\$ 164,127</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 150,745	\$ 317,040	\$ 303,658	\$ 164,127
<b>Total liabilities</b>	<b>\$ 150,745</b>	<b>\$ 317,040</b>	<b>\$ 303,658</b>	<b>\$ 164,127</b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**

*Tax Collector's Annual Report*

*For the Fiscal Year Ended June 30, 2013*

Real Estate and Personal Property Taxes

<u>Tax Year</u>	<u>Balance June 30, 2012</u>	<u>Assessments December 31, 2011</u>	<u>Additions</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2013</u>
2012	\$ -	\$ 45,045,014	\$ 56,340	\$ (155,155)	\$ 44,946,199	\$ 44,547,908	\$ 398,291
2011	355,917	-	-	(6,497)	349,420	289,137	60,283
2010	56,973	-	-	(18,905)	38,068	393	37,675
2009	45,654	-	-	(5,641)	40,013	3,934	36,079
2008	63,540	-	-	(5,356)	58,184	766	57,418
2007	40,084	-	-	(2,767)	37,317	853	36,464
2006	25,845	-	-	-	25,845	347	25,498
2005	28,894	-	-	-	28,894	90	28,804
2004	27,667	-	-	-	27,667	59	27,608
2003	23,742	-	-	-	23,742	77	23,665
2002	30,204	-	-	(11,747)	18,457	247	18,210
2001	24,189	-	-	-	24,189	-	24,189
2000	6,513	-	-	-	6,513	-	6,513
1999	4,830	-	-	-	4,830	-	4,830
1998	5,781	-	-	-	5,781	-	5,781
	<u>\$ 739,833</u>	<u>\$ 45,045,014</u>	<u>\$ 56,340</u>	<u>\$ (206,068)</u>	<u>\$ 45,635,119</u>	<u>\$ 44,843,811</u>	<u>\$ 791,308</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
<b>Real property</b>	\$ 4,381,860,900	\$ 43,231,914
<b>Motor vehicles</b>	164,674,767	2,710,509
<b>Tangible personal property</b>	42,660,668	612,181
<b>Total</b>	<u>4,589,196,335</u>	<u>46,554,604</u>
<b>Exemptions</b>	<u>104,899,989</u>	<u>1,509,590</u>
<b>Net assessed value</b>	<u>\$ 4,484,296,346</u>	<u>\$ 45,045,014</u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of Assets, Liabilities and Fund Balance*  
*School Department Operating Fund*  
*June 30, 2013*

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**ASSETS**

Cash	\$ 125
Due from federal and state governments	12,040
Other receivables	18,447
Due from other funds	5,230,536
Prepaid expenditures	91,197
Other assets	224,233
<b>Total assets</b>	<u><u>\$ 5,576,578</u></u>

**LIABILITIES AND FUND BALANCES**

**Liabilities**

Accounts payable and accrued expenditures	\$ 419,818
Due to other funds	619,706
<b>Total liabilities</b>	<u><u>1,039,524</u></u>

**Fund balances**

Nonspendable:	
Prepaid expenditures	91,197
Other assets- WB deposits	224,233
Restricted for:	
Education	4,221,624
<b>Total fund balances</b>	<u><u>4,537,054</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 5,576,578</u></u>

**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, 2013*

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<b>REVENUES</b>	
Town appropriation	\$ 24,277,345
State aid	2,631,393
Charges for services	350,895
Other revenues	336,313
<b>Total revenues</b>	<u>27,595,946</u>
 <b>EXPENDITURES</b>	
Education	<u>26,667,774</u>
<b>Total expenditures</b>	<u>26,667,774</u>
 <b>Excess of revenues over expenditures before other financing sources (uses)</b>	 <u>928,172</u>
 <b>Other financing sources (uses):</b>	
Capital related debt issued	193,495
Transfers to other funds	<u>(373,482)</u>
<b>Total other financing sources (uses)</b>	<u>(179,987)</u>
 <b>Net change in fund balances</b>	 748,185
 <b>Fund balances - beginning of year</b>	 <u>3,788,869</u>
 <b>Fund balances - end of year</b>	 <u><u>\$ 4,537,054</u></u>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
*Schedule of General Fund - Fund Balance*  
*Restricted for Education Programs*  
*June 30, 2013*

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***Restricted for Education:***

School Committee designation for other post-employment benefit costs	\$ 922,788
School Committee designation for use in subsequent year budget	700,000
Undesignated	<u>3,539,761</u>
<b><i>Total</i></b>	<b><u><u>\$ 5,162,549</u></u></b>

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**School Department Operating Budget**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues</b>				
Town appropriation	\$ 24,277,345	\$ 24,277,345	\$ 24,277,345	\$ -
State aid	1,604,801	1,604,801	1,663,260	58,459
Charges for services	325,000	325,000	350,895	25,895
Other revenues	310,000	310,000	336,313	26,313
Re-appropriated school surplus	700,000	700,000	-	(700,000)
<b>Total revenues</b>	<u>27,217,146</u>	<u>27,217,146</u>	<u>26,627,813</u>	<u>(589,333)</u>
<b>Expenditures</b>				
Salaries	16,337,522	16,336,128	15,798,310	537,818
Employee benefits	6,282,695	6,248,080	5,987,254	260,826
Purchased services	2,796,730	2,558,277	2,236,305	321,972
Supplies and materials	1,156,083	1,129,522	949,586	179,936
Capital outlay	214,580	513,912	498,663	15,249
Other costs	37,536	39,227	36,028	3,199
<b>Total expenditures</b>	<u>26,825,146</u>	<u>26,825,146</u>	<u>25,506,146</u>	<u>1,319,000</u>
<b>Excess of revenues over expenditures</b> <b>before other financing uses</b>	<u>392,000</u>	<u>392,000</u>	<u>1,121,667</u>	<u>729,667</u>
<b>Other financing uses</b>				
Transfer to other funds	(392,000)	(392,000)	(373,482)	18,518
<b>Total other financing uses</b>	<u>(392,000)</u>	<u>(392,000)</u>	<u>(373,482)</u>	<u>18,518</u>
<b>Net change in fund balance</b> <b>(budgetary basis)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,185</u>	<u>\$ 748,185</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  
(UNAUDITED)

*Exhibit 1*

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental activities:									
Net investment in capital assets	\$ 72,977,500	\$ 73,998,792	\$ 72,788,921	\$ 76,328,788	\$ 65,852,760	\$ 30,048,212	\$ 26,117,977	\$ 23,203,860	\$ 20,357,642
Restricted	6,041,787	5,465,023	5,048,391	-	-	-	845,523	737,751	1,723,961
Unrestricted	(32,394,422)	(26,820,119)	(21,287,061)	(13,189,145)	(12,642,946)	(6,403,948)	(3,886,114)	(4,047,557)	(5,989,589)
Total governmental activities net position	<u>\$ 46,624,865</u>	<u>\$ 52,643,696</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>	<u>\$ 16,092,014</u>
Business-type activities:									
Net investment in capital assets	\$ 30,108,820	\$ 29,081,792	\$ 26,981,862	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410	\$ 22,693,334	\$ 23,942,896
Unrestricted	9,138,656	7,993,878	9,644,978	10,288,862	9,643,685	10,419,879	10,158,298	9,472,908	7,639,872
Total business-type activities net position	<u>\$ 39,247,476</u>	<u>\$ 37,075,670</u>	<u>\$ 36,626,840</u>	<u>\$ 36,814,447</u>	<u>\$ 36,043,635</u>	<u>\$ 35,330,081</u>	<u>\$ 33,690,708</u>	<u>\$ 32,166,242</u>	<u>\$ 31,582,768</u>
Primary government:									
Net investment in capital assets	\$ 103,086,320	\$ 103,080,584	\$ 99,770,783	\$ 102,854,373	\$ 92,252,710	\$ 54,958,414	\$ 49,650,387	\$ 45,897,194	\$ 44,300,538
Restricted	6,041,787	5,465,023	5,048,391	-	-	-	845,523	737,751	1,723,961
Unrestricted	(23,255,766)	(18,826,241)	(11,642,083)	(2,900,283)	(2,999,261)	4,015,931	6,272,184	5,425,351	1,650,283
Total primary government net position	<u>\$ 85,872,341</u>	<u>\$ 89,719,366</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>	<u>\$ 47,674,782</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

Exhibit 2

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses:</b>									
Governmental activities:									
General government	\$ 3,697,034	\$ 3,967,108	\$ 1,960,227	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633	\$ 2,941,590	\$ 2,095,847
Financial administration	1,719,594	1,972,289	1,108,193	1,109,011	868,872	951,634	1,029,179	1,035,841	1,047,539
Public safety	15,284,664	14,644,220	11,627,180	10,922,031	10,932,393	12,652,621	12,191,560	9,318,715	9,510,910
Public works	4,757,802	4,107,512	4,523,343	3,921,244	3,757,059	2,084,085	1,720,256	1,880,594	1,871,654
Social services	54,874	93,959	187,285	362,588	249,641	264,272	655,799	356,170	786,805
Parks and recreation	2,403,126	2,323,745	1,387,846	1,460,487	1,451,280	1,423,735	1,695,839	1,601,978	1,581,652
Planning, engineering and inspection	1,333,057	1,226,549	1,491,691	1,282,366	1,843,867	1,229,624	1,137,184	2,093,327	1,662,635
Library	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	419,192
Other	-	-	5,953,585	6,816,208	7,590,833	1,648,603	1,275,265	838,715	-
Education	30,074,899	30,177,912	29,487,050	28,544,163	27,651,643	27,177,622	25,829,729	24,897,064	25,304,922
Interest on long-term debt	909,176	979,348	966,891	1,047,327	1,152,315	536,422	318,649	226,897	482,638
Total governmental activities expenses	60,978,008	60,190,443	59,730,392	57,508,854	60,340,921	52,462,865	49,383,520	45,610,331	44,763,794
Business-type activities:									
Water Fund	1,890,030	1,873,817	1,682,772	1,732,292	1,722,238	1,611,942	1,420,822	1,815,665	1,425,268
Sewer Fund	3,730,118	3,764,890	4,101,213	3,659,479	3,497,571	3,009,609	2,998,432	3,070,767	3,285,810
Beach Fund	2,027,956	1,613,978	1,439,581	1,383,501	1,194,320	1,143,886	1,099,735	1,047,187	1,042,064
Middlebridge Recreation Fund	189,469	-	-	-	-	-	-	-	-
Total business-type activities expenses	7,837,573	7,252,685	7,223,566	6,775,272	6,414,129	5,765,437	5,518,989	5,933,619	5,753,142
Total primary government expenses	68,815,581	67,443,128	66,953,958	64,284,126	66,755,050	58,228,302	54,902,509	51,543,950	50,516,936
<b>Program Revenues:</b>									
Governmental activities:									
Charges for services:									
General government	1,356,215	1,271,041	1,415,282	1,033,620	1,018,126	974,427	983,611	1,019,898	1,553,177
Financial administration	700,491	656,167	656,167	641,989	645,099	325,000	325,000	195,000	195,000
Public safety	712,988	568,833	625,609	593,592	507,740	621,966	524,600	494,861	461,177
Public works	1,050	400	1,050	1,100	1,625	1,075	1,250	-	17,934
Social services	-	-	-	-	-	31,499	-	15,632	7,746
Parks and recreation	623,976	598,997	109,911	131,421	135,667	548,215	629,984	668,716	501,016
Planning, engineering and inspection	468,874	402,698	325,717	313,100	228,230	421,343	376,977	367,820	242,445
Library	9,619	10,619	8,412	6,997	6,644	-	-	-	-
Food Service	-	-	229,198	215,034	234,592	264,559	295,032	303,682	329,454
Other	-	-	500,793	368,003	381,414	-	-	-	-
Education	605,599	636,300	688,583	870,270	342,412	472,852	202,797	273,618	587,178
Operating grants and contributions	4,630,534	4,556,277	4,200,924	3,945,898	2,996,995	4,718,839	3,376,402	3,316,221	4,336,928
Capital grants and contributions	202,815	981,500	1,146,219	638,539	1,190,259	3,717,528	2,059,431	2,455,066	2,142,157
Total governmental activities program revenues	9,312,161	9,682,832	9,907,865	8,759,563	7,688,803	12,097,303	8,775,084	9,110,514	10,374,212
Business-type activities:									
Charges for services:									
Water Fund	2,123,262	1,541,433	1,291,766	1,371,384	1,263,442	1,305,178	1,212,254	1,275,912	1,063,350
Sewer Fund	4,576,529	4,177,713	3,900,155	3,995,311	3,935,886	3,842,147	3,818,004	3,682,157	3,590,886
Beach Fund	1,862,687	1,902,033	1,659,461	1,678,536	1,394,208	1,504,371	1,380,711	1,204,459	1,256,654
Middlebridge Recreation Fund	65,113	-	-	-	-	-	-	-	-
Capital grants and contributions, Sewer Fund	-	-	-	-	-	-	-	-	477,894
Total business-type activities program revenues	8,627,591	7,621,179	6,851,382	7,045,231	6,593,536	6,651,696	6,410,969	6,162,528	6,388,784
Total primary government program revenues	17,939,752	17,304,011	16,759,247	15,804,794	14,282,339	18,748,999	15,186,053	15,273,042	16,762,996
<b>Net (Expense) Revenue:</b>									
Governmental activities	(51,665,847)	(50,507,611)	(49,822,527)	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)	(36,499,817)	(34,389,582)
Business-type activities	790,018	368,494	(372,184)	269,959	179,407	886,259	891,980	228,909	635,642
Total primary government net expenses	(50,875,829)	(50,139,117)	(50,194,711)	(48,479,332)	(52,472,711)	(39,479,303)	(38,169,434)	(36,270,908)	(33,753,940)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION  
LAST NINE FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

	Fiscal Year								
	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Revenues and Other Changes in Net Position:</b>									
Governmental activities:									
Property taxes and in lieu of taxes	44,974,695	44,908,921	44,522,795	42,585,105	41,435,378	38,699,963	37,454,608	36,424,752	34,777,052
State aid, unrestricted	1,526,105	1,422,516	1,686,866	2,466,572	2,501,803	2,828,020	3,651,506	3,297,710	2,495,003
Investment income	40,703	168,042	65,845	274,532	(172,041)	596,193	687,436	208,292	491,478
Other revenues	30,182	101,577	159,064	90,826	111,390	37,436	468,859	440,452	33,799
Transfers	(924,669)	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital	-	-	-	-	-	317,850	(17,663)	(69,349)	-
Total governmental activities	45,647,016	46,601,056	46,434,570	45,417,035	43,876,530	42,479,462	42,244,746	40,301,857	37,797,332
Business-type activities:									
Investment income	65,032	80,336	354,455	500,853	534,147	753,114	651,007	354,565	302,370
Transfers	924,669	-	-	-	-	-	-	-	-
Other revenues	392,087	-	-	-	-	-	(18,521)	-	483,318
Total business-type activities	1,381,788	80,336	354,455	500,853	534,147	753,114	632,486	354,565	785,688
Total primary government	47,028,804	46,681,392	46,789,025	45,917,888	44,410,677	43,232,576	42,877,232	40,656,422	38,583,020
<b>Change in Net Position:</b>									
Governmental activities	(6,018,831)	(3,906,555)	(3,387,957)	(3,332,256)	(8,775,588)	2,113,900	3,183,332	3,802,040	3,407,750
Business-type activities	2,171,806	448,830	(17,729)	770,812	713,554	1,639,373	1,524,466	583,474	1,421,330
Total primary government	\$ (3,847,025)	\$ (3,457,725)	\$ (3,405,686)	\$ (2,561,444)	\$ (8,062,034)	\$ 3,753,273	\$ 4,707,798	\$ 4,385,514	\$ 4,829,080

(concluded)

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 3

	FISCAL YEAR								
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
General Fund:									
Reserved	\$ -	\$ -	\$ -	\$ 380,047	\$ 288,903	\$ 310,481	\$ 268,762	\$ 271,989	\$ 243,993
Unreserved:									
Designated for next year's budget	-	-	-	-	148,171	1,000,000	800,000	700,000	500,000
Undesignated	-	-	-	4,099,653	1,735,519	1,611,116	2,755,351	3,088,227	3,005,784
Nonspendable	2,000,281	2,112,420	331,498	-	-	-	-	-	-
Restricted	5,195,278	4,655,701	3,745,542	-	-	-	-	-	-
Assigned	2,219,760	414,758	-	-	-	-	-	-	-
Unassigned	4,229,693	6,580,480	6,340,414	-	-	-	-	-	-
Total General Fund	<u>13,645,012</u>	<u>13,763,359</u>	<u>10,417,454</u>	<u>4,479,700</u>	<u>2,172,593</u>	<u>2,921,597</u>	<u>3,824,113</u>	<u>4,060,216</u>	<u>3,749,777</u>
All Other Governmental Funds:									
Reserved	-	-	-	-	-	220,017	2,780	-	202,545
Unreserved:									
Designated for next year's budget	-	-	-	-	-	692,456	530,646	219,973	506,646
Unreserved	-	-	-	-	-	859,171	792,456	530,646	119,973
Unreserved, reported in:									
Special Revenue Funds	-	-	-	4,802,382	5,864,427	1,301,496	293,909	1,105,154	1,015,000
Debt Service Fund	-	-	-	-	-	377,081	372,951	29,860	28,717
Capital Projects Funds	-	-	-	3,216,836	(112,274)	(67,310)	845,523	737,751	974,845
Restricted	553,042	493,255	982,020	-	-	-	-	-	-
Committed	2,844,035	2,582,359	3,983,825	-	-	-	-	-	-
Assigned	452,219	561,192	729,013	-	-	-	-	-	-
Unassigned	(180,562)	(118,319)	(2,112,922)	-	-	-	-	-	-
Total All Other Governmental Funds	<u>3,668,734</u>	<u>3,518,487</u>	<u>3,581,936</u>	<u>8,019,218</u>	<u>5,752,153</u>	<u>3,382,911</u>	<u>2,838,265</u>	<u>2,623,384</u>	<u>2,847,726</u>
Grand Total	<u>\$ 17,313,746</u>	<u>\$ 17,281,846</u>	<u>\$ 13,999,390</u>	<u>\$ 12,498,918</u>	<u>\$ 7,924,746</u>	<u>\$ 6,304,508</u>	<u>\$ 6,662,378</u>	<u>\$ 6,683,600</u>	<u>\$ 6,597,503</u>

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									
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
<b>Revenues:</b>										
General property taxes and payments in lieu of taxes	\$ 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	\$ 33,552,332
State aid, unrestricted	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	2,267,400
Charges for services	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	3,106,353
Operating grants and contributions	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	4,191,364
Capital gains and contributions	32,425	811,998	1,184,276	638,539	1,190,259	3,717,528	2,062,900	2,562,125	2,142,157	1,000
Investment income	40,703	168,042	65,845	274,532	49,041	601,366	707,448	208,292	452,438	(197,273)
State contribution to teachers pension plan	-	-	933,945	-	-	-	-	-	-	-
Other revenues	60,529	148,322	465,288	980,017	117,189	508,989	468,859	440,452	422,888	377,954
<b>Total revenues</b>	<b>55,806,769</b>	<b>56,261,670</b>	<b>57,022,783</b>	<b>54,526,013</b>	<b>51,069,266</b>	<b>54,067,352</b>	<b>51,044,396</b>	<b>49,533,949</b>	<b>48,193,894</b>	<b>43,299,130</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	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	1,111,626
Financial administration	1,275,723	1,541,310	1,118,473	1,054,645	957,878	950,184	1,026,003	1,032,665	981,876	924,635
Public safety	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	8,507,766
Public works	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	1,976,648
Social services	54,874	100,779	177,829	353,678	226,346	256,836	662,110	421,544	721,123	728,494
Parks and recreation	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	1,847,953
Planning, engineering and inspection	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	1,387,153
Library	690,615	670,406	649,384	679,346	634,152	-	-	-	-	-
Municipal Court	-	-	380,926	-	357,069	343,724	363,427	419,440	419,192	424,704
Other	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	612,948
Education	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	24,310,688
<b>Debt service:</b>										
Principal	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	1,986,815
Interest	922,026	969,447	1,012,797	1,072,286	1,290,766	-	-	-	-	-
Capital outlay and Major Maintenance	2,378,620	2,367,389	1,011,065	146,592	9,482,535	11,771,334	-	-	-	-
<b>Total expenditures</b>	<b>55,155,801</b>	<b>54,471,353</b>	<b>54,924,335</b>	<b>51,831,926</b>	<b>82,709,438</b>	<b>64,595,222</b>	<b>51,906,118</b>	<b>49,447,852</b>	<b>48,001,599</b>	<b>43,819,430</b>
Excess (deficiency) of revenues over expenditures	650,968	1,790,317	2,098,448	2,694,087	(31,640,172)	(10,527,870)	(861,722)	86,097	192,295	(520,300)
<b>Other financing sources (uses):</b>										
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	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	25,296,612
Transfers to other funds	(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)	(25,292,612)
Sale of capital assets	25,061	12,375	18,500	27,900	-	360,000	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(619,068)</b>	<b>154,416</b>	<b>728,307</b>	<b>27,900</b>	<b>33,259,221</b>	<b>10,160,000</b>	<b>840,500</b>	<b>-</b>	<b>713,967</b>	<b>4,000</b>
<b>Net change in fund balances</b>	<b>\$ 31,900</b>	<b>\$ 1,944,733</b>	<b>\$ 2,826,755</b>	<b>\$ 2,721,987</b>	<b>\$ 1,619,049</b>	<b>\$ (367,870)</b>	<b>\$ (21,222)</b>	<b>\$ 86,097</b>	<b>\$ 906,262</b>	<b>\$ (516,300)</b>
Debt service as a percentage of noncapital expenditures	4.3%	4.8%	4.7%	6.3%	33.1%	4.2%	4.1%	4.3%	4.7%	4.5%

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

Source: Town of Narragansett, Rhode Island Assessor

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 6*

Taxpayer	Type of Business	FISCAL YEAR 2012-13 (ASSESSED VALUE AS OF 12-31-11)			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	14,210,315	2	0.32%	7,751,230	2	0.47%
Narragansett Electric	Electric Utility	11,556,000	3	0.26%	3,509,010	6	0.21%
Point Judith Country Club	Private Golf Course	8,208,939	4	0.18%	3,388,200	4	0.21%
JDL Family LTD Partnership	Shopping Plaza	7,136,900	5	0.16%	3,051,900	3	0.19%
Gilbane Properties Retail Shopping	Retail Shopping	7,047,800	6	0.16%	2,762,800	7	0.17%
J. Terrance Murray	Residential Property	6,978,200	7	0.16%	845,750	10	0.05%
Recreation Partners I	Hotel/Restaurant	6,680,500	8	0.15%	3,443,300	9	0.21%
United Water Company	Water Utility	6,114,700	9	0.14%	5,066,030	5	0.31%
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	0.12%	-		
Micacci, Anthony & Lucille	Residential Property	5,151,100	13	0.11%	-		
Murray, Stephen P & Tami A.	Residential Property	4,958,200	14	0.11%	-		
Beachwood Preservation Assoc.	Senior Apartments	4,953,200	15	0.11%	2,447,200	8	0.15%
Picerne, John G. Trust	Residential Property	4,765,900	16	0.11%	-		
Cox Communications	Telecommunications Company	4,641,600	17	0.10%	-		
		<u>\$ 131,274,354</u>		<u>2.93%</u>	<u>\$ 45,247,420</u>		<u>2.77%</u>
	Total assessed valuation (gross)	<u>\$ 4,484,296,346</u>			<u>\$ 1,636,397,139</u>		
	Commercial/Industrial Values	\$ 93,340,454		2.08%	\$ 44,401,670		2.71%
	Residential Values	37,933,900		0.85%	845,750		0.05%

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
2003-04	\$ 33,462,184	\$ 33,267,395	99.42%
2004-05	34,339,260	34,158,944	99.47%
2005-06	36,266,408	36,131,210	99.63%
2006-07	37,367,278	37,136,701	99.38%
2007-08	38,496,512	38,081,116	98.92%
2008-09	41,264,467	38,670,037	93.71%
2009-10	44,923,670	43,608,209	97.07%
2010-11	45,357,123	44,407,854	97.91%
2011-12	45,657,642	44,917,809	98.38%
2012-13	45,635,119	44,843,811	98.27%
		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%

Source: Town of Narragansett Tax Collector

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 8*

List Year	Fiscal Year	Residential Property Rate	Commercial Property Rate	Personal Property Rate	Motor Vehicle Rate	Inventory Rate
2002	2003-04	\$10.30	\$15.45	\$15.45	\$16.46	\$8.43
2003	2004-05	\$10.57	\$15.86	\$15.86	\$16.46	\$6.74
2004	2005-06	\$10.89	\$16.34	\$16.34	\$16.46	\$5.05
2005	2006-07	\$6.74	\$10.11	\$10.11	\$16.46	\$3.37
2006	2007-08	\$6.96	\$10.44	\$10.44	\$16.46	\$1.69
2007	2008-09	\$7.25	\$10.87	\$10.87	\$16.46	\$0.00
2008	2009-10	\$8.58	\$12.87	\$12.87	\$16.46	\$0.00
2009	2010-11	\$8.86	\$13.29	\$13.29	\$16.46	\$0.00
2010	2011-12	\$8.97	\$13.45	\$13.45	\$16.46	\$0.00
2011	2012-13	\$9.57	\$14.35	\$14.35	\$16.46	\$0.00

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 9*

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Gross Bonded Debt</u>	<u>Debt payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt per Capita</u>
2003-04	16,361	\$ 3,157,730,964	\$ 20,440,495	\$ 10,243,365	\$ 10,197,130	0.32%	\$ 623.26
2004-05	16,361	3,475,333,264	20,533,815	11,477,210	9,056,605	0.26%	553.55
2005-06	16,361	3,241,080,612	19,126,134	11,522,225	7,603,909	0.23%	464.76
2006-07	16,361	5,367,870,289	17,231,063	11,088,164	6,142,899	0.11%	375.46
2007-08	16,361	5,360,420,599	15,865,000	1,408,380	14,456,620	0.27%	883.60
2008-09	16,361	5,398,104,887	25,034,999	875,952	24,159,047	0.45%	1,476.62
2009-10	15,868	4,806,550,396	31,728,315	6,692,867	25,035,448	0.52%	1,577.73
2010-11	15,868	4,851,134,860	30,196,064	6,638,301	23,557,763	0.49%	1,484.61
2011-12	15,868	4,764,166,250	27,864,187	5,795,183	22,069,004	0.46%	1,390.79
2012-13	15,868	4,484,296,346	25,968,000	5,198,315	20,769,685	0.46%	1,308.90

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 10*

	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	Assessment Date 12/31/2004 FY 2005-06
Net assessed valuation	\$ 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	\$3,241,080,612
Debt limit	134,528,890	142,924,988	145,534,046	144,196,512	161,943,147	160,812,618	161,036,109	97,232,418
Total net debt applicable to limit	21,653,251	21,949,850	23,557,763	25,035,448	24,159,047	14,456,620	6,142,899	7,603,909
Legal debt margin	112,875,639	120,975,138	121,976,283	119,161,064	137,784,100	146,355,998	154,893,210	89,628,509
Total net debt applicable to limit as a percentage of the debt limit	16.10%	15.36%	16.19%	17.36%	14.92%	8.99%	3.81%	7.82%

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 11*

Fiscal Year	Principal	Interest	Total Debt Service	Total Governmental Funds Expenditures (1)	Ratio of Total Debt Service to Total Governmental Expenditures
2004	\$ 1,460,348	\$ 522,618	\$ 1,982,966	\$ 43,819,430	4.53%
2005	1,714,282	448,239	2,162,521	48,001,599	4.51%
2006	1,745,042	352,047	2,097,089	49,447,852	4.24%
2007	1,461,010	244,241	1,705,251	51,906,118	3.29%
2008	1,486,279	195,495	1,681,774	64,595,222	2.60%
2009	1,429,810	1,290,766	2,720,576	61,209,438	4.44%
2010	2,194,667	1,072,286	3,266,953	51,831,926	6.30%
2011	1,526,266	1,012,797	2,539,063	54,924,335	4.62%
2012	1,534,485	969,447	2,503,932	54,471,353	4.60%
2013	1,370,553	922,026	2,292,579	55,155,801	4.16%

Note:

(1) Modified accrual basis of accounting

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS

JUNE 30, 2013  
(UNAUDITED)

*Exhibit 12*

Employer	Type of Business	Number of Employees
Town of Narragansett	Municipality/Schools	448
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	ports & Recreation - Private Club	80
NOAA National Marine Fisheries Service	Federal Government	70

Unemployment rate: 5.6% - June 2013

TOWN OF NARRAGANSETT, RHODE ISLAND

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

*Exhibit 13*

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Administration	11.0	11.0	11.0	10.0	9.0	11.0	10.0	10.0	10.0	10.0
Financial administration	15.0	16.0	16.0	16.0	15.0	12.0	14.0	14.0	14.0	14.0
Public safety:										
Police:										
Officers	41.0	41.0	41.0	42.0	42.0	41.0	41.0	41.0	39.0	39.0
Civilians	15.0	14.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0
Fire:										
Firefighter and officers	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Public Safety	91.0	90.0	89.0	90.0	90.0	88.0	88.0	88.0	86.0	86.0
Public works:										
Administration & Highway	13.0	13.0	13.0	13.0	13.0	13.0	13.0	14.0	14.0	14.0
Parks Maintenance	0.0	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Engineering	2.6	2.6	2.6	2.6	2.7	3.0	3.0	3.0	3.0	3.0
Total Public Works & Engineering	15.6	21.1	21.1	21.1	21.2	21.5	21.5	22.5	22.5	22.5
Parks and recreation	4.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	8.0	8.0
Parks Maintenance	5.5	0.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Planning and Development	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Education:										
Administrative, certified	8.0	8.0	8.0	8.0	9.0	9.0	10.0	9.0	9.0	9.0
Administrative, noncertified	11.4	11.0	11.0	11.0	11.0	11.0	12.0	11.0	10.0	10.0
Classroom aides	28.0	28.0	31.0	29.0	28.0	28.0	28.0	25.0	28.0	32.0
Teachers	154.8	154.9	158.0	158.0	154.0	158.0	159.0	163.0	179.0	181.0
Bus drivers, monitors, and bus aides	24.0	24.0	22.0	24.0	27.0	27.0	26.0	26.0	26.0	27.0
Clerks	12.0	12.0	11.0	11.0	12.0	13.0	14.0	15.0	15.0	16.0
Operation and maintenance	18.0	18.0	20.0	22.0	20.0	20.0	20.0	19.0	19.0	20.0
	256.2	255.9	261.0	263.0	261.0	266.0	269.0	268.0	286.0	295.0
Library - full-time	5.0	5.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0	5.0
Library-part-time	18.0	18.0	16.0	16.0	16.0	N/A	N/A	N/A	N/A	N/A
Fleet Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	5.6	5.6	5.6	5.6	5.6	5.6	4.0	4.0	4.0	4.0
Wastewater Treatment	9.8	9.8	9.8	9.8	9.8	9.8	9.0	9.0	9.0	9.0
Beach	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Total	449.2	447.9	449.0	451.0	448.1	434.4	435.0	435.0	455.5	464.5

TOWN OF NARRAGANSETT, RHODE ISLAND  
 MISCELLANEOUS STATISTICS  
 JUNE 30, 2013  
 (UNAUDITED)

**Exhibit 14**

<b>Town Incorporation</b>	1901	<b>Municipal buildings:</b>	
<b>Type of Government</b>	Council / Town Manager	Town Hall	1
<b>Population:</b>		Fire Stations	3
Official U.S. Census:		Police Station	1
1950	2,288	Education	
1960	3,444	High School (Grades 9 – 12)	1
1970	7,138	Middle School (Grades 5 – 8)	1
1980	12,088	Elementary (Grades Pre-K – 4)	1
1990	15,004	Wastewater pumping stations	19
2000	16,361	Wastewater treatment plant	1
2010 (State of RI Est.)	17,454	Water pumping stations	1
2010 Census	15,876	Water storage tanks	3
<b>Area of Town</b>	18.3 square miles	Public works garage/maintenance facility	2
<b>Shoreline</b>	44.2 miles	Library	1
<b>Miles of Streets:</b>		Parks/recreation buildings	9
Local Paved	103	Beach Cabanas – 84 units	1
State Paved	25	Beach clubhouse	1
<b>Construction (Period 1-1-12 to 12-31-12):</b>		North Beach Pavilion – 282 units	1
Permits Issued	1,945	South Beach Pavilion – 218 units	1
Total Value	\$32,523,238	Kinney Bungalow	1
<b>Elections – November 2010:</b>		Comfort station	1
Registered voters	12,234	Community Center	1
Number of votes cast	6,573	The Towers	1
Percentage voting	54%	<b>Recreation Facilities:</b>	
<b>Fire Protection:</b>		Public squares	3
Fire alarm boxes	181	Acres for recreation (developed)	48
Fire hydrants	683	Playgrounds	6
<b>Education: Student Enrollments:</b>		Tot lots	1
Pre-Kindergarten	61	Play fields and major recreation facilities	7
Elementary (grades k – 4)	494	Undeveloped sites	2
Middle School (grades 5 – 8)	415	Municipal tennis courts	19
High (grades 9 – 12)	455	Bathing beaches	1
Special Education-Out of Dist	12	Diamonds:	
CHARIHO	6	Hard ball	4
Total in all schools	1,443	Soft ball	1
Home Instruction	16	Basketball courts:	
Charter Schools	24	Outdoor	7
Total	1,483	Indoor (schools)	3
		Soccer Fields	7



CERTIFIED PUBLIC ACCOUNTANTS

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

***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, 2013, 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 March 3, 2014.

***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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-001, 2013-002 and 2013-003 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Narragansett, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town of Narragansett, Rhode Island's responses were not subjected to the audit 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  
March 3, 2014

**TOWN OF NARRAGANSETT, RHODE ISLAND**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended June 30, 2013**

**Capital Assets**

**2013-001 Material Weakness** – The Town does not have formal policies and procedures in place to properly account for the Town’s construction in progress, capital assets, accumulated depreciation and depreciation expense on a perpetual basis. 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, 2013, 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** – The Town has a new Finance Director who started work on February 3, 2014. This material weakness has been brought to her attention. It has also been recommended that the Finance Director hold an audit exit review with the Town’s Auditor to identify ways in which this material weakness can be resolved.

An issue with the preparation of capital asset information was that considerable time was lost in preparing information due to the fact that a newly transferred employee into the Accounting unit was not able to perform the tasks required of the position. Over three months elapsed from July 1, 2013 until September during which time vendor bills were not being paid. The resolution of this problem cost the Accounting staff to fall behind in year-end closing and reconciliation issues.

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The Town Council on January 21, 2014 approved the purchase of Munis financial accounting software. It is hoped that this new software will help resolve many of the issues the Town has faced with the proper accounting of capital assets. IT staff are working with the Munis people to have the new software in place for July 1, 2014, the start of the 2015 fiscal year. It is anticipated that the Munis software will include policies and procedures to reconcile capital assets.

***Financial Reporting and Closing Procedures***

**2013-002** ***Material Weakness*** – An entity’s system of internal controls should be designed and operate to allow the entity to prepare accurate financial statements in conformance with generally accepted accounting principles and be designed and operate to prevent, detect and correct misstatements in the financial statements on a timely basis. The system should also be designed and operate to allow the entity to properly monitor the financial position of the entity.

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

As a result of the lack of formal monthly closing procedure, we had to propose audit adjustments to correct the investment transactions in the Pension and OPEB Trust Funds. We also noted certain transactions that occurred during the year that were not recorded until after year-end.

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

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**Management's Response** – The inadequacies of the existing Unifund financial accounting software are one of the problems leading to the Auditor's identification of this material weakness. As stated above, new financial accounting software is hoped to be in place by July 1, 2014.

For the upcoming 2014 audit, it has been recommended to the new Finance Director hold an audit exit review with the Auditors to obtain Auditor's suggestions in helping to resolve this finding.

It will be the recommendation to the new Finance Director that the Auditor's recommendations relating to formal monthly closing procedures be implemented.

**Grant Management**

**2013-003 Material Weakness** – The Town receives grants from various Federal, State and private agencies. The Town accounts for the revenues and expenditures for these grants in a separate Special Revenue Fund. The Town has set up separate revenue and expenditure accounts within this fund to account for each grant separately. Personnel outside the Finance and Accounting Departments are responsible for administering and monitoring the grants. The Finance Department does not monitor the grant transactions throughout the year. The lack of communication between the departments has resulted in revenues and expenditures being recorded to incorrect accounts or funds. It has also resulted in funds not being requested for reimbursement and grants being over and under spent. The lack of formal procedures over grant management is a weakness in internal control that could result in material misstatements to the financial statements, deficits in the grant funds and the expiration of the grant funding period.

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

**Management's Response** – The outgoing Finance Director has recommended to the new Finance Director that there be closer coordination between the Finance Department and those departments administering grants. The major problem with CDBG Grants has been resolved with the Town joining the CDBG Grant Consortium administered by the Town of East Greenwich. One area of improvement could be the planned closer review of grant programs and when reports are due and to make sure grant applications are filed on a timely basis.