

TOWN OF NARRAGANSETT, RHODE ISLAND
Comprehensive Annual Financial Report
For the Fiscal Year Ended
June 30, 2016

Laura K. Kenyon
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, 2016

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

January 31, 2017

To the Citizens of the Town of Narragansett:

The comprehensive annual financial report of the Town of Narragansett, Rhode Island, for the fiscal year ended June 30, 2016, 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.

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

The Town of Narragansett's financial statements have been audited by Bacon and Company, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Narragansett for the fiscal year ended June 30, 2016, 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, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

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

Government

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

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

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

bonds or notes by ordinance, except that no bonded indebtedness may be incurred pledging the credit of the Town in excess of 1.5% of the budget in any one fiscal year unless submitted to a vote of the electors at either a general or special election and approved by a majority of the electors voting at said election.

Education

The general administration of the Narragansett School System is directed by a five-member School Committee that is elected at large at the regular biennial elections for staggered four-year terms. The School Committee determines and controls all policies affecting the administration, maintenance, and operation of the public schools in the Town. The School Committee appoints a Superintendent as its chief administrative agent; submits a detailed budget of expenditures and revenue to the Town Council and, once the school budget has been approved, determines the allocation of the amount appropriated. The cost of operating the Town's School System for the fiscal year ended June 30, 2016 was \$28,565,504. The School Department budget for fiscal year ended June 30, 2016 is \$29,596,917 and the budget for fiscal year ending June 30, 2017 is \$29,103,490. The budgeted cost per student in the fiscal year ending June 30, 2016 was \$22,236 shared by the Town and the State of Rhode Island in the form of School Operations Aid. The Town has one elementary school, one middle school and one high school. As of October at the beginning of each school year, the student enrollment in the Narragansett School System for the past five years has been and is projected to be as follows:

Fiscal Year	Actual	Fiscal Year	Projected
Ending	Enrollment	Ending	Enrollment
2010	1,469	2015	1,353
2011	1,481	2016	1,331
2012	1,453	2017	1,330
2013	1,457	2018	1,320
2014	1,408	2019	1,320

Municipal Services

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

Wastewater Facilities

The Town has 20 sewage pumping stations and approximately 90 miles of sanitary sewers. Service for the southern portion of Narragansett, including the commercial fishing port of Galilee, is provided at the Town-owned Scarborough Wastewater Treatment Plant, a 1.4 million gallon per day (MGD) extended aeration plant. The South Kingstown Regional Treatment Facility provides wastewater treatment for the Pier area and the northern portion of the Town. Approximately 7,848 connections are serviced by the Town. The annual rate for residential users is currently \$400 per unit. The Wastewater Division operates as an enterprise fund, with all operations funded from user fees and assessments.

Water Facilities

The Town's Water Division is responsible for the treatment (i.e. chlorine injection) and conveyance of potable water for domestic, commercial, industrial and fire protection uses. All water used within the Town's system is purchased from SUEZ (formerly United Water of Rhode Island, a private company), or the Town of North Kingstown. In addition to its operational and maintenance activities related to the Town's water storage, transmission and conveyance systems and infrastructure, the Division provides technical assistance to the Town in reviewing water related plans or regulations. The Town owns, operates and maintains three water storage tanks, with a combined capacity of two million gallons, and approximately 85 miles of water mains. Approximately one-half of the Town's populated area (representing 5,285 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 2015 were the lead paint remediation and re-painting of two of the storage tanks. The Water Division operates as an enterprise fund, with all operations funded from user fees and assessments.

Public Works

The Town's Public Works Department provides a full range of services including street constructions/maintenance, snow removal and maintenance of Town property. The Public Works Department expended \$2,774,303 for fiscal year ended June 30, 2016 and budgeted \$2,941,122 and \$3,100,459 for the fiscal years ending June 30, 2016 and 2017, respectively.

Public Safety

Services include fire prevention, emergency medical rescue, police patrol, investigations, community education, dispatching, harbor patrol and animal control functions. The Narragansett Police Department has a force that consists of 53 full-time police officers, and other support personnel. The Police Department expended \$7,704,369 for fiscal year ended June 30, 2016 and budgeted \$7,592,282 and \$7,662,087 for the fiscal years ending June 30, 2016 and 2017, respectively. The Town has three fire stations staffed by 34 full-time fire fighters. The Fire Department expended \$5,127,805 for fiscal year ended June 30, 2016 and budgeted \$5,103,026 and \$5,202,217 for the fiscal years ending June 30, 2016 and 2017, respectively.

Employee Relations

As of June 30, 2016, the Town employs 165 full-time employees exclusive of those employed by the School Department. The School Department employs 157 professional and 96 full-time and part-time non-professional employees.

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

Police Department- 3 year contract expires June 30, 2019

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

School Dept. Non-Certified- 3 year contract expires June 30, 2018

Fire Department- 3 year contract expires June 30, 2019

Teachers- 3 year contract expires August 31, 2018

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

Retirement Programs

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

The Town Plan

The Town contributes to the Town Plan, a single employer public employee retirement plan established in accordance with the Town Charter. The Plan is considered part of the Town's financial reporting entity and is included in the Town's annual financial report as a pension trust fund. All permanent, regular and probationary status employees who work for at least five months of a year and for at least twenty hours per week are eligible to participate in the Town Plan, a single-employer defined benefit pension plan, except as follows: School System employees who have been, are, or will be eligible for membership in the Employees' Retirement System of Rhode Island and any police officer covered under the Police Plan who has refused to join the Town Plan. The Town Plan was established by the Town in accordance with Town Ordinance. The Town Plan is included in the Town's financial statements as a pension trust fund.

Police Plan

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

School Teachers' Retirement Plan

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

Defined Contribution Plan for ERSRI Participants

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

Other Post-Employment Benefits

Town Plan

The Town administers a single-employer, defined benefit post-employment benefit plan. The plan provides medical, dental and life insurance for eligible retirees and their dependents through the Town's group insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the Town and the respective unions or as established by the Town Ordinance for non-union employees. On August 1, 2011 the Town Council authorized the creation of an OPEB Trust Fund. As such, the plan has been reported as a Trust Fund in the Town's financial statements in fiscal year 2016. The plan does not issue a publicly available financial report.

School Plan

The Narragansett School System administers a single-employer, defined benefit post-employment benefit plan. The plan provides medical and dental insurance for eligible retirees and their dependents through the School System's group insurance plans, which cover both active and retired members. Benefit provisions are established and amended by the union contracts through negotiations between the School System and the respective unions or as established by employee contract for non-union employees.

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

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

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

officials' liability claims, which are subject to a \$5,000 deductible. The pool's self-insured retention levels range from \$10,000 to \$1,000,000 depending on the type of coverage provided. In addition to the self-insurance provided by the pool, there is also reinsurance through third party sources for claims up to \$5,000,000. In addition to the insurance coverage provided, the pool also provides various educational and training seminars to promote safety training and loss control efforts.

ACKNOWLEDGEMENTS

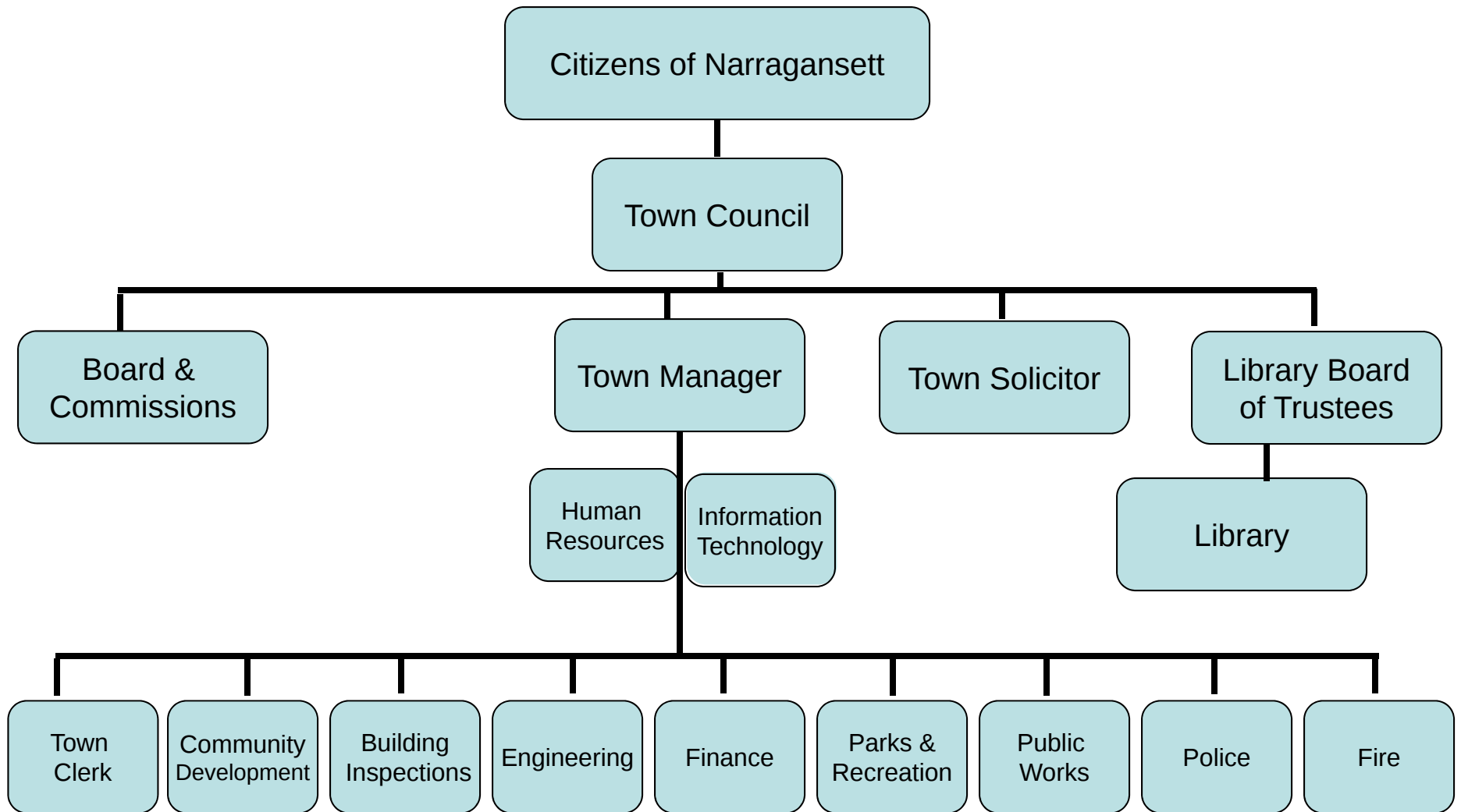
The preparation of this report was made possible by the efficient and dedicated services of the entire staff of the Finance Department. I sincerely appreciate their efforts in assisting me with preparing this comprehensive annual financial report.

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

Respectfully submitted,

Laura K. Kenyon
Finance Director

Governmental Organization



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

JUNE 30, 2016

Elected Officials

Council President	Matthew M. Mannix
President Pro Tempore	Susan Cicilline-Buonanno
Council Member	Patrick Murray
Council Member	Raymond Ranaldi
Council Member	Christopher Wilkens
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	James M. Manni
Town Solicitor	Dawson Hodgson, Esq.
Finance Director	Laura K. Kenyon
Town Clerk	Anne M. Irons
Town Engineer	Jeffry Ceasrine
Police Chief	Sean Corrigan
Fire Chief	Scott Partington
Public Works Director	Michael DiCicco
Parks & Recreation Director	Steven T. Wright
Community Development Director	Michael J. DeLuca
Inspectional Services Director	Anthony L. Santilli
Human Resources Manager	Susan E. Healy
Town Controller	Laurie A. LaBore
Tax Assessor	Allan Booth
Tax Collector	Christine A. Beck
Purchasing Agent	Susan W. Gallagher
Library Director	Patti A. Arkwright
Superintendent of Schools	Katherine E. Sipala
Director of Finance, School Department	Karen M. Hagan

FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Narragansett, Rhode Island, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary pension and other postemployment benefit information on pages 4 through 13 and pages 74 through 88 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Narragansett, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

statements, the combining fiduciary fund financial statements, and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 31, 2017 on our consideration of the Town of Narragansett, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Narragansett, Rhode Island's internal control over financial reporting and compliance.

Bacon & Company, LLC

Warwick, Rhode Island
January 31, 2017

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, 2016 (FY2016) has been prepared. The Town administration encourages all to consider the information presented herein in conjunction with the additional information furnished in the *Letter of Transmittal*, which can be found at the beginning of this report.

Financial Highlights

At the end of the current fiscal year, the total fund balance for the General Fund was \$18,384,363 or 33.8 % of the total 2016 budgeted revenues. This is a decrease of \$196,308 from the prior year fund balance.

The total unassigned fund balance of the General Fund is \$10,045,489 or 18.5% of the total 2016 budgeted revenues. This is an increase of \$1,264,330 from the prior year unassigned fund balance.

The total assigned, committed, restricted or nonspendable fund balance of the General Fund is \$8,338,874. This is a decrease of \$1,460,638 from the prior year total assigned, committed, restricted or nonspendable fund balance.

The Town General Fund ended the fiscal year 2016 with a budgetary operating surplus of \$2,001,281.

The total bonded debt amount of the Town of Narragansett decreased by \$ 1,560,000.

As reported in the government wide financial statements, the assets and deferred outflows of resources of the Town of Narragansett exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,383,481. The Town's capital asset base has been developed from both the current operations and debt. The Town has recorded its property and equipment at original values in order to insure proper asset management.

The Town's total net position decreased by \$2,648,104 for the fiscal year ended June 30, 2016.

Overview of the Financial Statements

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

1. Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.
 - a. *Statement of Net Position*: This statement presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

- b. *Statement of Activities*: This statement presents information showing how the government's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused personnel leaves).
- c. Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, education, public safety, public works and highway, community development and recreation. The business-type activities of the Town include Water, Sewer, Beach and the Middlebridge Recreation Fund operations.

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

- 2. Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town may be divided into three categories: governmental funds, proprietary funds and fiduciary funds.
 - a. *Governmental Funds*: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information may be helpful in evaluating the Town's near-term financing requirements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

for each of these nonmajor governmental funds is provided in the form of *combining statements* and can be found on pages 89-100 of this report.

The Town adopted annual budgets for its General Fund, Water Fund, Sewer Fund, Beach Fund, and Middlebridge Recreation Fund. The School Committee adopts a budget for the operation of the Town's three schools. Budgetary comparison statements have been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on pages 16-19 of this report.

- b. *Proprietary Funds*: The Town maintains one type of proprietary fund.

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.

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

The proprietary fund financial statements can be found on pages 20-23 of this report.

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

The fiduciary fund financial statements can be found on pages 24-25 of this report.

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

The notes to the financial statements can be found on pages 26-73 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

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 74-88 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 government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,383,481 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.

Town of Narragansett's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$22,836,427	\$27,958,082	\$13,848,307	\$13,033,924	\$36,684,734	\$40,992,006
Capital assets	\$95,586,108	\$91,199,860	\$35,275,179	\$34,966,759	\$130,861,287	\$126,166,619
Total assets	<u>\$118,422,535</u>	<u>\$119,157,942</u>	<u>\$49,123,486</u>	<u>\$48,000,683</u>	<u>\$167,546,021</u>	<u>\$167,158,625</u>
Deferred outflows of resources	<u>\$16,174,957</u>	<u>\$8,246,769</u>			<u>\$16,174,957</u>	<u>\$8,246,769</u>
Current liabilities	\$4,979,558	\$5,642,724	\$1,542,756	\$970,980	\$6,522,314	\$6,613,704
Noncurrent liabilities	\$126,642,367	\$113,197,660	\$2,975,217	\$3,399,996	\$129,617,584	\$116,597,656
Total liabilities	<u>\$131,621,925</u>	<u>\$118,840,384</u>	<u>\$4,517,973</u>	<u>\$4,370,976</u>	<u>\$136,139,898</u>	<u>\$123,211,360</u>
Deferred inflows of resources	<u>\$720,162</u>	<u>\$2,157,636</u>	<u>\$2,477,437</u>	<u>\$3,004,813</u>	<u>\$3,197,599</u>	<u>\$5,162,449</u>
Net position:						
Net investment in capital assets	\$75,998,883	\$71,751,258	\$32,190,505	\$31,305,890	\$108,189,388	\$103,057,148
Restricted	\$5,685,301	\$7,550,352	\$0	\$0	\$5,685,301	\$7,550,352
Unrestricted	(\$79,428,779)	(\$72,894,919)	\$9,937,571	\$9,319,004	(\$69,491,208)	(\$63,575,915)
Total net position	<u>\$2,255,405</u>	<u>\$6,406,691</u>	<u>\$42,128,076</u>	<u>\$40,624,894</u>	<u>\$44,383,481</u>	<u>\$47,031,585</u>

At June 30, 2016, 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) and pension.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Governmental Activities: Governmental activities decreased the Town's net position by \$4,151,286.

Town of Narragansett's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$4,966,839	\$4,462,180	\$9,369,937	\$8,561,404	\$14,336,776	\$13,023,584
Operating grants and contributions	5,758,255	4,783,010		140,376	5,758,255	4,923,386
Capital grants and contributions	792,470	509,300	115,647		908,117	509,300
General revenues:						
Property taxes	48,389,492	47,541,544			48,389,492	47,541,544
State aid and in lieu of taxes	1,755,249	1,614,798			1,755,249	1,614,798
Miscellaneous and interest	272,815	415,568	159,746		432,561	415,568
Total revenues	<u>61,935,120</u>	<u>59,326,400</u>	<u>9,645,330</u>	<u>8,701,780</u>	<u>71,580,450</u>	<u>68,028,180</u>
Expenses:						
General government	2,662,489	3,354,594			2,662,489	3,354,594
Financial administration	1,857,972	1,824,303			1,857,972	1,824,303
Public safety	18,133,546	15,338,485			18,133,546	15,338,485
Public works	4,984,541	4,913,307			4,984,541	4,913,307
Social services	16,893	140,703			16,893	140,703
Parks and recreation	2,484,974	2,214,141			2,484,974	2,214,141
Planning, engineering & inspection	1,454,157	1,273,212			1,454,157	1,273,212
Library	1,001,974	782,598			1,001,974	782,598
Education	32,489,013	30,442,611			32,489,013	30,442,611
Interest on long-term debt	871,622	1,038,443			871,622	1,038,443
Water Fund			2,234,456	2,258,823	2,234,456	2,258,823
Sewer Fund			4,084,743	4,053,411	4,084,743	4,053,411
Beach Fund			1,918,514	1,749,799	1,918,514	1,749,799
Middlebridge Recreation			33,660	35,923	33,660	35,923
Total expenses	<u>65,957,181</u>	<u>61,322,397</u>	<u>8,271,373</u>	<u>8,097,956</u>	<u>74,228,554</u>	<u>69,420,353</u>
Transfers	<u>(129,225)</u>	<u>(156,636)</u>	<u>129,225</u>	<u>156,636</u>	<u>0</u>	<u>0</u>
Change in net position	(4,151,286)	(2,152,633)	1,503,182	760,460	(2,648,104)	(1,392,173)
Net position, beginning of year	6,406,691	8,559,324	40,624,894	39,864,434	47,031,585	48,423,758
Net position, end of year	<u>\$2,255,405</u>	<u>\$6,406,691</u>	<u>\$42,128,076</u>	<u>\$40,624,894</u>	<u>\$44,383,481</u>	<u>\$47,031,585</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

Property taxes levied for FY 2015-16 based on the December 31, 2014 grand list increased by \$916,976 to \$48,316,824 from the amount levied for 2014-15 of \$47,399,848. This was an increase of 1.9%, 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 2016 was \$47,679,198 which was based on a rate of collection of 98.7%. Current year collections were \$47,958,723 compared to the budgeted amount of \$47,679,198, an increase of \$279,525 or .59%.

Business-type activities: Business-type activities increased the Town's net position by \$1,503,182. Key elements of the increase are as follows:

- a. Water Fund: The net position of the Water enterprise is up \$184,453 or 3.3%.
- b. Sewer Fund: The net position for the Sewer enterprise is up \$430,915 or 1.6%.
- c. Beach Fund: The net position for the Beach enterprise is up \$726,873 or 10.5%.
- d. Middlebridge: The net position for the Middlebridge Fund is up \$160,941 or 24.9%.

Financial Analysis of the Town's Funds

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

Governmental funds: The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the reporting period, the Town governmental funds reported combined ending fund balances of \$19,590,532. Approximately 40.3% of this total amount or \$7,895,969 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 \$10,045,489, while total fund balance was \$18,384,363. 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 \$10,045,489 represents 16.9% of total General Fund expenditures and transfers of \$59,451,272, while total fund balance represents 30.9% of the same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Town's Funds (Continued)

The Town's General Fund – Fund Balance decreased by \$196,308 due mainly to the net between the lower expenditures in the operating budget of around \$723,866 and increased revenue of \$1,277,415 in the town general fund offset by a transfer out of the school general fund \$2,121,885 for capital projects and a school operating surplus of around \$369,124.

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, 2016 was \$1,578,371.
- b. Sewer Fund: The unrestricted net position of the Sewer Fund at June 30, 2016 amounted to \$6,327,399.
- c. Beach Fund: The unrestricted net position of the Beach Fund at June 30, 2016 was \$1,976,059.
- d. Middlebridge Fund: The unrestricted net position of Middlebridge Recreation Fund at June 30, 2016 was \$55,742.

General Fund Budgetary Highlights

The general fund operating budget shows an operating surplus of \$ 2,001,281. This represents 3.7% of the \$54,458,208 budget as approved by the Town Council. The largest surplus in revenue was from additional tax revenue above budget for \$393,137, town clerk receipts for \$103,934, police detail revenue for \$393,514 and the lack of need for retirement and contingency funds on the expense side totaling \$363,446, public works lower expenditures of \$166,819 and town insurance \$118,648.

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, 2016 amounted to \$130,861,287 (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 increase in the Town's investment in capital assets, net of accumulated depreciation, for FY2016 was \$4,694,668, or 3.72% (a 4.8% increase for governmental activities and a .9% increase for business-type activities).

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	
	2016	2015	2016	2015	2016	2015
Land	\$44,058,624	\$44,058,624	\$3,186,280	\$3,186,280	\$47,244,904	\$47,244,904
Construction in progress	6,386,840	2,089,909	574,532	689,151	6,961,372	2,779,060
Buildings and improvements	24,909,301	26,521,897	12,348,419	11,309,992	37,257,720	37,831,889
Machinery and equipment	2,970,360	3,052,818	765,926	654,289	3,736,286	3,707,107
Vehicles	2,042,482	1,810,372	125,717	149,056	2,168,199	1,959,428
Infrastructure	15,218,501	13,666,240	18,274,305	18,977,991	33,492,806	32,644,231
Total	<u>\$95,586,108</u>	<u>\$91,199,860</u>	<u>\$35,275,179</u>	<u>\$34,966,759</u>	<u>\$130,861,287</u>	<u>\$126,166,619</u>

2. Debt administration: At the end of the fiscal year, the Town's governmental activities had total bonds, notes and capital leases outstanding of \$21,138,054, all of which is backed by the full faith and credit of the Town. Total debt was decreased from \$22,865,853 by retirements of \$1,727,799 during FY2016.

The Town was upgraded from a "AA" rating to "AA+" from Standard & Poor's for general obligation debt.

Town of Narragansett's Outstanding Debt Bonds, Notes and Capital Leases (In thousands)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$19,315	\$20,690	\$ 580	\$ 765	\$19,895	\$21,455
Notes and loans	1,465	1,615	2,505	2,896	3,970	4,511
Capital leases	358	561			358	561
Total	<u>\$21,138</u>	<u>\$22,866</u>	<u>\$ 3,085</u>	<u>\$ 3,661</u>	<u>\$24,223</u>	<u>\$26,527</u>

Except as provided below, under Rhode Island general laws, the Town may not, without special statutory authorization, incur any debt which would increase its aggregate indebtedness not otherwise excepted by law to an amount greater than 3% of the taxable property of the Town. Deducted from the computation of aggregated indebtedness is the amount of any borrowing in anticipation of taxes authorized by law and the amount of any sinking funds maintained by the Town. The 3% debt limit of the Town is \$138,729,097 based on net assessed valuations of \$4,624,303,235 as of December 31, 2014. As of June 30, 2016, the Town had \$117,949,342 of debt that could be issued under the 3% debt limit provision.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Assets and Debt Administration (Continued)

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

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 \$21,138,054 and a debt service transfer of \$2,730,556 for FY 2016 equates to the following (excludes compensated absences, pollution remediation obligations and pension and OPEB obligations):

5% Debt service as a Percent of the Operating Budget (FY 16 budget was \$54,458,208 while debt service was \$2,730,556).

0.46% Outstanding general obligation debt as a percentage of Net Assessed valuation \$4,624,303,235

5.7% Debt service as a percent of net tax levy of \$48,316,824.

\$1332 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	\$ 3,812,075	\$ 2,730,556	71.6%
Debt at 2.5% of assessed value	\$115,607,581	\$ 21,138,054	18.3%
Debt service at 8% of the tax levy	\$ 3,865,346	\$ 2,730,556	70.6%
Debt per capita at \$2,500	\$ 2,500	\$ 1,332	53.3%

Subsequent Fiscal Year 2016-17 Budget and Tax Rates

The Town of Narragansett's total general fund budget for fiscal year 16/17 is \$55,221,926, which reflects an increase of \$763,718 from the fiscal year 2015/16 budget. The Town's tax rates for fiscal year 2016/17 are residential real estate \$10.08 per thousand of valuation, commercial real estate and property \$15.12 per thousand of valuation, and motor vehicles \$16.46 per thousand of valuation over \$6000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Other subsequent events

The Town of Narragansett issued \$6.1 million in General Obligation bonds in October 2016 for the purpose of reimbursing the expense for renovating the Public Safety Building (\$2.0 million), reimbursing the expense for the School Athletic Field (\$1.8 million) and the continuation of the Road Construction Project (\$2.3). The School also obligated the Town to a 5 year lease/purchase in the amount of \$410,450 for 5 busses.

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, 2016

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 17,669,582	\$ 3,043,445	\$ 20,713,027
Investments	5,698,135	-	5,698,135
Accrued interest receivable	-	46,987	46,987
Real estate and personal property tax receivable (net)	508,576	-	508,576
Water and sewer use and assessments receivable	-	637,168	637,168
Due from federal and state government	694,298	-	694,298
Other receivables	3,363,800	8,612	3,372,412
Internal balances	(7,524,098)	7,524,098	-
Inventories	22,543	-	22,543
Prepaid expenses	467,095	-	467,095
Total current assets	20,899,931	11,260,310	32,160,241
Noncurrent assets:			
Sewer assessments receivable	-	2,587,997	2,587,997
Capital assets: (Note 2)			
Land and land easements	44,058,624	3,186,280	47,244,904
Depreciable buildings, property, equipment, infrastructure (net)	45,140,644	31,514,367	76,655,011
Construction in progress	6,386,840	574,532	6,961,372
Other assets (net)	1,936,496	-	1,936,496
Total noncurrent assets	97,522,604	37,863,176	135,385,780
Total assets	118,422,535	49,123,486	167,546,021
Deferred outflows of resources:			
Deferred pension amounts	16,174,957	-	16,174,957
Total deferred outflows of resources	16,174,957	-	16,174,957
Liabilities:			
Current Liabilities:			
Accounts payable and accrued liabilities	2,534,552	882,072	3,416,624
Accrued interest payable	153,313	22,964	176,277
Customer deposits payable	-	20,475	20,475
Unearned revenue	19,547	-	19,547
Compensated absences payable	773,492	76,851	850,343
Pollution remediation obligations	85,574	-	85,574
Settlement payable	30,420	-	30,420
Long-term debt - due within one year (Note 6)	1,382,660	540,394	1,923,054
Total current liabilities	4,979,558	1,542,756	6,522,314
Noncurrent Liabilities:			
Long-term debt - due in more than one year (Note 6)	20,390,999	2,544,280	22,935,279
Compensated absences payable	2,680,682	430,937	3,111,619
Pollution remediation obligations	1,764,335	-	1,764,335
Net pension liability	76,656,829	-	76,656,829
Net other post employment benefit obligation	25,149,522	-	25,149,522
Total noncurrent liabilities	126,642,367	2,975,217	129,617,584
Total liabilities	131,621,925	4,517,973	136,139,898
Deferred Inflows of Resources:			
Deferred property taxes	11,481	-	11,481
Deferred pension amounts	708,681	-	708,681
Deferred sewer assessments	-	2,477,437	2,477,437
Total deferred inflows of resources	720,162	2,477,437	3,197,599
Net Position:			
Net investment in capital assets	75,998,883	32,190,505	108,189,388
Restricted for:			
Capital	98,962	-	98,962
Education programs	4,730,747	-	4,730,747
Public safety programs	78,785	-	78,785
Historical records preservation	147,053	-	147,053
Community service programs	467,336	-	467,336
Parks and recreation programs	83,633	-	83,633
Other programs	78,785	-	78,785
Unrestricted	(79,428,779)	9,937,571	(69,491,208)
Total net position	\$ 2,255,405	\$ 42,128,076	\$ 44,383,481

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, 2016

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Governmental Activities:							
General government	\$ 2,662,489	\$ 1,549,178	\$ 2,333	\$ -	\$ (1,110,978)	\$ -	\$ (1,110,978)
Financial administration	1,857,972	700,566	-	-	(1,157,406)	-	(1,157,406)
Public safety	18,133,546	1,016,391	213,914	310,854	(16,592,387)	-	(16,592,387)
Public works	4,984,541	28,432	80,312	-	(4,875,797)	-	(4,875,797)
Social services	16,893	-	16,923	-	30	-	30
Parks and recreation	2,484,974	696,417	18,823	-	(1,769,734)	-	(1,769,734)
Planning, engineering and inspection	1,454,157	337,113	-	-	(1,117,044)	-	(1,117,044)
Library	1,001,974	11,610	122,730	98,962	(768,672)	-	(768,672)
Education	32,489,013	627,132	4,816,710	382,654	(26,662,517)	-	(26,662,517)
Interest on long-term debt	871,622	-	486,510	-	(385,112)	-	(385,112)
Total governmental activities	65,957,181	4,966,839	5,758,255	792,470	(54,439,617)	-	(54,439,617)
Business-Type Activities:							
Water	2,234,456	2,418,909	-	-	-	184,453	184,453
Sewer	4,084,743	4,283,991	-	115,647	-	314,895	314,895
Beach	1,918,514	2,601,661	-	-	-	683,147	683,147
Middlebridge Recreation	33,660	65,376	-	-	-	31,716	31,716
Total business-type activities	8,271,373	9,369,937	-	115,647	-	1,214,211	1,214,211
Total	\$ 74,228,554	\$ 14,336,776	\$ 5,758,255	\$ 908,117	(54,439,617)	1,214,211	(53,225,406)
General Revenues:							
Taxes:							
Property taxes					48,389,492	-	48,389,492
State aid and in lieu of taxes, not restricted for a specific purpose					1,755,249	-	1,755,249
Investment earnings					179,241	-	179,241
Miscellaneous					93,574	159,746	253,320
Transfers					(129,225)	129,225	-
Total general revenues and transfers					50,288,331	288,971	50,577,302
Change in net position					(4,151,286)	1,503,182	(2,648,104)
Net position - beginning of year, restated					6,406,691	40,624,894	47,031,585
Net position - end of year					\$ 2,255,405	\$ 42,128,076	\$ 44,383,481

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

TOWN OF NARRAGANSETT, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2016*

	<i>General Fund</i>	<i>Town Capital Projects Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets				
Cash	\$ 17,631,583	\$ -	\$ 3,072,266	\$ 20,703,849
Investments	5,698,135	-	-	5,698,135
Real estate and personal property				
tax receivable	773,576	-	-	773,576
Due from federal and state governments	236,441	-	457,857	694,298
Due from other funds	4,890,408	1,565,476	2,025,375	8,481,259
Other receivables	124,865	-	292,988	417,853
Inventory	22,543	-	-	22,543
Prepaid expenditures	467,095	-	-	467,095
Other assets	1,936,496	-	-	1,936,496
Total assets	<u>\$ 31,781,142</u>	<u>\$ 1,565,476</u>	<u>\$ 5,848,486</u>	<u>\$ 39,195,104</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Cash overdraft	\$ -	\$ 2,934,377	\$ 99,890	\$ 3,034,267
Accounts payable and accrued expenditures	959,396	328,470	622,004	1,909,870
Due to other funds	11,370,829	-	1,944,461	13,315,290
Claims payable	184,467	-	-	184,467
Unearned revenue	10,598	-	8,949	19,547
Other liabilities	184,335	-	-	184,335
Total liabilities	<u>12,709,625</u>	<u>3,262,847</u>	<u>2,675,304</u>	<u>18,647,776</u>
Deferred Inflows of Resources:				
Deferred property taxes	616,757	-	-	616,757
Other deferred revenues	70,397	-	269,642	340,039
Total deferred inflows of resources	<u>687,154</u>	<u>-</u>	<u>269,642</u>	<u>956,796</u>
Fund Balances:				
Nonspendable:				
Other assets WB Community Health	1,681,632	-	-	1,681,632
Inventory	22,543	-	-	22,543
Prepaid expenditures	467,095	-	-	467,095
Restricted for:				
Education programs	4,706,336	-	24,411	4,730,747
Public safety programs	-	-	78,785	78,785
Historical records preservation	-	-	147,053	147,053
Community service programs	-	-	197,694	197,694
Parks and recreation programs	-	-	83,633	83,633
Library programs	37,328	-	-	37,328
Capital projects	98,962	-	1,067,527	1,166,489
Other programs	-	-	41,457	41,457
Committed for:				
Public safety programs	-	-	155,513	155,513
Capital projects	50,000	-	172,943	222,943
Debt service	-	-	172,829	172,829
Assigned to:				
2017 budget	531,262	-	-	531,262
Parks and recreation programs	122,729	-	-	122,729
Towers	397,860	-	-	397,860
Kinney Bungalow	60,368	-	-	60,368
Sunset Farm	20,193	-	-	20,193
Capital projects	-	-	1,213,844	1,213,844
Other	142,566	-	-	142,566
Unassigned	10,045,489	(1,697,371)	(452,149)	7,895,969
Total fund balances	<u>18,384,363</u>	<u>(1,697,371)</u>	<u>2,903,540</u>	<u>19,590,532</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,781,142</u>	<u>\$ 1,565,476</u>	<u>\$ 5,848,486</u>	<u>\$ 39,195,104</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds \$ 19,590,532

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 2 to the financial statements. 95,586,108

Other long-term receivables are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the Governmental Funds financial statements. 269,642

Delinquent taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as deferred inflows of resources in the Governmental Funds financial statements. 410,673

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. (153,313)

Deferred pension amounts are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements as follows:

Deferred outflows of resources 16,174,957
Deferred inflows of resources (708,681)

Long-term liabilities (including bonds, notes, loans, and capital leases payable, compensated absences, pollution remediation obligations, settlements, net pension liabilities and net other post employment benefit obligation) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements. (128,914,513)

Net Position of Governmental Activities

\$ 2,255,405

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, 2016

	General Fund	Town Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes and payments in lieu of taxes	\$ 48,793,179	\$ -	\$ -	\$ 48,793,179
State and federal aid	5,348,552	-	49,354	5,397,906
Charges for services	4,802,260	-	339,570	5,141,830
Operating grants and contributions	18,537	-	1,157,832	1,176,369
Capital grants and contributions	98,962	-	644,154	743,116
Investment and interest income	158,320	-	20,921	179,241
Other revenues	24,629	-	23,834	48,463
Total revenues	<u>59,244,439</u>	<u>-</u>	<u>2,235,665</u>	<u>61,480,104</u>
Expenditures:				
<i>Current:</i>				
General government	1,849,981	49,284	91,340	1,990,605
Financial administration	1,346,256	-	-	1,346,256
Public safety	12,832,174	-	303,996	13,136,170
Public works	2,793,197	-	17,955	2,811,152
Social services	-	-	16,893	16,893
Parks and recreation	1,765,936	-	93,572	1,859,508
Planning, engineering and inspection	1,073,782	-	-	1,073,782
Library	848,756	-	-	848,756
Food service	-	-	369,185	369,185
Education	27,394,647	-	745,961	28,140,608
Town-wide	736,393	-	-	736,393
Other	2,800,316	-	-	2,800,316
Debt Service	-	-	2,557,727	2,557,727
Capital outlay	-	3,884,407	4,498,611	8,383,018
Total expenditures	<u>53,441,438</u>	<u>3,933,691</u>	<u>8,695,240</u>	<u>66,070,369</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>5,803,001</u>	<u>(3,933,691)</u>	<u>(6,459,575)</u>	<u>(4,590,265)</u>
Other financing sources (uses):				
Sale of capital assets	10,525	-	-	10,525
Transfers from other funds	-	746,254	5,134,355	5,880,609
Transfers to other funds	(6,009,834)	-	-	(6,009,834)
Total other financing sources (uses)	<u>(5,999,309)</u>	<u>746,254</u>	<u>5,134,355</u>	<u>(118,700)</u>
Net change in fund balances	(196,308)	(3,187,437)	(1,325,220)	(4,708,965)
Fund balances - beginning of year	<u>18,580,671</u>	<u>1,490,066</u>	<u>4,228,760</u>	<u>24,299,497</u>
Fund balances - end of year	<u><u>\$ 18,384,363</u></u>	<u><u>\$ (1,697,371)</u></u>	<u><u>\$ 2,903,540</u></u>	<u><u>\$ 19,590,532</u></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, 2016

Net Changes in Fund Balances - Total Governmental Funds	\$ (4,708,965)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental Funds financial statements report capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions recorded in the current period.	8,251,915
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds financial statements.	(3,864,452)
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.	(1,215)
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.	(217,559)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal is an expenditure in the Government Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position. This amount represents debt principal payments during the current period.	1,727,799
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.	14,769
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. This amount represents amortization of premium on debt during the current period.	40,178
Other long-term liabilities are reported in the Government-Wide Statement of Activities, but do not require the use of current financial resources. Therefore, other long-term liabilities are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in pollution remediation obligations during the current period. This amount represents the change in settlements payable during the current period. This amount represents the change in the net pension liability and related deferred pension amounts during the current period. This amount represents the change in the net OPEB obligation during the current period.	155,573 (30,420) (4,098,292) (1,403,764)
Revenues in the Government-Wide Statement of Activities that are not measurable and available in Governmental Funds are not reported as revenue in the Governmental Funds.	(16,853)
Change in Net Position of Governmental Activities	<u><u>\$ (4,151,286)</u></u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Beach Fund	Middlebridge Recreation Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 557,122	\$ 863,106	\$ 1,589,986	\$ 33,231	\$ 3,043,445
Accounts receivable:					
Water and sewer use fees	270,558	335,329	-	-	605,887
Sewer assessment	-	31,281	-	-	31,281
Accrued interest	-	46,987	-	-	46,987
Other	-	6,028	2,584	-	8,612
Due from other funds	1,736,073	5,274,059	487,033	26,933	7,524,098
Total current assets	2,563,753	6,556,790	2,079,603	60,164	11,260,310
Noncurrent assets:					
Sewer assessments receivable	-	2,587,997	-	-	2,587,997
Capital assets:					
Non-depreciable assets	509,544	385,398	1,813,370	1,052,500	3,760,812
Depreciable assets - net	3,752,416	23,649,322	3,832,744	279,885	31,514,367
Total noncurrent assets	4,261,960	26,622,717	5,646,114	1,332,385	37,863,176
Total assets	6,825,713	33,179,507	7,725,717	1,392,549	49,123,486
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	741,783	75,439	64,538	312	882,072
Accrued interest payable	-	20,129	-	2,835	22,964
Accrued compensated absences	37,669	35,867	3,315	-	76,851
Customer and security deposits payable	-	-	19,200	1,275	20,475
Current portion of bonds, notes and loans payable	-	400,394	-	140,000	540,394
Total current liabilities	779,452	531,829	87,053	144,422	1,542,756
Noncurrent liabilities:					
Accrued compensated absences	205,930	208,516	16,491	-	430,937
Bonds, notes and loans payable	-	2,104,280	-	440,000	2,544,280
Total noncurrent liabilities	205,930	2,312,796	16,491	440,000	2,975,217
Total liabilities	985,382	2,844,625	103,544	584,422	4,517,973
Deferred Inflows of Resources					
Deferred sewer assessments	-	2,477,437	-	-	2,477,437
Total deferred inflows of resources	-	2,477,437	-	-	2,477,437
Net Position					
Net investment in capital assets	4,261,960	21,530,046	5,646,114	752,385	32,190,505
Unrestricted	1,578,371	6,327,399	1,976,059	55,742	9,937,571
Total net position	\$ 5,840,331	\$ 27,857,445	\$ 7,622,173	\$ 808,127	\$ 42,128,076

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, 2016

	Business-Type Activities - Enterprise Funds				
	Water Fund	Sewer Fund	Beach Fund	Middlebridge Recreation Fund	Total
Operating revenues					
Assessments and user fees	\$ 2,371,596	\$ 4,257,026	\$ -	\$ -	\$ 6,628,622
Admittance and rental fees	-	-	2,585,471	64,475	2,649,946
Other revenues	47,313	26,965	16,190	901	91,369
Total operating revenues	2,418,909	4,283,991	2,601,661	65,376	9,369,937
Operating expenses					
Salaries and benefits	778,299	1,266,750	953,110	-	2,998,159
Materials, supplies and maintenance	705,217	1,080,609	212,385	5,846	2,004,057
Utilities	12,139	213,495	21,046	1,321	248,001
Administrative and miscellaneous	278,243	647,640	489,363	3,575	1,418,821
Depreciation and amortization	460,303	803,571	242,610	7,732	1,514,216
Total operating expenses	2,234,201	4,012,065	1,918,514	18,474	8,183,254
Operating income	184,708	271,926	683,147	46,902	1,186,683
Nonoperating revenues (expenses)					
Other non-operating revenue	-	116,020	43,726	-	159,746
Loss on disposal of capital assets	-	(9,718)	-	-	(9,718)
Interest expense	(255)	(62,960)	-	(15,186)	(78,401)
Total nonoperating revenues (expenses)	(255)	43,342	43,726	(15,186)	71,627
Income before capital contributions and transfers	184,453	315,268	726,873	31,716	1,258,310
Capital contributions	-	115,647	-	-	115,647
Transfers in	-	-	-	129,225	129,225
Change in net position	184,453	430,915	726,873	160,941	1,503,182
Total net position - beginning of year, restated	5,655,878	27,426,530	6,895,300	647,186	40,624,894
Total net position - end of year	\$ 5,840,331	\$ 27,857,445	\$ 7,622,173	\$ 808,127	\$ 42,128,076

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, 2016

	<i>Business-Type Activities - Enterprise Funds</i>				<i>Total</i>
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Beach Fund</i>	<i>Middlebridge Recreation Fund</i>	
<i>Cash flows from operating activities</i>					
Cash received from customers	\$ 2,348,338	\$ 4,192,364	\$ 2,585,491	\$ 64,475	\$ 9,190,668
Cash payments to suppliers for goods and services	(793,340)	(1,385,003)	(407,696)	(10,524)	(2,596,563)
Cash payments to employees for services	(703,498)	(1,186,567)	(955,950)	-	(2,846,015)
Payments for interfund services used	(171,104)	(571,052)	(340,789)	-	(1,082,945)
Other operating receipts	47,313	142,985	59,916	901	251,115
Customer deposits received	-	-	33,200	-	33,200
Customer deposits repaid	-	-	(29,500)	-	(29,500)
<i>Net cash provided by operating activities</i>	727,709	1,192,727	944,672	54,852	2,919,960
<i>Cash flows from non-capital financing activities</i>					
Interfund transactions	359,529	599,187	646,464	-	1,605,180
Transfer from other funds	-	-	-	129,225	129,225
<i>Net cash provided by non-capital related financing activities</i>	359,529	599,187	646,464	129,225	1,734,405
<i>Cash flows from capital and related financing activities</i>					
Capital contributions received	-	115,647	-	-	115,647
Acquisition and construction of capital assets	(541,662)	(700,125)	(11,500)	-	(1,253,287)
Payment of interest on bonds and loans	(1,000)	(66,300)	-	(15,846)	(83,146)
Payment of principal on bonds and loans	(50,000)	(391,195)	-	(135,000)	(576,195)
<i>Net cash used for capital and related financing activities</i>	(592,662)	(1,041,973)	(11,500)	(150,846)	(1,796,981)
<i>Net increase in cash and cash equivalents</i>	494,576	749,941	1,579,636	33,231	2,857,384
<i>Cash and cash equivalents - beginning of year</i>	62,546	113,165	10,350	-	186,061
<i>Cash and cash equivalents - end of year</i>	\$ 557,122	\$ 863,106	\$ 1,589,986	\$ 33,231	\$ 3,043,445

(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, 2016

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Sewer Fund	Beach Fund	Middlebridge Recreation Fund	
Reconciliation of operating income to net cash provided by operating activities					
Operating income	\$ 184,708	\$ 271,926	\$ 683,147	\$ 46,902	\$ 1,186,683
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	460,303	803,571	242,610	7,732	1,514,216
Other non-operating revenue	-	116,020	43,726	-	159,746
Changes in assets, liabilities and deferred inflows of resources:					
(Increase) decrease in accounts receivable	(24,232)	462,032	20	-	437,820
Increase (decrease) in accounts payable and accrued expenses	47,302	4,805	(32,418)	218	19,907
Increase (decrease) in accrued compensated absences	59,628	61,749	3,887	-	125,264
Increase (decrease) in deposits payable	-	-	3,700	-	3,700
Increase (decrease) in deferred sewer assessment revenue	-	(527,376)	-	-	(527,376)
Net cash provided by operating activities	\$ 727,709	\$ 1,192,727	\$ 944,672	\$ 54,852	\$ 2,919,960

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, 2016

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets				
Cash and cash equivalents	\$ 6,468,768	\$ 1,899,392	\$ 3,281	\$ -
Investments at fair value:				
U.S. government obligations	1,692,619	-	-	-
Municipal obligations	33,689	-	-	-
Corporate bonds	3,421,741	-	-	-
Mortgage backed securities	501,373	-	-	-
Common stock	31,470,226	1,422,530	-	-
Mutual and exchange traded funds - equities	10,205,691	187,976	7,362	-
Mutual and exchange traded funds - fixed income	19,829,034	876,626	-	-
Hedge fund	3,275,785	-	-	-
Total investments	<u>70,430,158</u>	<u>2,487,132</u>	<u>7,362</u>	<u>-</u>
Contribution receivable	123,606	-	-	-
Due from other funds	-	-	68,202	187,678
Accrued interest receivable	39,218	-	-	-
Prepaid expenses	<u>427,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>77,488,830</u>	<u>4,386,524</u>	<u>78,845</u>	<u>187,678</u>
Liabilities				
Accounts payable and accrued expenses	860	109,913	-	-
Due to other funds	2,479,529	466,418	-	-
Deposits held in custody for others	-	-	-	187,678
Total liabilities	<u>2,480,389</u>	<u>576,331</u>	<u>-</u>	<u>187,678</u>
Net Position				
Restricted for pension benefits, post- employment benefits and other purposes	<u>\$ 75,008,441</u>	<u>\$ 3,810,193</u>	<u>\$ 78,845</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, 2016

	<u>Pension Trust Funds</u>	<u>Other Post- Employment Benefit Trust Fund</u>	<u>Private- Purpose Trust Funds</u>
Additions			
Contributions:			
Employer	\$ 5,545,005	\$ 2,911,234	\$ -
Plan member	1,427,810	105,845	-
Total contributions	<u>6,972,815</u>	<u>3,017,079</u>	<u>-</u>
Investment income:			
Net increase (decrease) in fair value of investments	(3,091,512)	(77,235)	(844)
Interest and dividends	1,838,176	58,394	2,676
Less: investment expense	(389,557)	(14,565)	-
Net investment income	<u>(1,642,893)</u>	<u>(33,406)</u>	<u>1,832</u>
Total additions	<u>5,329,922</u>	<u>2,983,673</u>	<u>1,832</u>
Deductions			
Benefits	4,964,987	2,097,334	-
Refunds of contributions	135,652	-	-
Administrative expenses	32,607	16,300	-
Scholarships	-	-	1,000
Miscellaneous	-	-	4,982
Total deductions	<u>5,133,246</u>	<u>2,113,634</u>	<u>5,982</u>
Change in net position	196,676	870,039	(4,150)
Net position - beginning of year	<u>74,811,765</u>	<u>2,940,154</u>	<u>82,995</u>
Net position - end of year	<u>\$ 75,008,441</u>	<u>\$ 3,810,193</u>	<u>\$ 78,845</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units," and GASB Statement No. 61 "Financial Reporting Entity Omnibus" A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The Town of Narragansett does not have any component units.

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

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

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

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Major Governmental Funds:

General Fund – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

Town Capital Projects Fund – The Town Capital Projects Fund is used to account for resources that are restricted, committed, or assigned to expenditures for Town capital facilities and other capital outlays, other than those financed by proprietary funds.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

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

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

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

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

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

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

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

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Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Town's Fiduciary Funds include the Pension Trust Funds, the Other Post-Employment Benefits Trust Fund, the Private Purpose Trust Funds, and the Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or "*economic resources*" measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

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

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

Private Purpose Trust Funds – The Private Purpose Trust Funds account for funds held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the funds, including any earnings on investments, may be used. There is no requirement that any portion that these resources be considered nonexpendable.

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

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the Town's fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the Town's fiscal year ending June 30, 2016.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Town's fiscal year ending June 30, 2016.

The adoption of GASB Statement Nos. 72, 73 and 76 did not have an impact on the Town's financial position or results of operations.

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

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Town's fiscal year ending June 30, 2017.

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- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 78 – Pensions Provided Through Certain Multiple – Employer Defined Benefit Pension Plans, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 82 – Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the Town’s fiscal year ending June 30, 2019.

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

D. CASH EQUIVALENTS

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

E. INVESTMENTS

The Town reports investments at fair value, except for investments in annuities which are reported at amortized cost.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

G. UNBILLED SERVICES RECEIVABLE

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

TOWN OF NARRAGANSETT, RHODE ISLAND
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H. PREPAID ITEMS

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

I. INVENTORY

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

J. CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

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

K. DEBT PREMIUMS

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source.” In the Government-Wide Statements, debt premiums are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable.

L. DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

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

TOWN OF NARRAGANSETT, RHODE ISLAND
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Government-Wide Financial Statements, deferred outflows of resources and deferred inflows of resources are reported for amounts related to the Town's pension plans that will be amortized as a component of pension expense in future years.

M. PROPERTY TAXES

The Town is permitted by Rhode Island General Law to levy property taxes. Current tax collections for the Town were approximately 99.2% of the total 2015 levy. The tax rate of the Town is established in accordance with Town Ordinance.

The Town's fiscal 2015-2016 property taxes were levied on June 24, 2015, on assessed valuation as of December 31, 2014. 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, 2014.

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 2016.

N. COMPENSATED ABSENCES

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service. Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2016.

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

O. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

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

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P. PENSIONS

For the purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Rhode Island, the Town Pension, and 1666 Pension plans and the additions to/ deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. 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
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NOTE 2 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
<i>Governmental Activities:</i>				
Nondepreciable assets:				
Land and land easements	\$ 44,058,624	\$ -	\$ -	\$ 44,058,624
Construction in progress	2,089,909	6,961,209	2,664,278	6,386,840
	<u>46,148,533</u>	<u>6,961,209</u>	<u>2,664,278</u>	<u>50,445,464</u>
Depreciable assets:				
Land improvements and infrastructure	40,304,852	2,703,578	-	43,008,430
Buildings and improvements	49,073,413	271,409	-	49,344,822
Machinery and equipment	8,162,877	302,689	138,207	8,327,359
Vehicles	8,364,140	677,307	505,791	8,535,656
	<u>105,905,282</u>	<u>3,954,983</u>	<u>643,998</u>	<u>109,216,267</u>
<i>Total capital assets</i>	<u>152,053,815</u>	<u>10,916,192</u>	<u>3,308,276</u>	<u>159,661,731</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	26,638,612	1,151,317	-	27,789,929
Buildings and improvements	22,551,516	1,884,005	-	24,435,521
Machinery and equipment	5,110,059	383,933	136,993	5,356,999
Vehicles	6,553,768	445,197	505,791	6,493,174
	<u>60,853,955</u>	<u>3,864,452</u>	<u>642,784</u>	<u>64,075,623</u>
<i>Total accumulated depreciation</i>	<u>60,853,955</u>	<u>3,864,452</u>	<u>642,784</u>	<u>64,075,623</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 91,199,860</u>	<u>\$ 7,051,740</u>	<u>\$ 2,665,492</u>	<u>\$ 95,586,108</u>
<i>Business-Type Activities:</i>				
Nondepreciable assets:				
Land	\$ 3,186,280	\$ -	\$ -	\$ 3,186,280
Construction in progress	689,151	1,631,479	1,746,098	574,532
	<u>3,875,431</u>	<u>1,631,479</u>	<u>1,746,098</u>	<u>3,760,812</u>
Depreciable assets:				
System improvements and infrastructure	36,274,263	-	-	36,274,263
Buildings and improvements	19,144,806	1,746,796	-	20,891,602
Machinery and equipment	2,639,761	200,176	25,295	2,814,642
Vehicles	563,812	-	-	563,812
	<u>58,622,642</u>	<u>1,946,972</u>	<u>25,295</u>	<u>60,544,319</u>
<i>Total capital assets</i>	<u>62,498,073</u>	<u>3,578,451</u>	<u>1,771,393</u>	<u>64,305,131</u>
Less accumulated depreciation for:				
System improvements and infrastructure	17,296,272	703,686	-	17,999,958
Buildings and improvements	7,834,814	708,369	-	8,543,183
Machinery and equipment	1,985,472	78,822	15,578	2,048,716
Vehicles	414,756	23,339	-	438,095
	<u>27,531,314</u>	<u>1,514,216</u>	<u>15,578</u>	<u>29,029,952</u>
<i>Total accumulated depreciation</i>	<u>27,531,314</u>	<u>1,514,216</u>	<u>15,578</u>	<u>29,029,952</u>
<i>Business-type activities capital assets, net</i>	<u>\$ 34,966,759</u>	<u>\$ 2,064,235</u>	<u>\$ 1,755,815</u>	<u>\$ 35,275,179</u>

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Depreciation expense was charged to governmental functions as follows:

General government	\$ 79,492
Public safety	432,378
Public works	1,396,280
Parks and recreation	251,309
Public libraries	8,664
Education	1,696,329
Total Depreciation Expense	\$ 3,864,452

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

Water	\$ 460,303
Sewer	803,571
Beach	242,610
Middlebridge Recreation	7,732
Total Depreciation Expense	\$1,514,216

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 \$138,729,097. As of June 30, 2016, the Town's debt subject to the legal debt margin is \$20,779,755 and the Town is under the debt limit by \$117,949,342. The debt subject to the debt limitation is based on the type of debt that is issued.

B. DEFICIT FUND BALANCES/NET POSITION

The following governmental funds had a deficit in unassigned fund balance as of June 30, 2016:

- Historic Preservation Grants - \$(1,540)
- Youth Task Force - \$(2,874)
- Homeland Security Grant - \$(11,830)
- School Athletic Complex - \$(435,905)
- Town Capital Projects Fund - \$(1,697,371)

NOTE 4 – CASH DEPOSITS

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

TOWN OF NARRAGANSETT, RHODE ISLAND
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	<i>Carrying Amount</i>
Total Deposits	\$26,622,884
Add: Petty Cash and Cash on Hand	120,780
Add: Investments classified as cash equivalents	2,546,548
Less: Cash and cash equivalents classified as investments	(205,744)
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<u>\$29,084,468</u>

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, 2016, \$22,275,833 of the Town's bank balance of \$28,676,421 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (federal depository insurance funds)	\$ 6,400,588
Collateralized with securities held by pledging financial institution or its agent, in the Town's name	3,974,171
Uninsured and uncollateralized	18,301,662
<i>Total</i>	<u>\$28,676,421</u>

Under Rhode Island General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2016, the Town's uncollateralized deposits with institutions were \$18,301,662. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

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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.

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As of June 30, 2016 the Town had the following investments:

<u>Investments</u>	<u>Fair Value/Amortized Cost</u>	<u>Rating (Moody's)</u>
Corporate Bonds	\$ 66,589	AAA
Corporate Bonds	66,401	AA1
Corporate Bonds	117,211	AA2
Corporate Bonds	213,144	AA3
Corporate Bonds	368,575	A1
Corporate Bonds	359,183	A2
Corporate Bonds	864,260	A3
Corporate Bonds	882,119	BAA1
Corporate Bonds	540,886	BAA2
Corporate Bonds	203,222	BAA3
Municipal Obligations	33,689	A1
US Government Obligations	1,692,619	AAA
US Gov. Agency Obligations	148,895	AAA
US Gov. Agency Obligations	110,175	AA2
Mortgage-Backed Securities	482,203	AAA
Mortgage-Backed Securities	86,117	Not rated
Mutual Funds & ETFs - Fixed Income	51,619	AAA
Mutual Funds & ETFs - Fixed Income	340,050	AA
Mutual Funds & ETFs - Fixed Income	2,004,655	A
Mutual Funds & ETFs - Fixed Income	4,230,033	BBB
Mutual Funds & ETFs - Fixed Income	235,900	BBB-
Mutual Funds & ETFs - Fixed Income	6,584,617	BB
Mutual Funds & ETFs - Fixed Income	948,615	B
Mutual Funds & ETFs - Fixed Income	8,946,049	Not rated
Mutual Funds & ETFs - Equities	10,401,028	Not applicable
Common Stock	32,892,757	Not applicable
Money Market Funds	21,059	Not rated
Money Market Funds	2,546,548	AAAmf
Hedge Fund	3,275,785	Not rated
Annuity	2,249,588	Not rated
	80,963,591	
Add: Cash classified as investments	205,744	
Less: Investment classified as cash and cash equivalents	(2,546,548)	
<i>Total investments reported in the financial statements</i>	\$ 78,622,787	

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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</u> <u>1 Year</u>	<u>1-5</u> <u>Years</u>	<u>6-10</u> <u>Years</u>	<u>11-15</u> <u>Years</u>	<u>16-20</u> <u>Years</u>	<u>21-25</u> <u>Years</u>	<u>26-30</u> <u>Years</u>
Corporate Bonds	\$ 3,681,590	\$ 238,195	\$ 2,304,122	\$ 1,097,724	\$ 41,549	\$ -	\$ -	\$ -
Municipal Obligations	33,689	-	33,689	-	-	-	-	-
US Government Obligations	1,692,619	-	857,683	834,936	-	-	-	-
US Agency Obligations	259,070	-	259,070	-	-	-	-	-
Mortgage-Backed Securities	568,320	103,786	380,005	15,512	13,842	2,462	52,713	-
Mutual Funds & ETFs -								
Fixed Income	20,235,011	-	5,549,296	12,243,739	2,441,976	-	-	-
Money Market Funds	2,567,607	2,567,607	-	-	-	-	-	-
Total	\$29,037,906	\$ 2,909,588	\$ 9,383,865	\$ 14,191,911	\$ 2,497,367	\$ 2,462	\$ 52,713	\$ -

Mutual fund and exchange traded fund maturity is based on average maturity of the fund. \$3,106,527 of the Town’s mutual funds and exchange traded funds do not have an average maturity.

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

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

<u>Currency</u>	<u>Fair Value</u>	
	<u>Equities</u>	<u>Fixed Income Securities</u>
Australian dollar	\$ 262,404	\$ -
Bermudian dollar	171,637	-
Brazilian real	255,934	-
British pound sterling	1,522,930	99,736
Canadian dollar	131,683	203,624
Cayman Islands dollar	284,981	-
Chinese renminbi	199,511	-
Danish krone	246,850	-
Euro	3,485,622	83,341
Guernsey pound	84,271	-
Japanese yen	1,030,861	-
Mexican peso	66,679	52,700
Netherlands Antillean guilder	280,418	-
Norwegian krone	341,178	-
Russian ruble	72,792	-
South Korean won	280,967	-
Swiss franc	578,089	-
Turkish lira	39,570	-
	<u>\$ 9,336,377</u>	<u>\$ 439,401</u>

The Town's investment in mutual funds and ETFs includes \$3,653,386 in international fixed income funds and \$2,117,313 in international equity funds.

Fair Value Measurements – The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

<u>Investments by fair value level:</u>	<u>June 30, 2016</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 2,567,607	\$ 2,567,607	\$ -	\$ -
Common Stock	32,892,757	32,892,757	-	-
Mutual Funds & ETFs - Equities	10,401,028	10,401,028	-	-
Mutual Funds & ETFs - Fixed Income	23,341,538	23,341,538	-	-
Corporate Bonds - Domestic Investment Grade	3,242,190	-	3,242,190	-
Fixed Income - Global/Foreign	439,400	-	439,400	-
Fixed Income - Government/Agency	1,951,689	-	1,951,689	-
Mortgage-Backed Securities	568,320	-	568,320	-
Municipal Bonds	33,689	-	33,689	-
Total investments measured by fair value level	75,438,218	\$ 69,202,930	\$ 6,235,288	\$ -
Investments measured at net asset value (NAV):				
Hedge Fund	3,275,785			
Total investments measured at fair value	\$ 78,714,003			

Equity and debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using multi-dimensional relational models and matrices that consider benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data.

The Town's investment in the Hedge Fund is valued using the net asset value (NAV). The redemption frequency of the Hedge Fund is quarterly with a 65 day redemption notice period.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 6 – LONG TERM LIABILITIES

A. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, loans and capital leases payable:					
General obligation bonds	\$ 20,690,000	\$ -	\$ 1,375,000	\$ 19,315,000	\$ 1,095,000
Notes and loans payable	1,614,640	-	149,885	1,464,755	153,906
Capital leases payable	561,213	-	202,914	358,299	133,754
	<u>22,865,853</u>	<u>-</u>	<u>1,727,799</u>	<u>21,138,054</u>	<u>1,382,660</u>
Plus amortized premium on bonds	675,783	-	40,178	635,605	-
Total bonds, notes, loans and capital leases	<u>23,541,636</u>	<u>-</u>	<u>1,767,977</u>	<u>21,773,659</u>	<u>1,382,660</u>
Other liabilities:					
Compensated absences	3,236,615	348,698	131,139	3,454,174	773,492
Pollution remediation obligations	2,005,482	-	155,573	1,849,909	85,574
Settlement payable	-	91,260	60,840	30,420	30,420
Net pension liabilities	63,213,103	13,443,726	-	76,656,829	-
Net other post employment benefit obligation	23,745,758	1,403,764	-	25,149,522	-
Total Governmental Activities Long-Term Liabilities	<u>\$ 115,742,594</u>	<u>\$ 15,287,448</u>	<u>\$ 2,115,529</u>	<u>\$ 128,914,513</u>	<u>\$ 2,272,146</u>
Business Type Activities:					
Bonds, notes and loans payable:					
General obligation bonds	\$ 765,000	\$ -	\$ 185,000	\$ 580,000	\$ 140,000
Notes and loans payable	2,895,869	-	391,195	2,504,674	400,394
Total bonds, notes and loans	<u>3,660,869</u>	<u>-</u>	<u>576,195</u>	<u>3,084,674</u>	<u>540,394</u>
Other liabilities:					
Compensated absences	382,524	125,264	-	507,788	76,851
Business-Type Activities Long-Term Liabilities	<u>\$ 4,043,393</u>	<u>\$ 125,264</u>	<u>\$ 576,195</u>	<u>\$ 3,592,462</u>	<u>\$ 617,245</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 liability and other post-employment obligations will be paid from the General Fund. All debt and compensated absences of the Business-Type activities are paid from the Water, Sewer, Beach and Middlebridge Recreation Enterprise Funds.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

B. GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2016, were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities General Obligation Bonds</i>		<i>Business-Type Activities General Obligation Bonds</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 1,095,000	\$ 846,400	\$ 140,000	\$ 12,495
2018	1,135,000	796,775	145,000	9,004
2019	1,180,000	745,625	145,000	5,451
2020	1,225,000	695,500	150,000	1,838
2021	1,275,000	640,400	-	-
2022-2026	7,145,000	2,377,072	-	-
2027-2031	5,440,000	674,891	-	-
2032-2035	820,000	57,400	-	-
	<u>\$ 19,315,000</u>	<u>\$ 6,834,063</u>	<u>\$ 580,000</u>	<u>\$ 28,788</u>

C. NOTES AND LOANS PAYABLE DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2016, were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities Notes and Loans</i>		<i>Business-Type Activities Notes and Loans</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 153,906	\$ 22,831	\$ 400,394	\$ 55,991
2018	158,011	21,020	408,750	45,387
2019	162,206	17,408	418,269	34,489
2020	166,492	14,573	428,954	23,270
2021	170,871	11,607	163,000	15,931
2022-2026	513,269	20,969	685,307	29,175
2027-2030	140,000	549	-	-
	<u>\$ 1,464,755</u>	<u>\$ 108,957</u>	<u>\$ 2,504,674</u>	<u>\$ 204,243</u>

D. CAPITAL LEASE COMMITMENTS

The Town acquired computer equipment valued at \$335,536 and vehicles valued at \$517,173 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, 2016.

Obligations of governmental activities under capital leases at June 30, 2016 were as follows:

	<i>Lease Payment Requirements</i>
<i>Fiscal Year Ended June 30,</i>	
2017	\$ 139,268
2018	139,414
2019	90,139
Total minimum lease payments	368,821
Less: Amount representing interest cost	(10,522)
Present value of minimum lease payments	<u>\$ 358,299</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

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, 2015</u>	<u>New Issues</u>	<u>Maturities During Year</u>	<u>Outstanding June 30, 2016</u>
Governmental Activities:								
Bonds Payable:								
Pavement Management/Pier School	07/13/2004	2.50-4.00%	08/15/2015	\$ 3,740,000	\$ 310,000	\$ -	\$ 310,000	\$ -
School Construction	05/15/2009	3.00-5.00%	05/15/2029	20,910,000	16,280,000	-	860,000	15,420,000
Road Bond	07/02/2014	2.00-4.00%	07/15/2034	4,100,000	4,100,000	-	205,000	3,895,000
Total Governmental Bonds					<u>20,690,000</u>	<u>-</u>	<u>1,375,000</u>	<u>19,315,000</u>
Notes and Loans Payable:								
Rose Hill Closing and Capping	09/03/2002	1.68%	09/01/2022	2,000,000	936,640	-	105,885	830,755
Narrow River	12/12/2007	1.64-2.04%	09/01/2029	600,000	470,000	-	27,000	443,000
Landfill Closure	12/15/2005	1.59-2.00%	09/01/2025	350,000	208,000	-	17,000	191,000
Total Governmental Notes and Loans					<u>1,614,640</u>	<u>-</u>	<u>149,885</u>	<u>1,464,755</u>
Total Governmental Activities					<u>22,304,640</u>	<u>-</u>	<u>1,524,885</u>	<u>20,779,755</u>
Business-Type Activities:								
Bonds Payable:								
Water Bond	07/13/2004	2.50-4.00%	08/15/2015	585,000	50,000	-	50,000	-
Middlebridge	10/18/2012	2.45%	10/18/2019	974,000	715,000	-	135,000	580,000
Total Business-Type Bonds					<u>765,000</u>	<u>-</u>	<u>185,000</u>	<u>580,000</u>
Notes and Loans Payable:								
Sewer Projects	08/25/1999	3.25%	09/01/2019	780,000	236,278	-	44,727	191,551
Sewer Projects	02/04/1999	3.00%	09/01/2019	3,500,000	1,043,284	-	198,468	844,816
Briggs Farm Sewer Project	11/13/2003	0.97-2.12%	09/01/2024	4,200,000	1,616,307	-	148,000	1,468,307
Total Business-Type Notes and Loans					<u>2,895,869</u>	<u>-</u>	<u>391,195</u>	<u>2,504,674</u>
Total Business-Type Activities					<u>3,660,869</u>	<u>-</u>	<u>576,195</u>	<u>3,084,674</u>
Total Bonds, Notes and Loans Payable					<u>\$ 25,965,509</u>	<u>\$ -</u>	<u>\$ 2,101,080</u>	<u>\$ 23,864,429</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

F. POLLUTION REMEDIATION OBLIGATIONS

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

Rose Hill Regional Landfill – Rose Hill was previously operated by the Towns of South Kingstown and Narragansett. In September 2002, the US EPA, the Rhode Island Department of Environmental Management (RIDEM) and the Towns of Narragansett and South Kingstown entered into a Final Consent Decree for remediation of Rose Hill. Since then, the site has been capped and long-term groundwater and air monitoring has commenced to determine the effectiveness of the cap and what, if any, additional remediation actions may be necessary in the future. The current estimated total cost of completing the clean-up of Rose Hill is \$21,551,562. The Town's share of this obligation is estimated to be \$4,521,211. 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 \$396,371 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 \$1,619,909 at June 30, 2016, will be paid to the State over a 21-year period. Accordingly, \$1,619,909 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 \$7,546,911. The Town's share of this obligation is estimated to be \$1,713,234. In prior years, the Town has paid \$1,483,234 related to its obligation with an estimated \$230,000 remaining for ongoing operation and maintenance costs at June 30, 2016. Accordingly, \$230,000 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, 2016

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>Pension Trust Funds</i>	<i>Other Post- Employment Benefit Fund</i>	
<i>Due To:</i>					
General Fund	\$ -	\$ 1,944,461	\$ 2,479,529	\$ 466,418	\$ 4,890,408
Town Capital Projects Fund	1,565,476	-	-	-	1,565,476
Nonmajor Governmental Funds	2,025,375	-	-	-	2,025,375
Water Fund	1,736,073	-	-	-	1,736,073
Sewer Fund	5,274,059	-	-	-	5,274,059
Beach Fund	487,033	-	-	-	487,033
Middlebridge Recreation Fund	26,933	-	-	-	26,933
Private Purpose Trust Funds	68,202	-	-	-	68,202
Agency Funds	187,678	-	-	-	187,678
<i>Total</i>	<u>\$ 11,370,829</u>	<u>\$ 1,944,461</u>	<u>\$ 2,479,529</u>	<u>\$ 466,418</u>	<u>\$ 16,261,237</u>

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

NOTE 8 – INTERFUND TRANSFERS

	<i>Transfer From:</i>	
	<i>General Fund</i>	<i>Total</i>
<i>Transfer To:</i>		
Town Capital Projects Fund	\$ 746,254	\$ 746,254
Nonmajor Governmental Funds	5,134,355	5,134,355
Middlebridge Recreation Fund	129,225	129,225
<i>Total</i>	<u>\$ 6,009,834</u>	<u>\$ 6,009,834</u>

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

NOTE 9 – NET POSITION/FUND BALANCES

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

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

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

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

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

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

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

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

Committed Fund Balance – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

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 \$265,000.

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2016, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
<i>Governmental activities:</i>				
General Fund	\$ 344,007	\$ 514,185	\$ 725,886	\$ 1,584,078
Town Capital Projects Fund	328,470	-	-	328,470
Other Governmental Funds	620,804	1,200	-	622,004
<i>Total</i>	<u><u>\$ 1,293,281</u></u>	<u><u>\$ 515,385</u></u>	<u><u>\$ 725,886</u></u>	<u><u>\$ 2,534,552</u></u>
<i>Business-Type activities:</i>				
Water Fund	\$ 707,051	\$ 20,212	\$ 14,520	\$ 741,783
Sewer Fund	48,200	26,547	692	75,439
Beach Fund	20,486	44,052	-	64,538
Middlebridge Recreation Fund	312	-	-	312
<i>Total</i>	<u><u>\$ 776,049</u></u>	<u><u>\$ 90,811</u></u>	<u><u>\$ 15,212</u></u>	<u><u>\$ 882,072</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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 2016. 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, if hired prior to July 1, 2014. Council 94 employees hired on/after July 1, 2014 who have attained the age of 65 with 10 years of service or 25 years of service (whichever is earlier) are eligible for medical and dental coverage until Medicare eligible. Local 1033 employees hired on/after July 1, 2014 who have attained the age of 58 with 10 years of service or 25 years of service (whichever is earlier) are eligible for medical and dental coverage until Medicare eligible. Employees retiring prior to January 1, 2010 have no employee contribution. If the employee has a spouse, then the Town shall provide an individual health plan for the spouse. The following employee contribution requirements apply to employees retiring on/after January 1, 2010:

- Council 94 – date of retirement prior to January 1, 2012 – 2% of monthly pension; date of retirement on/after January 1, 2012 – 10% of health and dental premiums; date of retirement on/after July 1, 2012 – 12% of health and dental premiums; date of retirement on/after July 1, 2013 – 15% of health and dental premiums
- Local 1033 – date of retirement prior to January 1, 2012 – 2% of monthly pension. For those hired prior to July 1, 1996 who: retire between July 1, 2014 and June 30, 2015 – 5% of health and dental premiums; retire between July 1, 2015 and June 30, 2016 – 10% of health and dental premiums; and retire after July 1, 2016 – 15% of health and dental premiums. For those hired on/after July 1, 1996 who retire on/after July 1, 2014 – 20% of health and dental premium.
- Non-Union – 2% of monthly pension

Firefighters – Employees who have 20 years of service are eligible for lifetime medical, dental and life insurance benefits if hired prior to July 1, 2013. Firefighters hired on/after July 1, 2013 must have 25 years of service to be eligible for benefits. Employees retiring prior to January 1, 2011 have no employee contribution. Employees retiring on/after January 1, 2011 must contribute 20% of their health premium.

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Police Officers – Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental and life insurance benefits if hired prior to July 1, 2013. Officers hired on/after July 1, 2013 must have 25 years of service to be eligible for medical and dental coverage until Medicare eligibility and lifetime life insurance benefits. Employees retiring prior to January 1, 2010 have no employee contribution. Employees retiring on/after January 1, 2010 but prior to January 1, 2011 must contribute 2% of their monthly pension and employees retiring on/after January 1, 2011 but prior to July 1, 2013, must contribute 5% of their monthly pension towards health, dental and life insurance costs. Employees who retire on/after July 1, 2013 must contribute 15% of health and dental premiums.

Current and future Town retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed a percentage of the Town's group health and dental cost depending on their coverage level (municipal and fire employees – 50% and police employees – 60%, police hired on/after July 1, 2013 will receive this benefit until Medicare eligibility).

As of July 1, 2014, the plan membership data is as follows:

	<u>Town</u>
Active employees (with and without coverage)	165
Retirees and beneficiaries	118
	<u>283</u>

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, 2016, 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, 2016, the Town contributed \$2,911,234 to the plan. Administrative costs are paid from plan assets.

Summary of Significant Accounting Policies

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

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

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

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

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

	<u>Town</u>
Annual required contribution (ARC)	\$ 4,620,054
Interest on net OPEB obligation	1,034,882
Adjustment to annual required contribution	<u>(1,411,845)</u>
Annual OPEB cost	4,243,091
Contributions made	<u>(2,911,234)</u>
Increase in net OPEB obligation	1,331,857
Net OPEB obligation, beginning of year	<u>22,997,385</u>
Net OPEB obligation, end of year	<u><u>\$24,329,242</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:

	<i>Percentage of Annual</i>		
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$4,729,147	53.1%	\$20,633,784
6/30/15	4,709,739	49.8%	22,997,385
6/30/16	4,243,091	68.6%	24,329,242

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2015 (rolled forward from the July 1, 2014 actuarial valuation), is as follows:

	<u>Town</u>
Actuarial Accrued Liability (AAL)	\$55,576,059
Actuarial Value of Plan Assets	<u>2,940,154</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u><u>\$52,635,905</u></u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	5.3%
Annual Covered Payroll (Active Plan Members)	\$9,808,380
UAAL as a Percentage of Covered Payroll	536.6%

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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, 2015 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>FYE</u>	<u>Medical</u>	<u>Dental</u>	<u>Part B</u>
2017	8.00%	4.00%	3.50%
2018	7.00%	3.50%	3.75%
2019	6.50%	3.00%	4.00%
2020	6.00%	3.00%	4.25%
2021	5.50%	3.00%	4.25%
2022+	5.00%	3.00%	4.25%

The unfunded actuarial accrued liability as of July 1, 2015 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 with 10 years of service, upon retirement, 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, 2014 the plan membership data is as follows:

	<u>School</u>
Active employees (with and without coverage)	240
Retirees and beneficiaries	45
	<u>285</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, 2016, 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, 2016, the School System contributed \$335,099 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:

	<u>School</u>
Annual required contribution (ARC)	\$419,272
Interest on net OPEB obligation	33,677
Adjustment to annual required contribution	(45,943)
Annual OPEB cost	407,006
Contributions made	(335,099)
Increase in net OPEB obligation	71,907
Net OPEB obligation, beginning of year	748,373
Net OPEB obligation, end of year	<u>\$820,280</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:

		<u>Percentage of Annual</u>	
<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/14	\$369,708	74.5%	\$673,926
6/30/15	381,877	80.5%	748,373
6/30/16	407,006	82.3%	820,280

Funded Status and Funding Progress

The funded status of the Town's plan as of July 1, 2015 (rolled forward from the July 1, 2014 actuarial valuation), is as follows:

	<u>School</u>
Actuarial Accrued Liability (AAL)	\$3,566,336
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$3,566,336</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	N/A
UAAL as a Percentage of Covered Payroll	N/A

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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, 2015 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>
2017	8.00%	4.00%
2018	7.00%	3.50%
2019	6.50%	3.00%
2020	6.00%	3.00%
2021	5.50%	3.00%
2022+	5.00%	3.00%

The unfunded actuarial accrued liability as of July 1, 2015 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, 2015 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 School System also participates in a healthcare self-insurance pool administered by WB Community Health (WBCH). The Town participated in WBCH through June 30, 2015 and purchased commercial insurance effective July 1, 2015. The Town had run-off activity with WBCH during fiscal 2016. 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 School System 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

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School System's payments of premiums to WBCH are reported as deposits (other assets) in the General Fund and the claims paid by WBCH on the School System's behalf and the administrative costs paid to WBCH are recorded as expenditures in the General Fund and a reduction of deposits in the General Fund. The premiums are based on "working rates" determined by WBCH based on available funds on deposit and claims experience.

In order to avoid catastrophic losses, the School System purchases specific stop loss re-insurance. Under the stop loss re-insurance, the School System is covered for medical claims in excess of \$200,000 per person per contract period.

The claims liability of \$184,467 reported in the General Fund at June 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	<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>
2014-2015	\$469,434	\$6,535,980	\$6,508,165	\$497,249
2015-2016	\$497,249	\$3,351,220	\$3,664,002	\$184,467

NOTE 14 – RESTATEMENTS

The following corrections and reclassifications have been reported in the Business-Type Activities and Water Fund:

	<u><i>Business-Type Activities</i></u>	<u><i>Proprietary Funds Water Fund</i></u>
Net position, June 30, 2015, as previously reported	\$40,725,931	\$ 5,756,915
Correct capital assets	(101,037)	(101,037)
<i>Net position June 30, 2015, as restated</i>	<u><u>\$40,624,894</u></u>	<u><u>\$ 5,655,878</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
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NOTE 15 – PENSION PLANS

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

Defined Benefit Plan

General Information about the Pension Plan

Plan Description - Certain employees of the Narragansett School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the System. The report may be obtained at <http://www.ersri.org>.

Benefit Provisions – The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

TOWN OF NARRAGANSETT, RHODE ISLAND
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Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, Narragansett School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The State and the Narragansett School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by the Narragansett School Department; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the State and Narragansett School Department, respectively. The Narragansett School Department contributed \$1,706,931, \$1,642,581 and \$1,512,995 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$1,127,590 for fiscal year 2016 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Narragansett School Department reported a liability of \$20,752,519 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Narragansett School Department as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Narragansett School Department were as follows:

Narragansett School Department's proportionate share of the net pension liability	\$20,752,519
State's proportionate share of the net pension liability associated with the Narragansett School Department	<u>14,177,469</u>
Total net pension liability	<u>\$34,929,988</u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Narragansett School Department's proportion of the net pension liability was based on a projection of the Narragansett School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2015 the Narragansett School Department's proportion was 0.75381396%.

For the year ended June 30, 2016, the Narragansett School Department recognized in the Government-Wide financial statements gross pension expense of \$4,376,025 and revenue of \$1,721,531 for support provided by the State. At June 30, 2016, the Narragansett School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$1,706,931
Changes in proportion and differences between employer contributions and proportionate share of contributions	830,718
Total	<u><u>\$2,537,649</u></u>
Deferred inflows of resources:	
Differences between expected and actual experience	\$135,127
Change of assumptions	557,898
Net difference between projected and actual earnings on pension plan investments	15,656
Total	<u><u>\$708,681</u></u>

\$1,706,931 reported as deferred outflows of resources related to pensions resulting from the Narragansett School Department contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(87,157)
2018	(87,157)
2019	(87,157)
2020	307,829
2021	15,503
Thereafter	60,176

Actuarial Assumptions - The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 13.50%
Investment rate of return	7.50%

Mortality – male and female teachers: 97% and 92%, respectively, of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

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The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20-years) by asset class are summarized in the following table:

Type of Investment	Target Allocation	Long-term expected real rate of return
Global Equity:	38.0%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8.0%	3.98%
Private Equity	7.0%	9.99%
Core Fixed Income	15.0%	2.18%
Absolute Return Hedge Funds	7.0%	3.98%
Infrastructure	3.0%	5.70%
Real Estate	8.0%	4.85%
Other Real Return Assets:	11.0%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3.0%	7.80%
	100.0%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease	Current Discount	1.00 Increase
(6.5%)	Rate (7.5%)	(8.5%)
\$26,023,491	\$20,752,519	\$16,437,481

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Defined Contribution Plan

Plan Description

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan 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. Employees may choose among various investment options available to plan participants.

Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. The employer contribution is split between the State and the school department. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and 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.

The Narragansett School Department recognized pension expense of \$103,124 and employees contributed \$479,346 for the fiscal year ended June 30, 2016. For financial reporting purposes, the State's share of contributions totaling \$44,345 for fiscal year 2016 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

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B. POLICE PLAN

General Information about the Pension Plan

Plan Description and Administration – All police officers hired before July 1, 1978 who refused the September 1984 offer to join the Town Plan are covered by the Town of Narragansett's Police Pension Plan which is administered by the Town of Narragansett Pension Board. The Pension Board consists of seven members nominated and appointed by the Town Council. This plan is a single-employer defined benefit pension plan that was established by the Town in accordance with Town Charter and State Statutes. The Town Council has the authority to establish and amend the benefits terms through the adoption of an ordinance. The pension plan is reported as a pension trust fund in the Town's financial statements. The plan does not issue a separate publicly available financial report. The plan is closed to new entrants.

Plan Membership – As of July 1, 2015, membership data related to the pension plan was as follows:

Active members	-
Retired and beneficiaries	17
Terminated vested	-
	<u>17</u>

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

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

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Contributions – Contribution requirements for the plan are established and may be amended by Town ordinance or union contract. Employees are not required to contribute to the Police Plan since there are no active members. The Town contribution is an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded accrued liability. The Town contribution for the year ended June 30, 2016 was \$355,000.

Summary of Significant Accounting Policies

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

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

Investments

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

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2016 were as follows:

Total Pension Liability	\$2,403,164
Plan Fiduciary Net Position	820,641
Town’s Net Pension Liability	<u>\$1,582,523</u>
Plan fiduciary net position as a percentage of the total pension liability	34.15%

Actuarial Assumptions – The total pension liability was determined based on an actuarial valuation performed as of July 1, 2015 rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Actuarial Cost Method	Entry Age Method
Amortization Method	Open amortization over average remaining expected lifetime of current retirees
Actuarial Assumptions:	
Inflation	2%
Salary Increases	Not applicable
Investment Rate of Return	7.20%
Mortality	• Healthy - RP-2014 Blue Collar with generational improvements from 2006 based on 2015 SSA Trustees' Report • Disabled - RP-2014 Disabled with generational improvements from 2006 based on 2015 SSA Trustees' Report
Cost of Living Adjustment	3% for eligible retirees; 0% otherwise

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy in Note 5 – Investments) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	2.25%
Domestic Equity	50%	6.00%
International Equity	15%	7.40%
Alternatives	0%	4.20%
Cash	0%	1.00%
Total	100%	

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
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Discount Rate – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Police Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$2,486,688	\$723,354	\$1,763,334
Changes for the Year:			
Service cost	-	-	-
Interest on the total pension liability	174,613	-	174,613
Changes in benefits	-	-	-
Difference between expected and actual experience	(37,247)	-	(37,247)
Changes in assumptions	33,213	-	33,213
Employer contributions	-	355,000	(355,000)
Employee contributions	-	-	-
Net investment income	-	930	(930)
Benefit payments, including employee refunds	(254,103)	(254,103)	-
Administrative expense	-	(4,540)	4,540
Other changes	-	-	-
Net changes	(83,524)	97,287	(180,811)
Balances as of June 30, 2016	\$2,403,164	\$820,641	\$1,582,523

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.20%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net Pension Liability	\$1,774,632	\$1,582,523	\$1,404,634

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense of \$140,372. The Town reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources:

Net difference between projected and actual investment earnings	\$78,269
Total	\$78,269

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$22,346
2018	22,346
2019	22,346
2020	11,231
2021	-
Thereafter	-

C. TOWN PENSION PLAN

General Information about the Pension Plan

Plan Description and Administration – All employees who work at least 5 months of a year for at least 20 hours per week, except for school system employees eligible for membership in the Employees’ Retirement System of the State of Rhode Island and any police officers covered by the Police Plan, are covered by the Town of Narragansett’s Town Pension Plan which is administered by the Town of Narragansett Pension Board. The Pension Board consists of seven members nominated and appointed by the Town Council. This plan is a single-employer defined benefit pension plan that was established by the Town in accordance with Town Charter and State Statutes. The Town Council has the authority to establish and amend the benefits terms through the adoption of an ordinance. The pension plan is reported as a pension trust fund in the Town’s financial statements. The plan does not issue a separate publicly available financial report.

Plan Membership – As of July 1, 2015, membership data related to the pension plan was as follows:

Active members	255
Retired and beneficiaries	187
Terminated vested	19
	<u>461</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

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

A municipal or school system employee may retire upon the later of attainment of age 58 or the completion of ten years of credited service; but, in any case, the member can retire immediately after completing 20 years of credited service. Local 1033 employees hired on or after July 1, 2014 may retire upon completion of 25 years of credited service. Council 94 employees hired on or after July 1, 2014 may retire upon the later of attainment of age 65 or the completion of ten year of credited service; but in any case, the member can retire immediately after completing 25 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). For Council 94 and Local 1033 employees hired on or after July 1, 2014, the normal retirement benefit is equal to 2% of final average compensation multiplied by years of credited service (subject to a maximum of 75% of final average compensation). Police officers and firefighters hired on or after July 1, 2013 receive a normal retirement benefit equal to 2% of final average compensation multiplied by years of credited service. Final average compensation is the average annual basic compensation during the highest three consecutive years of service. In lieu of the normal form of benefit, any member who is married at the time of retirement may elect a pension that provides, upon the member's death, for 67.5% of the pension to continue to the dependent spouse or dependent children.

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

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.

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

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

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

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

- a) *Municipal Employees (excluding School System employees)* – who retire, on or after July 1, 2002 shall receive annual 3% compounded COLAs beginning on the July 1 of the year that the employee turns 58 years old. Council 94 employees hired on or after July 1, 2014 shall receive annual 3% simple COLAs beginning July 1 of the year the employee turns 58 years old.
- b) *Firefighters* – who retire on or after July 1, 2002 and before July 1, 2015 shall receive annual 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 annual 3% simple COLAs 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 annual 3% simple COLAs at retirement and when eligible. The COLA has been suspended for 8 years for active members as of July 1, 2013.

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

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

Police	11% of base salary, holiday, incentive and longevity
Fire	11% of base salary, holiday, incentive and longevity

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Mid-managers; laborers; clerical	10% of base salary and longevity
Non-union	10% of base salary
School	10% of base salary
Council 94; Local 1033	11% of base salary

The Town contribution is an actuarially determined amount recommended by an independent actuary. The actuarially determined amount is the estimated amount to finance the costs of benefits earned by plan members during the year, with an additional amount to finance the unfunded accrued liability. The Town contribution for the year ended June 30, 2016 was \$5,190,005.

Summary of Significant Accounting Policies

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

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

Investments

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

Rate of Return – For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -2.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2016 were as follows:

Total Pension Liability	\$128,509,587
Plan Fiduciary Net Position	74,187,800
Town’s Net Pension Liability	<u>\$54,321,787</u>
Plan fiduciary net position as a percentage of the total pension liability	57.73%

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Actuarial Assumptions – The total pension liability was determined as of June 30, 2016, based on an actuarial valuation performed as of July 1, 2015 rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Method
Amortization Method	Closed 20-year level percent of pay amortization
Actuarial Assumptions:	
Inflation	2%
Salary Increases	Age 20-29 - 6%; Age 30-34 - 5.5%; Age 35-39 - 5%; Age 40-44 – 4.5%; Age 45+ - 4%
Investment Rate of Return	7.20%
Mortality	• Healthy Public Safety - RP-2014 Blue Collar with generational improvements from 2006 based on 2015 SSA Trustees' Report • Healthy Non-Public Safety – RP-2014 with generational improvements from 2006 based on 2015 SSA Trustees' Report • Disabled - RP-2014 Disabled with generational improvements from 2006 based on 2015 SSA Trustees' Report
Cost of Living Adjustment	3% for eligible retirees; 0% otherwise

An experience study was performed for the experience over the July 1, 2007 to July 1, 2014 period. Assumptions with credible data to support updates have been implemented. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate of ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy in Note 5 – Investments) are summarized in the following table:

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	2.25%
Domestic Equity	50%	6.00%
International Equity	15%	7.40%
Alternatives	0%	4.20%
Cash	0%	1.00%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$118,045,537	\$74,088,411	\$43,957,126
Changes for the Year:			
Service cost	2,810,067	-	2,810,067
Interest on the total pension liability	8,763,993	-	8,763,993
Changes in benefits	(420,257)	-	(420,257)
Difference between expected and actual experience	715,831	-	715,831
Changes in assumptions	3,440,952	-	3,440,952
Employer contributions	-	5,190,005	(5,190,005)
Employee contributions	-	1,427,810	(1,427,810)
Net investment income	-	(1,643,823)	1,643,823
Benefit payments, including employee refunds	(4,846,536)	(4,846,536)	-
Administrative expense	-	(28,067)	28,067
Other changes	-	-	-
Net changes	10,464,050	99,389	10,364,661
Balances as of June 30, 2016	\$128,509,587	\$74,187,800	\$54,321,787

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Town, calculated using the discount rate of 7.20%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20%) or 1-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net Pension Liability	\$72,306,552	\$54,321,787	\$38,544,969

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense of \$8,531,576. The Town reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources:

Differences between expected and actual experience	\$774,152
Changes of assumptions	4,049,046
Net difference between projected and actual investment earnings	<u>8,735,841</u>
Total	<u>\$13,559,039</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2017	\$4,324,557
2018	4,324,558
2019	3,471,752
2020	1,438,172
2021	-
Thereafter	-

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Financial Statements
June 30, 2016

D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Liability	Pension Expense
Employees' Retirement System of RI	\$2,537,649	\$708,681	\$20,752,519	\$ 4,376,025
Police Plan	78,269	-	1,582,523	140,372
Town Plan	13,559,039	-	54,321,787	8,531,576
Total	<u>\$16,174,957</u>	<u>\$708,681</u>	<u>\$76,656,829</u>	<u>\$13,047,973</u>

NOTE 16 – OPERATING LEASES

The Town leases certain equipment under noncancellable operating leases expiring in June 2019. At June 30, 2016, future minimum lease payments are as follows:

<i>Year Ending June 30,</i>	
2017	\$12,873
2018	12,873
2019	12,873
	<u>\$38,619</u>

Rental expenditures for operating leases for the year ended June 30, 2016 totaled \$12,873.

NOTE 17 –SUBSEQUENT EVENTS

- A. On October 25, 2016, the Town issued \$6,100,000 in general obligation bonds for infrastructure projects, the athletic complex, and the public safety building. The bonds bear interest of 2-3% and mature November 1, 2017 – November 1, 2036.
- B. On August 10, 2016, the Town entered into a master lease agreement for \$410,450 for school buses. The lease bears interest of 1.54% and matures September 1, 2016 – September 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

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

- Pension Plans and Other Post-employment Benefit Plans
Required Supplementary Information**
- Budgetary Comparison Schedule - General Fund**

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Other Post-Employment Benefit Plans
Schedule of Funding Progress (1)
"Unaudited"

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (2)	Unfunded Liability/ (Funding Excess)	Funded Ratio	Covered Payroll	Unfunded Liability (Funding Excess) as a Percentage of Covered Payroll
Town Other Post-Employment Benefit Plan							
	7/1/2010	\$ -	\$ 60,598,047	\$ 60,598,047	0.0%	\$ 8,644,525	701.0%
	7/1/2011	-	67,695,108	67,695,108	0.0%	8,839,013	765.9%
	7/1/2012	1,171,831	58,932,348	57,760,517	2.0%	9,104,183	634.4%
	7/1/2013	1,868,509	58,381,028	56,512,519	3.2%	9,377,308	602.7%
	7/1/2014	2,463,875	58,945,640	56,481,765	4.2%	9,522,699	593.1%
	7/1/2015	2,940,154	55,576,059	52,635,905	5.3%	9,808,380	536.6%
School System Other Post-Employment Benefit Plan							
	7/1/2010	\$ -	\$ 3,721,274	\$ 3,721,274	0.0%	\$ 15,293,489	24.3%
	7/1/2011	-	3,652,675	3,652,675	0.0%	15,112,602	24.2%
	7/1/2012	-	3,974,657	3,974,657	0.0%	15,565,980	25.5%
	7/1/2013	-	3,079,624	3,079,624	0.0%	16,032,959	19.2%
	7/1/2014	-	3,422,659	3,422,659	0.0%	N/A	N/A
	7/1/2015	-	3,566,336	3,566,336	0.0%	N/A	N/A

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

(2) 7/1/2013 AAL was rolled forward from July 1, 2012 valuation and 7/1/2015 AAL was rolled forward from July 1, 2014 valuation.

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

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

Town Other Post-Employment Benefit Plan

<i>Year Ended June 30</i>	<i>Annual Required Contribution</i>	<i>Percentage Contributed</i>
2016	\$ 4,620,054	63.01%
2015	5,047,958	46.48%
2014	5,030,992	49.89%
2013	5,117,673	49.20%
2012	5,960,237	50.90%
2011	5,308,196	35.80%

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information
Employees' Retirement System Pension Plan
Schedule of the Town's Proportionate Share of the Net Pension Liability (1)
"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.75381396%	0.71867874%
Town's proportionate share of the net pension liability	\$ 20,752,519	\$ 17,492,643
State's proportionate share of the net pension liability associated with the Town	<u>14,177,469</u>	<u>11,995,511</u>
Total	<u>\$ 34,929,988</u>	<u>\$ 29,488,154</u>
Town's covered-employee payroll	\$ 12,250,219	\$ 12,180,991
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.41%	143.61%
Plan fiduciary net position as a percentage of the total pension liability	57.55%	61.40%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Police Pension Plan
Schedule of Changes in the Town's Net Pension Liability and Related Ratios (1)
"Unaudited"

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ -	\$ -	\$ -
Interest	174,613	177,837	182,866
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(37,247)	(20,730)	-
Changes of assumptions	33,213	85,996	-
Benefits payments, including refunds of member contributions	(254,103)	(255,145)	(244,698)
Net change in total pension liability	<u>(83,524)</u>	<u>(12,042)</u>	<u>(61,832)</u>
Total pension liability - beginning	<u>2,486,688</u>	<u>2,498,730</u>	<u>2,560,562</u>
Total pension liability - ending (a)	<u><u>\$ 2,403,164</u></u>	<u><u>\$ 2,486,688</u></u>	<u><u>\$ 2,498,730</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 355,000	\$ 126,770	\$ 124,954
Contributions - employee	-	-	-
Net investment income	930	2,633	-
Benefits payments, including refunds of member contributions	(254,103)	(255,145)	(244,698)
Administrative expense	(4,540)	-	-
Other	-	-	-
Net change in plan fiduciary net position	<u>97,287</u>	<u>(125,742)</u>	<u>(119,744)</u>
Plan fiduciary net position - beginning	<u>723,354</u>	<u>849,096</u>	<u>968,840</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 820,641</u></u>	<u><u>\$ 723,354</u></u>	<u><u>\$ 849,096</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 1,582,523</u></u>	<u><u>\$ 1,763,334</u></u>	<u><u>\$ 1,649,634</u></u>
Plan fiduciary net position as a percentage of the total pension liability	34.15%	29.09%	33.98%
Covered employee payroll	Not applicable	Not applicable	Not applicable
Town's net pension liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable

This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Town Pension Plan
Schedule of Changes in the Town's Net Pension Liability and Related Ratios (1)
"Unaudited"

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 2,810,067	\$ 2,550,557	\$ 2,777,999
Interest	8,763,993	8,179,918	7,743,047
Changes of benefit terms	(420,257)	-	-
Differences between expected and actual experience	715,831	415,238	(138,666)
Changes of assumptions	3,440,952	2,569,581	(69,684)
Benefits payments, including refunds of member contributions	(4,846,536)	(4,369,538)	(4,151,080)
Net change in total pension liability	<u>10,464,050</u>	<u>9,345,756</u>	<u>6,161,616</u>
Total pension liability - beginning	<u>118,045,537</u>	<u>108,699,781</u>	<u>102,538,165</u>
Total pension liability - ending (a)	<u><u>\$ 128,509,587</u></u>	<u><u>\$ 118,045,537</u></u>	<u><u>\$ 108,699,781</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 5,190,005	\$ 4,999,356	\$ 3,237,890
Contributions - employee	1,427,810	1,465,617	1,272,360
Net investment income	(1,643,823)	472,799	10,071,983
Benefits payments, including refunds of member contributions	(4,846,536)	(4,369,538)	(4,151,082)
Administrative expense	(28,067)	(38,693)	(36,250)
Other	-	-	-
Net change in plan fiduciary net position	<u>99,389</u>	<u>2,529,541</u>	<u>10,394,901</u>
Plan fiduciary net position - beginning	<u>74,088,411</u>	<u>71,558,870</u>	<u>61,163,969</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 74,187,800</u></u>	<u><u>\$ 74,088,411</u></u>	<u><u>\$ 71,558,870</u></u>
Town's net pension liability - ending (a) - (b)	<u><u>\$ 54,321,787</u></u>	<u><u>\$ 43,957,126</u></u>	<u><u>\$ 37,140,911</u></u>
Plan fiduciary net position as a percentage of the total pension liability	57.73%	62.76%	65.83%
Covered employee payroll	\$ 12,984,298	\$ 12,188,272	\$ 12,466,246
Town's net pension liability as a percentage of covered employee payroll	418.37%	360.65%	297.93%

This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Employees' Retirement System of RI (1)</u>										
Actuarially determined contribution	\$ 1,706,931	\$ 1,642,581								
Contributions in relation to the actuarially determined contribution	1,706,931	1,642,581								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Covered employee payroll	\$ 12,249,451	\$ 12,250,219								
Contributions as a percentage of covered employee payroll	13.93%	13.41%								
<u>Police Plan</u>										
Actuarially determined contribution	\$ 216,196	\$ 208,518	\$ 129,257	\$ 124,954	\$ 131,117	\$ 125,293	\$ 77,093	\$ 77,093	\$ 80,656	\$ 80,656
Contributions in relation to the actuarially determined contribution	355,000	126,770	124,954	102,200	102,200	130,000	120,000	-	215,717	-
Contribution deficiency (excess)	<u>\$ (138,804)</u>	<u>\$ 81,748</u>	<u>\$ 4,303</u>	<u>\$ 22,754</u>	<u>\$ 28,917</u>	<u>\$ (4,707)</u>	<u>\$ (42,907)</u>	<u>\$ 77,093</u>	<u>\$ (135,061)</u>	<u>\$ 80,656</u>
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Contributions as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
<u>Town Plan</u>										
Actuarially determined contribution	\$ 5,082,997	\$ 4,881,459	\$ 5,619,927	\$ 5,432,159	\$ 4,359,974	\$ 3,581,961	\$ 2,462,870	\$ 2,462,870	\$ 2,630,851	\$ 2,653,919
Contributions in relation to the actuarially determined contribution	5,190,005	4,999,356	3,237,890	2,627,014	2,177,565	1,936,385	1,557,772	1,342,866	1,164,457	1,051,572
Contribution deficiency (excess)	<u>\$ (107,008)</u>	<u>\$ (117,897)</u>	<u>\$ 2,382,037</u>	<u>\$ 2,805,145</u>	<u>\$ 2,182,409</u>	<u>\$ 1,645,576</u>	<u>\$ 905,098</u>	<u>\$ 1,120,004</u>	<u>\$ 1,466,394</u>	<u>\$ 1,602,347</u>
Covered employee payroll	\$ 12,984,298	\$ 12,188,272	\$ 12,466,246	\$ 12,482,365	\$ 11,393,405	\$ 11,975,586	\$ 9,620,655	\$ 9,620,655	\$ 9,803,980	\$ 9,279,194
Contributions as a percentage of covered employee payroll	39.97%	41.02%	25.97%	21.05%	19.11%	16.17%	16.19%	13.96%	11.88%	11.33%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Required Supplementary Information - Pension Plans
Schedule of Investment Returns (1)
"Unaudited"

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Police Plan</i>			
Annual money-weighted rate of return, net of investment expense	<u>0.09%</u>	<u>0.78%</u>	<u>0.00%</u>
<i>Town Plan</i>			
Annual money-weighted rate of return, net of investment expense	<u>-2.29%</u>	<u>0.71%</u>	<u>15.81%</u>

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

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
General Fund
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes:				
Current year taxes	\$ 47,679,198	\$ 47,679,198	\$ 47,958,723	\$ 279,525
Prior year taxes	135,000	135,000	248,612	113,612
	<u>47,814,198</u>	<u>47,814,198</u>	<u>48,207,335</u>	<u>393,137</u>
Investment and interest revenues:				
Interest on delinquent taxes	185,000	185,000	191,309	6,309
Interest from investments	110,000	110,000	159,331	49,331
	<u>295,000</u>	<u>295,000</u>	<u>350,640</u>	<u>55,640</u>
Intergovernmental revenues:				
Motor vehicle tax reimbursement	96,000	96,000	60,810	(35,190)
Municipal aid incentive program	75,675	75,675	77,283	1,608
Federal PILOT	71,000	71,000	70,150	(850)
State beach parking	226,650	226,650	188,841	(37,809)
State telephone tax	200,000	200,000	203,230	3,230
State hotel tax	80,000	80,000	121,628	41,628
State meal and beverage tax	530,000	530,000	638,773	108,773
School housing aid	486,510	486,510	486,510	-
Storm reimbursement	-	-	54,544	54,544
	<u>1,765,835</u>	<u>1,765,835</u>	<u>1,901,769</u>	<u>135,934</u>
Licenses and permits:				
Building permits	335,000	335,000	326,603	(8,397)
Mooring fees	61,000	61,000	58,786	(2,214)
Variance and exception fees	14,000	14,000	10,510	(3,490)
Fire alarm inspection fees	10,000	10,000	10,020	20
Road open permits	2,100	2,100	1,225	(875)
VIN inspection fees	4,000	4,000	5,701	1,701
	<u>426,100</u>	<u>426,100</u>	<u>412,845</u>	<u>(13,255)</u>
Fines and forfeitures:				
Police fees and fines	15,000	15,000	13,259	(1,741)
Municipal court	250,000	250,000	325,798	75,798
	<u>265,000</u>	<u>265,000</u>	<u>339,057</u>	<u>74,057</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
PILOT & interfund revenues:				
Beach in lieu of taxes	207,447	207,447	207,447	-
Housing authority in lieu of taxes	1,590	1,590	6,080	4,490
Water in lieu of taxes	32,015	32,015	32,015	-
Wastewater in lieu of taxes	142,992	142,992	142,992	-
Charter school	500	500	6,000	5,500
Water administrative fees	139,089	139,089	139,089	-
Wastewater administrative fees	428,060	428,060	428,135	75
Beach administrative fees	133,342	133,342	133,342	-
Surplus equipment fund	50,000	50,000	50,000	-
Rental registration transfer	125,000	125,000	125,000	-
Vehicle maintenance	-	-	132,596	132,596
	<u>1,260,035</u>	<u>1,260,035</u>	<u>1,402,696</u>	<u>142,661</u>
Miscellaneous revenues:				
Police finger print receipts	3,000	3,000	4,090	1,090
Town clerk general receipts	656,000	656,000	759,934	103,934
Town clerk alcoholic beverages	35,000	35,000	34,640	(360)
Police detail revenue	123,800	123,800	517,314	393,514
Cellular tower rentals	163,594	163,594	159,337	(4,257)
Miscellaneous receipts	40,400	40,400	37,051	(3,349)
Emergency medical services	425,000	425,000	362,112	(62,888)
Miscellaneous police receipts	7,000	7,000	24,948	17,948
Concessions	2,650	2,650	2,750	100
Fire marshal plan review	23,000	23,000	16,221	(6,779)
Donations	-	-	108	108
Retained claims	-	-	4,713	4,713
Miscellaneous fire department receipts	-	-	3,940	3,940
	<u>1,479,444</u>	<u>1,479,444</u>	<u>1,927,158</u>	<u>447,714</u>
Recreation revenues:				
Community center rental	8,200	8,200	7,903	(297)
Miscellaneous receipts	14,500	14,500	16,900	2,400
Basketball	41,075	41,075	56,849	15,774
Workshops	31,000	31,000	32,871	1,871
The Camp	60,000	60,000	72,899	12,899
Park rental	-	-	8,340	8,340
Event rental	-	-	540	540
	<u>154,775</u>	<u>154,775</u>	<u>196,302</u>	<u>41,527</u>
Other financing sources:				
Fund balance appropriation	997,821	997,821	997,821	-
Total revenues and other financing sources	<u>54,458,208</u>	<u>54,458,208</u>	<u>55,735,623</u>	<u>1,277,415</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Town council	50,862	50,862	29,848	21,014
Town solicitor	125,000	125,000	137,344	(12,344)
Municipal court	200,795	200,795	184,852	15,943
Board of canvassers	133,874	133,874	102,122	31,752
Town manager	278,154	278,154	239,905	38,249
Human resources	119,949	119,949	113,715	6,234
Town clerk	381,278	381,278	355,418	25,860
Information technology	357,088	357,088	336,938	20,150
Historic district commission	650	650	255	395
Conservation commission	500	500	325	175
Planning board	5,450	5,450	4,260	1,190
Zoning board of appeals	11,700	11,700	5,446	6,254
Special appropriations	165,929	165,929	165,929	-
	<u>1,831,229</u>	<u>1,831,229</u>	<u>1,676,357</u>	<u>154,872</u>
Financial administration:				
Financial and purchasing	424,406	424,406	370,920	53,486
Accounting	427,849	427,849	423,439	4,410
Tax assessor	251,244	251,244	258,296	(7,052)
Tax collector	290,069	290,069	293,601	(3,532)
	<u>1,393,568</u>	<u>1,393,568</u>	<u>1,346,256</u>	<u>47,312</u>
Public safety:				
Police administration	1,389,994	1,389,994	1,270,335	119,659
Uniformed patrol	4,324,514	4,324,514	4,594,787	(270,273)
Investigations	671,048	671,048	690,558	(19,510)
Animal control	197,662	197,662	189,309	8,353
Harbor master	40,412	40,412	34,481	5,931
Dispatching & records	968,652	968,652	924,899	43,753
Fire	5,091,381	5,091,381	5,114,742	(23,361)
Emergency management	11,645	11,645	13,063	(1,418)
	<u>12,695,308</u>	<u>12,695,308</u>	<u>12,832,174</u>	<u>(136,866)</u>
Public works:				
Public works administration	353,762	353,762	372,951	(19,189)
Highway	1,780,667	1,780,667	1,600,666	180,001
Facilities maintenance	254,836	254,836	183,094	71,742
Vehicle maintenance	551,857	551,857	617,592	(65,735)
	<u>2,941,122</u>	<u>2,941,122</u>	<u>2,774,303</u>	<u>166,819</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Parks and recreation:</i>				
Parks and recreation administration	185,816	185,816	174,999	10,817
Parks maintenance	775,690	775,690	730,073	45,617
Recreation programs	437,846	437,846	490,946	(53,100)
	<u>1,399,352</u>	<u>1,399,352</u>	<u>1,396,018</u>	<u>3,334</u>
<i>Planning, engineering and inspection:</i>				
Community development	410,537	410,537	411,391	(854)
Inspection services	393,449	393,449	388,542	4,907
Engineering	276,097	276,097	273,849	2,248
	<u>1,080,083</u>	<u>1,080,083</u>	<u>1,073,782</u>	<u>6,301</u>
<i>Town-wide expenditures</i>	<u>855,041</u>	<u>855,041</u>	<u>736,393</u>	<u>118,648</u>
<i>Education appropriation</i>	<u>24,237,297</u>	<u>24,237,297</u>	<u>24,237,297</u>	<u>-</u>
<i>Library appropriation</i>	<u>891,103</u>	<u>891,103</u>	<u>891,103</u>	<u>-</u>
<i>Other:</i>				
Contingency	300,000	270,000	56,554	213,446
OPEB contribution	2,388,762	2,388,762	2,388,762	-
Police Chapter 1666 pension contribution	355,000	355,000	355,000	-
Retirement and termination benefits	150,000	150,000	-	150,000
	<u>3,193,762</u>	<u>3,163,762</u>	<u>2,800,316</u>	<u>363,446</u>
<i>Other financing uses:</i>				
<i>Transfers to other funds:</i>				
Special Revenue Funds	234,308	234,308	234,308	-
Town Capital Projects Fund	746,254	746,254	746,254	-
Debt Service Fund	2,730,556	2,730,556	2,730,556	-
Land Conservancy Fund	50,000	50,000	50,000	-
Towers Fund	50,000	50,000	50,000	-
Retained Claims Fund	-	30,000	30,000	-
Middlebridge Fund	129,225	129,225	129,225	-
	<u>3,940,343</u>	<u>3,970,343</u>	<u>3,970,343</u>	<u>-</u>
<i>Total expenditures and other financing uses</i>	<u>54,458,208</u>	<u>54,458,208</u>	<u>53,734,342</u>	<u>723,866</u>
<i>Net change in fund balance - budgetary basis</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,001,281</u>	<u>\$ 2,001,281</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, 2016
"Unaudited"

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

	<u><i>Town Other Post-Employment Benefit Plan</i></u>	<u><i>School Other Post-Employment Benefit Plan</i></u>
Valuation date	7/1/2015	7/1/2015
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level dollar - open	Level dollar - open
Amortization period	30 years	30 years
Asset valuation method	Fair market value	N/A
Actuarial assumptions:		
Investment rate of return/ Discount rate	4.5% discount rate	4.5% discount rate
Inflation rate	3%	3%
Payroll growth rate	3%	3%
Medical trend cost rate	Medical - 8% per year graded off to an ultimate rate of 5% per year Part B - 3.50% per year increasing to an ultimate rate of 4.25% per year	Medical - 8% per year graded off to an ultimate rate of 5% per year
Dental trend cost rate	4% per year graded off to an ultimate rate of 3% per year	4% per year graded off to an ultimate rate of 3% per year
Participant information	Active participants 165 Retirees and beneficiaries <u>118</u> <u>283</u>	Active participants 240 Retirees and beneficiaries <u>45</u> <u>285</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2016

"Unaudited"

NOTE 2 - SCHEDULE OF TOWN CONTRIBUTIONS

	<i>Employees' Retirement System of RI</i>	<i>Police Pension</i>	<i>Town Pension</i>												
Valuation date:	June 30, 2013 - Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years later	July 1, 2015 - Actuarially determined contribution rates are based on the calculated contribution as a percentage of payroll from the prior valuation date	July 1, 2015 - Actuarially determined contribution rates are based on the calculated contribution as a percentage of payroll from the prior valuation date												
Methods and assumptions used to determine contribution rates:															
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal												
Amortization method	Level percentage of payroll over a closed period	Open amortization over the average remaining expected lifetime of current retirees	Level percent of payroll over a closed 20 year period; for this purpose, payroll is assumed to grow at 4% annually												
Remaining amortization period	23 years	12 years	20 years												
Asset valuation method	5-year smoothed market	Fair market value of assets on the valuation date	Fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses of plan assets												
Projected salary increases	Teachers - 4% - 12.75%	Not applicable	<table><tr><td><u>Age</u></td><td><u>Percent</u></td></tr><tr><td>20-29</td><td>6.00%</td></tr><tr><td>30-34</td><td>5.50%</td></tr><tr><td>35-39</td><td>5.00%</td></tr><tr><td>40-44</td><td>4.50%</td></tr><tr><td>45+</td><td>4.00%</td></tr></table> Note: Different rates/amounts apply to Local 1033 and Council 94 members for fiscal years 2015, 2016 and 2017; thereafter revert to above table	<u>Age</u>	<u>Percent</u>	20-29	6.00%	30-34	5.50%	35-39	5.00%	40-44	4.50%	45+	4.00%
<u>Age</u>	<u>Percent</u>														
20-29	6.00%														
30-34	5.50%														
35-39	5.00%														
40-44	4.50%														
45+	4.00%														
Investment rate of return	7.50%	7.50%	7.50%												
Inflation	2.75%	3%	3%												
Retirement rates	Experienced based table of rates that are specific to the type of eligibility condition	Not applicable	100% retirement at the earlier of age 58 with 10 years or 20 years for non-public safety. For public safety, age 58 or 20 years.												
Mortality	Teachers - Males - 97% of rates in GRS table based on male teacher experience, projected with Scale AA from 2000 Teachers - Females - 92% of rates in GRS table based on female teacher experience, projected with Scale AA from 2000	Healthy - Males - 115% of RP-2000 Mortality for Males with White Collar Adjustments, projected with Scale AA to 2014 Healthy - Females - 95% of RP-2000 Mortality for Females with White Collar Adjustments, projected with Scale AA to 2014 Disabled - 60% of PBGC Mortality 2012 under Section 4044	Healthy and disabled - RP-2000 Fully Generational, Base Year 2000, Scale AA												
Other Information:	Employers participating in the Employees' Retirement System of RI are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year	Prior to July 1, 2015, actuarially determined contribution rates were calculated as of July 1 of the fiscal year in which contributions were reported	Prior to July 1, 2015, actuarially determined contribution rates were calculated as of July 1 of the fiscal year in which contributions were reported												

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

NOTE 3 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

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

Appropriations in addition to those contained in the annual operating budget require Town Council approval. Amendments to the operating budgets that do not result in additional appropriations may be made within a department by means of a transfer. The Town Manager has authority to make such transfers within departments. Transfers made outside the departmental level require Town Council approval. All unencumbered appropriations lapse at the end of the fiscal year.

The table below shows the amounts by which certain municipal department expenditures exceeded fiscal year 2016 appropriations:

<u>Department</u>	<u>Fund</u>	<u>Expenditures In Excess of Budget</u>
Town solicitor	General	\$12,344
Tax assessor	General	7,052
Tax collector	General	3,532
Uniformed patrol	General	270,273
Investigations	General	19,510
Fire	General	23,361
Emergency management	General	1,418
Public works administration	General	19,189
Vehicle maintenance	General	65,735
Recreation programs	General	53,100
Community development	General	854

TOWN OF NARRAGANSETT, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016

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

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$55,735,623
Differences – budget to GAAP:	
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Narragansett is not reported as budgetary revenue, but is a current year revenue for financial reporting purposes.	1,171,935
Unbudgeted revenues not included for budgetary purposes, but included for financial reporting purposes.	3,345,227
Appropriation of fund balance is a revenue for budgetary purposes, but is not a revenue for financial reporting purposes.	<u>(997,821)</u>
<i>Total revenues and other financing sources as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$59,254,964</u>
<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>
Actual amounts (budgetary basis)	\$53,734,342
Differences – budget to GAAP:	
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of Narragansett is not reported as a budgetary expenditure, but is a current year expenditure for financial reporting purposes.	1,171,935
Unbudgeted expenditures not included for budgetary purposes, but included for financial reporting purposes.	<u>4,544,995</u>
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$59,451,272</u>

OTHER SUPPLEMENTARY INFORMATION

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

THIS SECTION CONTAINS THE FOLLOWING:

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

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

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

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds						
	School Restricted Grants	Food Service Fund	Historic Preservation Grants	Community Development Fund	RI Legislative Grant	Safe Routes To School	Forfeited Funds
ASSETS							
Cash	\$ -	\$ 14,125	\$ 1,753	\$ 15,658	\$ -	\$ -	\$ 1,680
Due from federal and state governments	256,718	9,313	-	-	-	-	-
Due from other funds	11,758	11,096	47,741	170,526	2,897	175	40,581
Other receivables	-	19,479	-	269,652	-	-	-
Total assets	\$ 268,476	\$ 54,013	\$ 49,494	\$ 455,836	\$ 2,897	\$ 175	\$ 42,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued expenditures	-	32,411	-	-	-	-	-
Due to other funds	256,718	-	-	-	-	-	-
Unearned revenue	-	8,949	-	-	-	-	-
Total liabilities	256,718	41,360	-	-	-	-	-
Deferred Inflows of Resources							
Other deferred revenue	-	-	-	269,642	-	-	-
Total deferred inflows of resources	-	-	-	269,642	-	-	-
Fund Balances (Deficits)							
Restricted for:							
Education programs	11,758	12,653	-	-	-	-	-
Public safety programs	-	-	-	-	-	175	42,261
Historical records preservation	-	-	-	-	-	-	-
Community service programs	-	-	-	186,194	-	-	-
Parks and recreation programs	-	-	50,498	-	2,897	-	-
Capital projects	-	-	-	-	-	-	-
Other programs	-	-	536	-	-	-	-
Committed for:							
Public safety programs	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Assigned to:							
Capital projects	-	-	-	-	-	-	-
Unassigned	-	-	(1,540)	-	-	-	-
Total fund balances (deficits)	11,758	12,653	49,494	186,194	2,897	175	42,261
Total liabilities, deferred inflows of resources, and fund balances	\$ 268,476	\$ 54,013	\$ 49,494	\$ 455,836	\$ 2,897	\$ 175	\$ 42,261

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds							
	<i>State Recycling Fund</i>	<i>Galilee Landing Fees Fund</i>	<i>Byrne Grants</i>	<i>RI EMA Grant</i>	<i>RI EMA MEDS Grant</i>	<i>Historical Preservation Fund</i>	<i>Earthday Mini grant</i>	<i>DEM Tree Grant</i>
ASSETS								
Cash	\$ 7,977	\$ 8,273	\$ 2,946	\$ -	\$ 2,750	\$ -	\$ -	\$ 5,200
Due from federal and state governments	-	-	-	-	-	-	-	-
Due from other funds	32,944	18,571	-	14,888	22,534	208,354	200	2,999
Other receivables	-	-	-	-	-	-	-	-
Total assets	\$ 40,921	\$ 26,844	\$ 2,946	\$ 14,888	\$ 25,284	\$ 208,354	\$ 200	\$ 8,199
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ -	\$ -	\$ -	\$ 5,987	\$ -	\$ 23,731	\$ -	\$ -
Accounts payable and accrued expenditures	-	5,005	-	-	-	37,570	-	-
Due to other funds	-	-	2,782	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-	-
Total liabilities	-	5,005	2,782	5,987	-	61,301	-	-
Deferred Inflows of Resources								
Other deferred revenue	-	-	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	-	-	-
Fund Balances (Deficits)								
Restricted for:								
Education programs	-	-	-	-	-	-	-	-
Public safety programs	-	-	164	8,901	25,284	-	-	-
Historical records preservation	-	-	-	-	-	147,053	-	-
Community service programs	-	-	-	-	-	-	-	-
Parks and recreation programs	-	21,839	-	-	-	-	200	8,199
Capital projects	-	-	-	-	-	-	-	-
Other programs	40,921	-	-	-	-	-	-	-
Committed for:								
Public safety programs	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Assigned to:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances (deficits)	40,921	21,839	164	8,901	25,284	147,053	200	8,199
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,921	\$ 26,844	\$ 2,946	\$ 14,888	\$ 25,284	\$ 208,354	\$ 200	\$ 8,199

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds							
	<i>RI Interlocal Trust Safety Grant</i>	<i>Fire Act Grants</i>	<i>Youth Task Force</i>	<i>Homeland Security Grant</i>	<i>Homeland Security Fire Grant</i>	<i>CDBG Grant</i>	<i>Grant Miscellaneous</i>	<i>Total Special Revenue Funds</i>
ASSETS								
Cash	\$ -	\$ 72,693	\$ 1,926	\$ -	\$ -	\$ -	\$ -	\$ 134,981
Due from federal and state governments	-	130,854	-	-	60,972	-	-	457,857
Due from other funds	2,000	-	-	-	-	11,500	10,042	608,806
Other receivables	986	-	-	-	-	-	-	290,117
Total assets	\$ 2,986	\$ 203,547	\$ 1,926	\$ -	\$ 60,972	\$ 11,500	\$ 10,042	\$ 1,491,761
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES								
Liabilities								
Cash overdraft	\$ 986	\$ -	\$ -	\$ 4,252	\$ 60,972	\$ -	\$ 3,962	\$ 99,890
Accounts payable and accrued expenditures	-	47,837	4,800	-	-	-	6,080	133,703
Due to other funds	-	197	-	7,578	-	-	-	267,275
Unearned revenue	-	-	-	-	-	-	-	8,949
Total liabilities	986	48,034	4,800	11,830	60,972	-	10,042	509,817
Deferred Inflows of Resources								
Other deferred revenue	-	-	-	-	-	-	-	269,642
Total deferred inflows of resources	-	-	-	-	-	-	-	269,642
Fund Balances (Deficits)								
Restricted for:								
Education programs	-	-	-	-	-	-	-	24,411
Public safety programs	2,000	-	-	-	-	-	-	78,785
Historical records preservation	-	-	-	-	-	-	-	147,053
Community service programs	-	-	-	-	-	11,500	-	197,694
Parks and recreation programs	-	-	-	-	-	-	-	83,633
Capital projects	-	-	-	-	-	-	-	-
Other programs	-	-	-	-	-	-	-	41,457
Committed for:								
Public safety programs	-	155,513	-	-	-	-	-	155,513
Capital projects	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Assigned to:								
Capital projects	-	-	-	-	-	-	-	-
Unassigned	-	-	(2,874)	(11,830)	-	-	-	(16,244)
Total fund balances (deficits)	2,000	155,513	(2,874)	(11,830)	-	11,500	-	712,302
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,986	\$ 203,547	\$ 1,926	\$ -	\$ 60,972	\$ 11,500	\$ 10,042	\$ 1,491,761

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	Capital Project Funds						
	Debt Service Fund	School Athletic Complex Fund	School Capital Projects Fund	Street Improvement Fund	Land Trust Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS							
Cash	\$ 172,829	\$ 650,436	\$ -	\$ 2,064,020	\$ 50,000	\$ 2,764,456	\$ 3,072,266
Due from federal and state governments	-	-	-	-	-	-	457,857
Due from other funds	-	-	1,293,626	-	122,943	1,416,569	2,025,375
Other receivables	-	2,871	-	-	-	2,871	292,988
Total assets	\$ 172,829	\$ 653,307	\$ 1,293,626	\$ 2,064,020	\$ 172,943	\$ 4,183,896	\$ 5,848,486
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,890
Accounts payable and accrued expenditures	-	42,418	79,782	366,101	-	488,301	622,004
Due to other funds	-	1,046,794	-	630,392	-	1,677,186	1,944,461
Unearned revenue	-	-	-	-	-	-	8,949
Total liabilities	-	1,089,212	79,782	996,493	-	2,165,487	2,675,304
Deferred Inflows of Resources							
Other deferred revenue	-	-	-	-	-	-	269,642
Total deferred inflows of resources	-	-	-	-	-	-	269,642
Fund Balances (Deficits)							
Restricted for:							
Education programs	-	-	-	-	-	-	24,411
Public safety programs	-	-	-	-	-	-	78,785
Historical records preservation	-	-	-	-	-	-	147,053
Community service programs	-	-	-	-	-	-	197,694
Parks and recreation programs	-	-	-	-	-	-	83,633
Capital projects	-	-	-	1,067,527	-	1,067,527	1,067,527
Other programs	-	-	-	-	-	-	41,457
Committed for:							
Public safety programs	-	-	-	-	-	-	155,513
Capital projects	-	-	-	-	172,943	172,943	172,943
Debt service	172,829						172,829
Assigned to:							
Capital projects	-	-	1,213,844	-	-	1,213,844	1,213,844
Unassigned	-	(435,905)	-	-	-	(435,905)	(452,149)
Total fund balances (deficits)	172,829	(435,905)	1,213,844	1,067,527	172,943	2,018,409	2,903,540
Total liabilities, deferred inflows of resources, and fund balances	\$ 172,829	\$ 653,307	\$ 1,293,626	\$ 2,064,020	\$ 172,943	\$ 4,183,896	\$ 5,848,486

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, 2016

	Special Revenue Funds						
	School Restricted Grants	Food Service Fund	Historic Preservation Grants	Community Development Fund	RI Legislative Grant	Safe Routes To School	Forfeited Funds
Revenues							
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	210,706	-	-	-	-	-
Operating grants and contributions	754,894	141,132	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-
Investment and interest income	-	-	-	7,366	-	-	-
Other revenue	-	-	-	8,302	-	-	-
Total revenues	754,894	351,838	-	15,668	-	-	-
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Food service	-	369,185	-	-	-	-	-
Education	745,961	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	745,961	369,185	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources	8,933	(17,347)	-	15,668	-	-	-
Other financing sources							
Transfers from other funds	-	30,000	1,753	-	-	-	1,679
Total other financing sources	-	30,000	1,753	-	-	-	1,679
Net change in fund balance	8,933	12,653	1,753	15,668	-	-	1,679
Fund balances (deficits) - beginning of year	2,825	-	47,741	170,526	2,897	175	40,582
Fund balances (deficits) - end of year	\$ 11,758	\$ 12,653	\$ 49,494	\$ 186,194	\$ 2,897	\$ 175	\$ 42,261

(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, 2016

	Special Revenue Funds							
	State Recycling Fund	Galilee Landing Fees Fund	Byrne Grants	RI EMA Grant	RI EMA MEDS Grant	Historical Preservation Fund	Earthday Mini grant	DEM Tree Grant
Revenues								
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	164	98,661	-	-	-	30,039	-	-
Operating grants and contributions	25,768	-	16,100	-	1,000	-	-	5,201
Capital grants and contributions	-	-	-	-	-	-	-	-
Investment and interest income	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-
Total revenues	25,932	98,661	16,100	-	1,000	30,039	-	5,201
Expenditures								
Current:								
General government	-	-	-	-	-	91,340	-	-
Public safety	-	-	16,113	5,986	-	-	-	-
Public works	17,955	-	-	-	-	-	-	-
Social services	-	-	-	-	-	-	-	-
Parks and recreation	-	93,572	-	-	-	-	-	-
Food service	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	17,955	93,572	16,113	5,986	-	91,340	-	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources	7,977	5,089	(13)	(5,986)	1,000	(61,301)	-	5,201
Other financing sources								
Transfers from other funds	-	-	2,959	-	-	-	-	-
Total other financing sources	-	-	2,959	-	-	-	-	-
Net change in fund balance	7,977	5,089	2,946	(5,986)	1,000	(61,301)	-	5,201
Fund balances (deficits) - beginning of year	32,944	16,750	(2,782)	14,887	24,284	208,354	200	2,998
Fund balances (deficits) - end of year	\$ 40,921	\$ 21,839	\$ 164	\$ 8,901	\$ 25,284	\$ 147,053	\$ 200	\$ 8,199

(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, 2016

	Special Revenue Funds							
	<i>RI Interlocal Trust Safety Grant</i>	<i>Fire Act Grants</i>	<i>Youth Task Force</i>	<i>Homeland Security Grant</i>	<i>Homeland Security Fire Grant</i>	<i>CDBG Grant</i>	<i>Grant Miscellaneous</i>	<i>Total Special Revenue Funds</i>
Revenues								
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	339,570
Operating grants and contributions	986	78,964	38,567	17,325	60,972	16,923	-	1,157,832
Capital grants and contributions	-	310,854	-	-	-	-	-	310,854
Investment and interest income	-	-	-	-	-	-	-	7,366
Other revenue	-	-	-	-	-	-	-	8,302
Total revenues	<u>986</u>	<u>389,818</u>	<u>38,567</u>	<u>17,325</u>	<u>60,972</u>	<u>16,923</u>	<u>-</u>	<u>1,823,924</u>
Expenditures								
Current:								
General government	-	-	-	-	-	-	-	91,340
Public safety	986	149,232	39,088	21,577	60,972	-	10,042	303,996
Public works	-	-	-	-	-	-	-	17,955
Social services	-	-	-	-	-	16,893	-	16,893
Parks and recreation	-	-	-	-	-	-	-	93,572
Food service	-	-	-	-	-	-	-	369,185
Education	-	-	-	-	-	-	-	745,961
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-
Capital outlay	-	310,400	-	-	-	-	-	310,400
Total expenditures	<u>986</u>	<u>459,632</u>	<u>39,088</u>	<u>21,577</u>	<u>60,972</u>	<u>16,893</u>	<u>10,042</u>	<u>1,949,302</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	<u>-</u>	<u>(69,814)</u>	<u>(521)</u>	<u>(4,252)</u>	<u>-</u>	<u>30</u>	<u>(10,042)</u>	<u>(125,378)</u>
Other financing sources								
Transfers from other funds	-	225,523	-	-	-	-	-	261,914
Total other financing sources	<u>-</u>	<u>225,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,914</u>
Net change in fund balance	-	155,709	(521)	(4,252)	-	30	(10,042)	136,536
Fund balances (deficits) - beginning of year	<u>2,000</u>	<u>(196)</u>	<u>(2,353)</u>	<u>(7,578)</u>	<u>-</u>	<u>11,470</u>	<u>10,042</u>	<u>575,766</u>
Fund balances (deficits) - end of year	<u>\$ 2,000</u>	<u>\$ 155,513</u>	<u>\$ (2,874)</u>	<u>\$ (11,830)</u>	<u>\$ -</u>	<u>\$ 11,500</u>	<u>\$ -</u>	<u>\$ 712,302</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, 2016

	Capital Project Funds						
	Debt Service Fund	School Athletic Complex Fund	School Capital Projects Fund	Street Improvement Fund	Land Trust Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
Revenues							
State aid	\$ -	\$ -	\$ 49,354	\$ -	\$ -	\$ 49,354	\$ 49,354
Charges for services	-	-	-	-	-	-	339,570
Operating grants and contributions	-	-	-	-	-	-	1,157,832
Capital grants and contributions	-	333,300	-	-	-	333,300	644,154
Investment and interest income	-	-	-	13,555	-	13,555	20,921
Other revenue	-	15,432	-	-	100	15,532	23,834
Total revenues	-	348,732	49,354	13,555	100	411,741	2,235,665
Expenditures							
Current:							
General government	-	-	-	-	-	-	91,340
Public safety	-	-	-	-	-	-	303,996
Public works	-	-	-	-	-	-	17,955
Social services	-	-	-	-	-	-	16,893
Parks and recreation	-	-	-	-	-	-	93,572
Food service	-	-	-	-	-	-	369,185
Education	-	-	-	-	-	-	745,961
Debt service:							
Principal	1,631,158	-	-	-	-	-	1,631,158
Interest and fees	926,569	-	-	-	-	-	926,569
Capital outlay	-	1,842,908	644,676	1,700,627	-	4,188,211	4,498,611
Total expenditures	2,557,727	1,842,908	644,676	1,700,627	-	4,188,211	8,695,240
Excess (deficiency) of revenues over (under) expenditures before other financing sources	(2,557,727)	(1,494,176)	(595,322)	(1,687,072)	100	(3,776,470)	(6,459,575)
Other financing sources							
Transfers from other funds	2,730,556	659,000	1,432,885	-	50,000	2,141,885	5,134,355
Total other financing sources	2,730,556	659,000	1,432,885	-	50,000	2,141,885	5,134,355
Net change in fund balance	172,829	(835,176)	837,563	(1,687,072)	50,100	(1,634,585)	(1,325,220)
Fund balances (deficits) - beginning of year	-	399,271	376,281	2,754,599	122,843	3,652,994	4,228,760
Fund balances (deficits) - end of year	\$ 172,829	\$ (435,905)	\$ 1,213,844	\$ 1,067,527	\$ 172,943	\$ 2,018,409	\$ 2,903,540

TOWN OF NARRAGANSETT, RHODE ISLAND

Combining Balance Sheet

Special Revenue Funds - School Restricted Fund

June 30, 2016

	<i>IDEA</i>	<i>Title I Part A</i>	<i>PL 94 - 142 IDEA Preschool</i>	<i>Title II Part A</i>	<i>Title III</i>	<i>School Support Implementation Plan</i>
ASSETS						
Due from federal and state government	\$ 128,767	\$ 80,027	\$ 2,703	\$ 29,027	\$ -	\$ 797
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 128,767</u>	<u>\$ 80,027</u>	<u>\$ 2,703</u>	<u>\$ 29,027</u>	<u>\$ -</u>	<u>\$ 797</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$ 128,767	\$ 80,027	\$ 2,703	\$ 29,027	\$ -	\$ 797
Total liabilities	<u>128,767</u>	<u>80,027</u>	<u>2,703</u>	<u>29,027</u>	<u>-</u>	<u>797</u>
Fund balances - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 128,767</u>	<u>\$ 80,027</u>	<u>\$ 2,703</u>	<u>\$ 29,027</u>	<u>\$ -</u>	<u>\$ 797</u>

(Continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

Combining Balance Sheet (Continued)

Special Revenue Funds - School Restricted Fund

June 30, 2016

	<i>Casit, Inc. AP Italian Program</i>	<i>Drug Free Communities Support Program</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<i>Career & Technical Education</i>	<i>Total</i>
ASSETS						
Due from federal and state government	\$ -	\$ 15,397	\$ -	\$ -	\$ -	\$ 256,718
Due from other funds	293	-	1,476	1,876	8,113	11,758
Total assets	<u>\$ 293</u>	<u>\$ 15,397</u>	<u>\$ 1,476</u>	<u>\$ 1,876</u>	<u>\$ 8,113</u>	<u>\$ 268,476</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$ -	\$ 15,397	\$ -	\$ -	\$ -	\$ 256,718
Total liabilities	<u>-</u>	<u>15,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,718</u>
Fund balances - restricted	<u>293</u>	<u>-</u>	<u>1,476</u>	<u>1,876</u>	<u>8,113</u>	<u>11,758</u>
Total liabilities and fund balances	<u>\$ 293</u>	<u>\$ 15,397</u>	<u>\$ 1,476</u>	<u>\$ 1,876</u>	<u>\$ 8,113</u>	<u>\$ 268,476</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds - School Restricted Fund
For the Fiscal Year Ended June 30, 2016

	<i>IDEA</i>	<i>Title I Part A</i>	<i>PL 94 - 142 IDEA Preschool</i>	<i>Title II Part A</i>	<i>Title III</i>	<i>School Support Implementation Plan</i>
Revenues						
Operating grants and contributions	\$ 414,381	\$ 152,542	\$ 9,604	\$ 74,945	\$ 832	\$ 797
Total revenues	<u>414,381</u>	<u>152,542</u>	<u>9,604</u>	<u>74,945</u>	<u>832</u>	<u>797</u>
Expenditures						
Salaries	264,431	101,443	8,942	55,098	-	740
Employee benefits	148,016	50,992	662	19,847	-	57
Purchased services	1,934	-	-	-	542	-
Supplies and materials	-	77	-	-	290	-
Miscellaneous	-	30	-	-	-	-
Total expenditures	<u>414,381</u>	<u>152,542</u>	<u>9,604</u>	<u>74,945</u>	<u>832</u>	<u>797</u>
Net change in fund balances	-	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-	-
Fund balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2016

	<i>Casit, Inc. AP Italian Program</i>	<i>Drug Free Communities Support Program</i>	<i>Tolerance Program</i>	<i>Chartwell's Grant</i>	<i>Career & Technical Education</i>	<i>Total</i>
Revenues						
Operating grants and contributions	\$ 500	\$ 89,430	\$ 3,750	\$ -	\$ 8,113	\$ 754,894
Total revenues	<u>500</u>	<u>89,430</u>	<u>3,750</u>	<u>-</u>	<u>8,113</u>	<u>754,894</u>
Expenditures						
Salaries	-	-	-	-	-	430,654
Employee benefits	-	-	-	-	-	219,574
Purchased services	-	89,430	3,092	-	-	94,998
Supplies and materials	152	-	111	-	-	630
Miscellaneous	75	-	-	-	-	105
Total expenditures	<u>227</u>	<u>89,430</u>	<u>3,203</u>	<u>-</u>	<u>-</u>	<u>745,961</u>
Net change in fund balances	273	-	547	-	8,113	8,933
Fund balances - beginning of year	<u>20</u>	<u>-</u>	<u>929</u>	<u>1,876</u>	<u>-</u>	<u>2,825</u>
Fund balances - end of year	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 1,476</u>	<u>\$ 1,876</u>	<u>\$ 8,113</u>	<u>\$ 11,758</u>

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2016

	<i>Town Plan</i>	<i>Police Plan</i>	<i>Total Pension Trust Funds</i>
Assets			
Cash and cash equivalents	\$ 6,442,921	\$ 25,847	\$ 6,468,768
Investments at fair value:			
U.S. government obligations	1,692,619	-	1,692,619
Municipal obligations	33,689	-	33,689
Corporate bonds	3,421,741	-	3,421,741
Mortgage backed securities	501,373	-	501,373
Common stock	31,470,226	-	31,470,226
Mutual and exchange traded funds - equities	9,559,100	646,591	10,205,691
Mutual and exchange traded funds - fixed income	19,472,322	356,712	19,829,034
Hedge fund	3,275,785	-	3,275,785
Total investments	69,426,855	1,003,303	70,430,158
Accrued interest receivable	39,218	-	39,218
Contribution receivable	123,606	-	123,606
Prepaid expenses	405,714	21,366	427,080
Total assets	76,438,314	1,050,516	77,488,830
Liabilities			
Accounts payable	860	-	860
Due to other funds	2,249,654	229,875	2,479,529
Total liabilities	2,250,514	229,875	2,480,389
Net Position			
Restricted for pension benefits	<u>\$ 74,187,800</u>	<u>\$ 820,641</u>	<u>\$ 75,008,441</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2016

	<i>Town Plan</i>	<i>Police Plan</i>	<i>Total Pension Trust Funds</i>
<i>Additions</i>			
Contributions:			
Employer	\$ 5,190,005	\$ 355,000	\$ 5,545,005
Plan member	1,427,810	-	1,427,810
Total contributions	<u>6,617,815</u>	<u>355,000</u>	<u>6,972,815</u>
Investment income:			
Net increase (decrease) in fair value of investments	(3,073,735)	(17,777)	(3,091,512)
Interest and dividends	1,813,423	24,753	1,838,176
Less: investment expense	(383,511)	(6,046)	(389,557)
Net investment income	<u>(1,643,823)</u>	<u>930</u>	<u>(1,642,893)</u>
<i>Total additions</i>	<u>4,973,992</u>	<u>355,930</u>	<u>5,329,922</u>
<i>Deductions</i>			
Benefits	4,710,884	254,103	4,964,987
Refunds of contributions	135,652	-	135,652
Administrative expenses	28,067	4,540	32,607
<i>Total deductions</i>	<u>4,874,603</u>	<u>258,643</u>	<u>5,133,246</u>
<i>Change in net position</i>	99,389	97,287	196,676
<i>Net position - beginning of year</i>	<u>74,088,411</u>	<u>723,354</u>	<u>74,811,765</u>
<i>Net position - end of year</i>	<u><u>\$ 74,187,800</u></u>	<u><u>\$ 820,641</u></u>	<u><u>\$ 75,008,441</u></u>

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

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

TOWN OF NARRAGANSETT, RHODE ISLAND

Combining Statement of Fiduciary Net Position

Private-Purpose Trust Funds

June 30, 2016

	<i>Barton Memorial Scholarship Fund</i>	<i>Richard Colvin Memorial Scholarship Fund</i>	<i>Barbara E. Duggan Memorial Scholarship Fund</i>	<i>Peter Davis Burial Fund</i>	<i>Franklin Burial Fund</i>	<i>James Water Fund</i>	<i>Frank L. Robinson Fund</i>	<i>Total Private- Purpose Trusts</i>
Assets								
Cash and cash equivalents	\$ 5,900	\$ -	\$ 605	\$ 15	\$ 86	\$ 68	\$ -	\$ 6,674
Investments		7,362	-	-	-	-	-	7,362
Due from other funds	-	-	-	529	3,461	2,719	61,493	68,202
Total assets	<u>5,900</u>	<u>7,362</u>	<u>605</u>	<u>544</u>	<u>3,547</u>	<u>2,787</u>	<u>61,493</u>	<u>82,238</u>
Liabilities								
Cash overdraft	-	-	-	-	-	-	3,393	3,393
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,393</u>	<u>3,393</u>
Net Position								
Restricted for other purposes	<u>\$ 5,900</u>	<u>\$ 7,362</u>	<u>\$ 605</u>	<u>\$ 544</u>	<u>\$ 3,547</u>	<u>\$ 2,787</u>	<u>\$ 58,100</u>	<u>\$ 78,845</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Net Position
Private-Purpose Trusts Funds
For the Fiscal Year Ended June 30, 2016

	<i>Barton Memorial Scholarship Fund</i>	<i>Richard Colvin Memorial Scholarship Fund</i>	<i>Barbara E. Duggan Memorial Scholarship Fund</i>	<i>Peter Davis Burial Fund</i>	<i>Franklin Burial Fund</i>	<i>James Water Fund</i>	<i>Frank L. Robinson Fund</i>	<i>Total Private- Purpose Trusts</i>
Additions								
Investment earnings:								
Net increase (decrease) in fair value of investments	\$ -	\$ (844)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (844)
Interest and dividends	3	914	1	15	86	68	1,589	2,676
Net investment earnings	3	70	1	15	86	68	1,589	1,832
Total additions	3	70	1	15	86	68	1,589	1,832
Deductions								
Scholarships	500	500	-	-	-	-	-	1,000
Miscellaneous	-	-	-	-	-	-	4,982	4,982
Total deductions	500	500	-	-	-	-	4,982	5,982
Change in net position	(497)	(430)	1	15	86	68	(3,393)	(4,150)
Net position - beginning of year	6,397	7,792	604	529	3,461	2,719	61,493	82,995
Net position - end of year	<u>\$ 5,900</u>	<u>\$ 7,362</u>	<u>\$ 605</u>	<u>\$ 544</u>	<u>\$ 3,547</u>	<u>\$ 2,787</u>	<u>\$ 58,100</u>	<u>\$ 78,845</u>

AGENCY FUNDS

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

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	<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>
Assets				
Due from other funds	\$ 78,963	\$ 62,693	\$ 46,022	\$ 187,678
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 78,963</u></u>	<u><u>\$ 62,693</u></u>	<u><u>\$ 46,022</u></u>	<u><u>\$ 187,678</u></u>
Liabilities				
Deposits held in custody for others	\$ 78,963	\$ 62,693	\$ 46,022	\$ 187,678
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u><u>\$ 78,963</u></u>	<u><u>\$ 62,693</u></u>	<u><u>\$ 46,022</u></u>	<u><u>\$ 187,678</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2016

	<i>Balance June 30, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2016</i>
STUDENT ACTIVITIES - HIGH SCHOOL				
Assets				
Due from other funds	\$ 71,624	\$ 185,479	\$ 178,140	\$ 78,963
Total assets	<u>\$ 71,624</u>	<u>\$ 185,479</u>	<u>\$ 178,140</u>	<u>\$ 78,963</u>
Liabilities				
Deposits held in custody for others	\$ 71,624	\$ 185,479	\$ 178,140	\$ 78,963
Total liabilities	<u>\$ 71,624</u>	<u>\$ 185,479</u>	<u>\$ 178,140</u>	<u>\$ 78,963</u>
STUDENT ACTIVITIES - PIER SCHOOL				
Assets				
Due from other funds	\$ 60,759	\$ 97,098	\$ 95,164	\$ 62,693
Total assets	<u>\$ 60,759</u>	<u>\$ 97,098</u>	<u>\$ 95,164</u>	<u>\$ 62,693</u>
Liabilities				
Deposits held in custody for others	\$ 60,759	\$ 97,098	\$ 95,164	\$ 62,693
Total liabilities	<u>\$ 60,759</u>	<u>\$ 97,098</u>	<u>\$ 95,164</u>	<u>\$ 62,693</u>
STUDENT ACTIVITIES - ELEMENTARY SCHOOL				
Assets				
Due from other funds	\$ 47,207	\$ 38,426	\$ 39,611	\$ 46,022
Total assets	<u>\$ 47,207</u>	<u>\$ 38,426</u>	<u>\$ 39,611</u>	<u>\$ 46,022</u>
Liabilities				
Deposits held in custody for others	\$ 47,207	\$ 38,426	\$ 39,611	\$ 46,022
Total liabilities	<u>\$ 47,207</u>	<u>\$ 38,426</u>	<u>\$ 39,611</u>	<u>\$ 46,022</u>
TOTAL AGENCY FUNDS				
Assets				
Due from other funds	\$ 179,590	\$ 321,003	\$ 312,915	\$ 187,678
Total assets	<u>\$ 179,590</u>	<u>\$ 321,003</u>	<u>\$ 312,915</u>	<u>\$ 187,678</u>
Liabilities				
Deposits held in custody for others	\$ 179,590	\$ 321,003	\$ 312,915	\$ 187,678
Total liabilities	<u>\$ 179,590</u>	<u>\$ 321,003</u>	<u>\$ 312,915</u>	<u>\$ 187,678</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

**Tax Collector's Annual Report
For the Fiscal Year Ended June 30, 2016**

Real Estate and Personal Property Taxes

<u>Tax Year</u>	<u>Balance June 30, 2015</u>	<u>Assessments December 31, 2014</u>	<u>Additions</u>	<u>Refunds</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2016</u>
2015	\$ -	\$ 48,316,824	\$ 65,940	\$ 103,584	\$ (143,719)	\$ 48,342,629	\$ 47,937,036	\$ 405,593
2014	412,274	-	-	4,339	(3,838)	412,775	353,803	58,972
2013	65,438	-	-	-	(40)	65,398	19,077	46,321
2012	53,666	-	-	-	(48)	53,618	7,288	46,330
2011	35,747	-	-	-	(331)	35,416	866	34,550
2010	32,811	-	-	-	(337)	32,474	684	31,790
2009	35,221	-	-	-	-	35,221	484	34,737
2008	55,006	-	-	-	-	55,006	508	54,498
2007	35,594	-	-	-	-	35,594	223	35,371
2006	24,786	-	-	-	-	24,786	379	24,407
2005	28,597	-	-	-	(28,503)	94	94	-
2004	7,948	-	-	-	(7,565)	383	-	383
2003	6,978	-	-	-	(6,354)	624	-	624
2002	3,936	-	-	-	(3,936)	-	-	-
2001	6,302	-	-	-	(6,302)	-	-	-
2000	6,513	-	-	-	(6,513)	-	-	-
1999	4,830	-	-	-	(4,830)	-	-	-
1998	5,781	-	-	-	(5,781)	-	-	-
	<u>\$ 821,428</u>	<u>\$ 48,316,824</u>	<u>\$ 65,940</u>	<u>\$ 107,923</u>	<u>\$ (218,097)</u>	<u>\$ 49,094,018</u>	<u>\$ 48,320,442</u>	<u>\$ 773,576</u>

Schedule of Most Recent Net Assessed Property Value by Category

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
<u>Real property</u>	\$ 4,504,380,800	\$ 46,242,540
<u>Motor vehicles</u>	171,190,431	2,817,794
<u>Tangible personal property</u>	50,696,759	755,888
<u>Total</u>	4,726,267,990	49,816,222
<u>Exemptions</u>	101,964,755	1,499,398
<u>Net assessed value</u>	<u>\$ 4,624,303,235</u>	<u>\$ 48,316,824</u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Assets, Liabilities and Fund Balance
School Department Operating Fund
June 30, 2016

ASSETS

Cash	\$ 125
Due from federal and state governments	18,855
Other receivables	59,387
Due from other funds	6,379,020
Prepaid expenditures	152,620
Other assets	224,233
Total assets	\$ 6,834,240

LIABILITIES AND FUND BALANCES

Liabilities

Accounts payable and accrued expenditures	\$ 246,592
Due to other funds	2,642,704
Total liabilities	2,889,296

Fund balances

Nonspendable:	
Prepaid expenditures	152,620
Other assets- WB deposits	224,233
Restricted for:	
Education	3,568,091
Total fund balances	3,944,944
 Total liabilities and fund balances	 \$ 6,834,240

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, 2016

REVENUES

Town appropriation	\$ 24,237,297
State aid	3,326,743
Charges for services	406,255
Other revenues	18,794
Total revenues	<u>27,989,089</u>

EXPENDITURES

Education	27,615,553
Total expenditures	<u>27,615,553</u>

**Excess of revenues over expenditures
before other financing uses**

373,536

Other financing uses:

Transfers to other funds	(2,121,885)
Total other financing uses	<u>(2,121,885)</u>

Net change in fund balances

(1,748,349)

Fund balances - beginning of year

5,693,293

Fund balances - end of year

\$ 3,944,944

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of General Fund - Fund Balance
Restricted for Education Programs
June 30, 2016

Restricted for Education:

School Committee designation for other post-employment benefit costs	\$ 1,122,788
School Committee designation for use in subsequent year budget	1,824,997
Undesignated	<u>1,758,551</u>
Total	<u><u>\$ 4,706,336</u></u>

TOWN OF NARRAGANSETT, RHODE ISLAND
Schedule of Revenues and Expenditures - Budget and Actual
School Department Operating Budget
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Town appropriation	\$ 24,237,297	\$ 24,237,297	\$ 24,237,297	\$ -
State aid	1,993,920	1,993,920	2,154,808	160,888
Charges for services	293,700	293,700	406,255	112,555
Other revenues	11,000	11,000	18,794	7,794
Re-appropriated school surplus	3,061,000	3,061,000	3,061,000	-
Total revenues	29,596,917	29,596,917	29,878,154	281,237
Expenditures				
Salaries	16,448,525	16,379,355	16,089,563	289,792
Employee benefits	7,172,414	7,111,556	6,834,852	276,704
Purchased services	2,775,376	2,593,420	2,270,408	323,012
Supplies and materials	1,320,254	1,045,116	914,098	131,018
Capital outlay	161,988	282,037	277,631	4,406
Other costs	93,360	63,548	57,067	6,481
Total expenditures	27,971,917	27,475,032	26,443,619	1,031,413
Excess of revenues over expenditures before other financing uses	1,625,000	2,121,885	3,434,535	1,312,650
Other financing uses				
Transfer to other funds	(1,625,000)	(2,121,885)	(2,121,885)	-
Total other financing uses	(1,625,000)	(2,121,885)	(2,121,885)	-
Net change in fund balance (budgetary basis)	\$ -	\$ -	\$ 1,312,650	\$ 1,312,650

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 TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Exhibit 1

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 75,998,883	\$ 71,751,258	\$ 73,242,220	\$ 72,797,383	\$ 73,799,642	\$ 72,788,921	\$ 76,328,788	\$ 65,852,760	\$ 30,048,212	\$ 26,117,977
Restricted	5,685,301	7,550,352	7,151,671	6,041,787	5,465,023	5,048,391	-	-	-	845,523
Unrestricted	(79,428,779)	(72,894,919)	(71,834,567)	(68,600,464)	(26,820,119)	(21,287,061)	(13,189,145)	(12,642,946)	(6,403,948)	(3,886,114)
Total governmental activities net position	<u>\$ 2,255,405</u>	<u>\$ 6,406,691</u>	<u>\$ 8,559,324</u>	<u>\$ 10,238,706</u>	<u>\$ 52,444,546</u>	<u>\$ 56,550,251</u>	<u>\$ 63,139,643</u>	<u>\$ 53,209,814</u>	<u>\$ 23,644,264</u>	<u>\$ 23,077,386</u>
Business-type activities:										
Net investment in capital assets	\$ 32,190,505	\$ 31,305,890	\$ 30,664,018	\$ 30,053,171	\$ 29,007,798	\$ 26,981,862	\$ 26,525,585	\$ 26,399,950	\$ 24,910,202	\$ 23,532,410
Unrestricted	9,937,571	9,319,004	9,301,453	9,188,467	7,993,878	9,644,978	10,288,862	9,643,685	10,419,879	10,158,298
Total business-type activities net position	<u>\$ 42,128,076</u>	<u>\$ 40,624,894</u>	<u>\$ 39,965,471</u>	<u>\$ 39,241,638</u>	<u>\$ 37,001,676</u>	<u>\$ 36,626,840</u>	<u>\$ 36,814,447</u>	<u>\$ 36,043,635</u>	<u>\$ 35,330,081</u>	<u>\$ 33,690,708</u>
Primary government:										
Net investment in capital assets	\$ 108,189,388	\$ 103,057,148	\$ 103,906,238	\$ 102,850,554	\$ 102,807,440	\$ 99,770,783	\$ 102,854,373	\$ 92,252,710	\$ 54,958,414	\$ 49,650,387
Restricted	5,685,301	7,550,352	7,151,671	6,041,787	5,465,023	5,048,391	-	-	-	845,523
Unrestricted	(69,491,208)	(63,575,915)	(62,533,114)	(59,411,997)	(18,826,241)	(11,642,083)	(2,900,283)	(2,999,261)	4,015,931	6,272,184
Total primary government net position	<u>\$ 44,383,481</u>	<u>\$ 47,031,585</u>	<u>\$ 48,524,795</u>	<u>\$ 49,480,344</u>	<u>\$ 89,446,222</u>	<u>\$ 93,177,091</u>	<u>\$ 99,954,090</u>	<u>\$ 89,253,449</u>	<u>\$ 58,974,345</u>	<u>\$ 56,768,094</u>

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Exhibit 2

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses:										
Governmental activities:										
General government	\$ 2,662,489	\$ 3,354,594	\$ 3,657,602	\$ 3,697,034	\$ 3,967,108	\$ 1,960,227	\$ 999,494	\$ 3,758,548	\$ 3,483,345	\$ 3,166,633
Financial administration	1,857,972	1,824,303	1,677,212	1,719,594	1,972,289	1,108,193	1,109,011	868,872	951,634	1,029,179
Public safety	18,133,546	15,338,485	15,180,592	15,284,664	14,644,220	11,627,180	10,922,031	10,932,393	12,652,621	12,191,560
Public works	4,984,541	4,913,307	4,978,149	4,757,802	4,107,512	4,523,343	3,921,244	3,757,059	2,084,085	1,720,256
Social services	16,893	140,703	93,240	54,874	93,959	187,285	362,588	249,641	264,272	655,799
Parks and recreation	2,484,974	2,214,141	2,398,295	2,403,126	2,323,745	1,387,846	1,460,487	1,451,280	1,423,735	1,695,839
Planning, engineering and inspection	1,454,157	1,273,212	1,204,386	1,333,057	1,226,549	1,491,691	1,282,366	1,843,867	1,229,624	1,137,184
Library	1,001,974	782,598	709,574	743,782	697,801	656,175	682,173	727,401	667,178	-
Food service	-	-	-	-	-	380,926	361,762	357,069	343,724	363,427
Other	-	-	-	-	-	5,953,585	6,816,208	7,590,833	1,648,603	1,275,265
Education	32,489,013	30,442,611	30,396,974	30,074,899	30,177,912	29,487,050	28,544,163	27,651,643	27,177,622	25,829,729
Interest on long-term debt	871,622	1,038,443	894,414	890,143	979,348	966,891	1,047,327	1,152,315	536,422	318,649
Total governmental activities expenses	65,957,181	61,322,397	61,190,438	60,958,975	60,190,443	59,730,392	57,508,854	60,340,921	52,462,865	49,383,520
Business-type activities:										
Water Fund	2,234,456	2,258,823	1,922,478	1,888,917	1,873,817	1,682,772	1,732,292	1,722,238	1,611,942	1,420,822
Sewer Fund	4,084,743	4,053,411	3,780,631	3,712,886	3,764,890	4,101,213	3,659,479	3,497,571	3,009,609	2,998,432
Beach Fund	1,918,514	1,749,799	1,768,047	2,027,956	1,613,978	1,439,581	1,383,501	1,194,320	1,143,886	1,099,735
Middlebridge Recreation Fund	33,660	35,923	43,983	189,469	-	-	-	-	-	-
Total business-type activities expenses	8,271,373	8,097,956	7,515,139	7,819,228	7,252,685	7,223,566	6,775,272	6,414,129	5,765,437	5,518,989
Total primary government expenses	74,228,554	69,420,353	68,705,577	68,778,203	67,443,128	66,953,958	64,284,126	66,755,050	58,228,302	54,902,509
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	1,549,178	1,461,007	1,369,157	1,356,215	1,271,041	1,415,282	1,033,620	1,018,126	974,427	983,611
Financial administration	700,566	716,726	700,491	700,491	656,167	656,167	641,989	645,099	325,000	325,000
Public safety	1,016,391	712,509	724,676	712,988	568,833	625,609	593,592	507,740	621,966	524,600
Public works	28,432	29,538	2,125	1,050	400	1,050	1,100	1,625	1,075	1,250
Social services	-	-	-	-	-	-	-	-	31,499	-
Parks and recreation	696,417	684,488	660,367	623,976	598,997	109,911	131,421	135,667	548,215	629,984
Planning, engineering and inspection	337,113	335,749	501,068	468,874	402,698	325,717	313,100	228,230	421,343	376,977
Library	11,610	15,254	12,811	9,619	10,619	8,412	6,997	6,644	-	-
Food Service	-	-	-	-	-	229,198	215,034	234,592	264,559	295,032
Other	-	-	-	-	-	500,793	368,003	381,414	-	-
Education	627,132	506,909	645,067	605,599	636,300	688,583	870,270	342,412	472,852	202,797
Operating grants and contributions	5,758,255	4,783,010	4,681,774	4,630,534	4,556,277	4,200,924	3,945,898	2,996,995	4,718,839	3,376,402
Capital grants and contributions	792,470	509,300	1,203,364	202,815	981,500	1,146,219	638,539	1,190,259	3,717,528	2,059,431
Total governmental activities program revenues	11,517,564	9,754,490	10,500,900	9,312,161	9,682,832	9,907,865	8,759,563	7,688,803	12,097,303	8,775,084
Business-type activities:										
Charges for services:										
Water Fund	2,418,909	2,048,386	2,015,463	2,123,262	1,541,433	1,291,766	1,371,384	1,263,442	1,305,178	1,212,254
Sewer Fund	4,283,991	4,312,525	4,334,115	4,576,529	4,177,713	3,900,155	3,995,311	3,935,886	3,842,147	3,818,004
Beach Fund	2,601,661	2,147,294	2,081,062	1,862,687	1,902,033	1,659,461	1,678,536	1,394,208	1,504,371	1,380,711
Middlebridge Recreation Fund	65,376	53,199	55,556	65,113	-	-	-	-	-	-
Operating and capital grants and contributions	115,647	140,376	-	-	-	-	-	-	-	-
Total business-type activities program revenues	9,485,584	8,701,780	8,486,196	8,627,591	7,621,179	6,851,382	7,045,231	6,593,536	6,651,696	6,410,969
Total primary government program revenues	21,003,148	18,456,270	18,987,096	17,939,752	17,304,011	16,759,247	15,804,794	14,282,339	18,748,999	15,186,053
Net (Expense) Revenue:										
Governmental activities	(54,439,617)	(51,567,907)	(50,689,538)	(51,646,814)	(50,507,611)	(49,822,527)	(48,749,291)	(52,652,118)	(40,365,562)	(39,061,414)
Business-type activities	1,214,211	603,824	971,057	808,363	368,494	(372,184)	269,959	179,407	886,259	891,980
Total primary government net expenses	(53,225,406)	(50,964,083)	(49,718,481)	(50,838,451)	(50,139,117)	(50,194,711)	(48,479,332)	(52,472,711)	(39,479,303)	(38,169,434)

(continued)

TOWN OF NARRAGANSETT, RHODE ISLAND

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues and Other Changes in Net Position:										
Governmental activities:										
Property taxes and in lieu of taxes	48,389,492	47,541,544	46,131,289	44,974,695	44,908,921	44,522,795	42,585,105	41,435,378	38,699,963	37,454,608
State aid, unrestricted	1,755,249	1,614,798	1,604,893	1,526,105	1,422,516	1,686,866	2,466,572	2,501,803	2,828,020	3,651,506
Investment income	179,241	131,188	280,124	40,703	168,042	65,845	274,532	(172,041)	596,193	687,436
Other revenues	93,574	284,380	651,609	30,182	101,577	159,064	90,826	111,390	37,436	468,859
Transfers	(129,225)	(156,636)	342,241	(924,669)	-	-	-	-	-	-
Gain (loss) on sale of capital	-	-	-	-	-	-	-	-	317,850	(17,663)
Total governmental activities	50,288,331	49,415,274	49,010,156	45,647,016	46,601,056	46,434,570	45,417,035	43,876,530	42,479,462	42,244,746
Business-type activities:										
Investment income	-	-	95,017	65,032	80,336	354,455	500,853	534,147	753,114	651,007
Transfers	129,225	156,636	(342,241)	924,669	-	-	-	-	-	-
Other revenues	159,746	-	-	392,087	-	-	-	-	-	(18,521)
Total business-type activities	288,971	156,636	(247,224)	1,381,788	80,336	354,455	500,853	534,147	753,114	632,486
Total primary government	50,577,302	49,571,910	48,762,932	47,028,804	46,681,392	46,789,025	45,917,888	44,410,677	43,232,576	42,877,232
Change in Net Position:										
Governmental activities	(4,151,286)	(2,152,633)	(1,679,382)	(5,999,798)	(3,906,555)	(3,387,957)	(3,332,256)	(8,775,588)	2,113,900	3,183,332
Business-type activities	1,503,182	760,460	723,833	2,190,151	448,830	(17,729)	770,812	713,554	1,639,373	1,524,466
Total primary government	<u>\$ (2,648,104)</u>	<u>\$ (1,392,173)</u>	<u>\$ (955,549)</u>	<u>\$ (3,809,647)</u>	<u>\$ (3,457,725)</u>	<u>\$ (3,405,686)</u>	<u>\$ (2,561,444)</u>	<u>\$ (8,062,034)</u>	<u>\$ 3,753,273</u>	<u>\$ 4,707,798</u>

(concluded)

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 3

	FISCAL YEAR									
	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
General Fund:										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 380,047	\$ 288,903	\$ 310,481	\$ 268,762
Unreserved:										
Designated for next year's budget	-	-	-	-	-	-	-	148,171	1,000,000	800,000
Undesignated	-	-	-	-	-	-	4,099,653	1,735,519	1,611,116	2,755,351
Nonspendable	2,171,270	1,664,899	1,787,715	2,000,281	2,112,420	331,498	-	-	-	-
Restricted	4,842,626	6,531,905	6,290,018	5,195,278	4,655,701	3,745,542	-	-	-	-
Committed	50,000	-	-	-	-	-	-	-	-	-
Assigned	1,274,978	1,602,708	407,462	2,219,760	414,758	-	-	-	-	-
Unassigned	10,045,489	8,781,159	8,204,658	4,229,693	6,580,480	6,340,414	-	-	-	-
Total General Fund	18,384,363	18,580,671	16,689,853	13,645,012	13,763,359	10,417,454	4,479,700	2,172,593	2,921,597	3,824,113
All Other Governmental Funds:										
Reserved	-	-	-	-	-	-	-	-	220,017	2,780
Unreserved:										
Designated for next year's budget	-	-	-	-	-	-	-	-	692,456	530,646
Unreserved	-	-	-	-	-	-	-	-	859,171	792,456
Unreserved, reported in:										
Special Revenue Funds	-	-	-	-	-	-	4,802,382	5,864,427	1,301,496	293,909
Debt Service Fund	-	-	-	-	-	-	-	-	377,081	372,951
Capital Projects Funds	-	-	-	-	-	-	3,216,836	(112,274)	(67,310)	845,523
Restricted	1,640,560	3,495,634	576,405	553,042	493,255	982,020	-	-	-	-
Committed	501,285	1,612,909	2,222,676	2,844,035	2,582,359	3,983,825	-	-	-	-
Assigned	1,213,844	624,837	324,837	452,219	561,192	729,013	-	-	-	-
Unassigned	(2,149,520)	(14,554)	(209,301)	(180,562)	(118,319)	(2,112,922)	-	-	-	-
Total All Other Governmental Funds	1,206,169	5,718,826	2,914,617	3,668,734	3,518,487	3,581,936	8,019,218	5,752,153	3,382,911	2,838,265
Grand Total	\$ 19,590,532	\$ 24,299,497	\$ 19,604,470	\$ 17,313,746	\$ 17,281,846	\$ 13,999,390	\$ 12,498,918	\$ 7,924,746	\$ 6,304,508	\$ 6,662,378

TOWN OF NARRAGANSETT, RHODE ISLAND

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

	FISCAL YEAR									
<i>Exhibit 4</i>	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
Revenues:										
General property taxes and payments in lieu of taxes	\$ 48,793,179	\$ 47,915,634	\$ 46,583,683	\$ 45,255,391	\$ 45,232,567	\$ 44,897,780	\$ 43,132,950	\$ 40,314,466	\$ 38,503,227	\$ 37,441,499
State aid, unrestricted	5,397,906	5,124,796	5,012,113	4,752,274	4,453,025	2,629,201	3,358,167	3,715,817	5,616,213	5,554,466
Charges for services	5,141,830	4,567,613	4,603,869	4,445,998	4,097,518	4,560,722	4,175,126	3,501,549	3,189,383	2,669,414
Operating grants and contributions	1,176,369	1,302,315	1,133,829	1,219,449	1,350,198	2,285,726	1,966,682	2,180,945	1,930,646	2,139,810
Capital grants and contributions	743,116	361,843	976,344	32,425	811,998	1,184,276	638,539	1,190,259	3,717,528	2,062,900
Investment income	179,241	131,188	280,124	40,703	168,042	65,845	274,532	49,041	601,366	707,448
State contribution to teachers pension plan	-	-	-	-	-	933,945	-	-	-	-
Other revenues	48,463	126,892	642,769	60,529	148,322	465,288	980,017	117,189	508,989	468,859
Total revenues	61,480,104	59,530,281	59,232,731	55,806,769	56,261,670	57,022,783	54,526,013	51,069,266	54,067,352	51,044,396
Expenditures:										
Current:										
General government	1,990,605	1,623,795	1,904,804	1,895,652	1,832,287	1,767,415	1,278,395	1,728,193	2,005,594	1,787,904
Financial administration	1,346,256	1,460,933	1,266,781	1,275,723	1,541,310	1,118,473	1,054,645	957,878	950,184	1,026,003
Public safety	13,136,170	12,944,328	11,334,333	11,613,905	10,641,387	11,223,322	10,776,537	10,999,683	13,358,804	12,705,577
Public works	2,811,152	3,015,199	2,551,415	2,437,380	2,118,369	3,138,946	2,466,899	2,978,866	2,271,703	2,435,924
Social services	16,893	140,703	93,240	54,874	100,779	177,829	353,678	226,346	256,836	662,110
Parks and recreation	1,859,508	1,819,447	1,888,093	1,963,199	1,864,081	1,410,040	1,363,896	1,511,348	1,446,171	1,928,093
Planning, engineering and inspection	1,073,782	1,119,003	990,026	971,121	854,110	2,048,533	1,306,309	2,136,033	1,495,884	1,113,164
Library	848,756	770,261	697,892	690,615	670,406	649,384	679,346	634,152	-	-
Food services	369,185	401,748	403,267	-	-	380,926	-	357,069	343,724	363,427
Other	3,536,709	1,787,774	2,867,951	2,184,981	2,346,879	1,800,117	2,075,712	1,389,536	1,658,389	1,275,265
Education	28,140,608	28,991,540	27,330,462	27,397,152	27,630,424	27,659,222	27,062,964	26,087,223	26,809,613	26,466,513
Debt service:										
Principal	1,631,158	1,403,530	1,268,095	1,370,553	1,534,485	1,526,266	2,194,667	22,929,810	2,226,986	2,142,138
Interest	926,569	1,013,262	879,515	922,026	969,447	1,012,797	1,072,286	1,290,766	-	-
Capital outlay and Major Maintenance	8,383,018	3,107,553	3,810,103	2,378,620	2,367,389	1,011,065	146,592	9,482,535	11,771,334	-
Total expenditures	66,070,369	59,599,076	57,285,977	55,155,801	54,471,353	54,924,335	51,831,926	82,709,438	64,595,222	51,906,118
Excess (deficiency) of revenues over expenditures	(4,590,265)	(68,795)	1,946,754	650,968	1,790,317	2,098,448	2,694,087	(31,640,172)	(10,527,870)	(861,722)
Other financing sources (uses):										
Bond anticipation note, net	-	-	-	-	-	-	-	11,548,271	9,800,000	-
Bond proceeds	-	4,100,000	-	-	-	-	-	20,930,000	-	840,500
Bond premium	-	135,626	-	-	-	-	-	780,950	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-	-	-	-	-
Capital lease proceeds	-	624,870	-	280,540	142,041	709,807	-	-	-	-
Transfers from other funds	5,880,609	3,379,954	6,505,644	5,097,416	8,122,110	28,367,059	28,835,043	29,380,961	28,979,592	28,510,981
Transfers to other funds	(6,009,834)	(3,536,590)	(6,163,403)	(6,022,085)	(8,122,110)	(28,367,059)	(28,835,043)	(29,380,961)	(28,979,592)	(28,510,981)
Sale of capital assets	10,525	59,962	28,951	25,061	12,375	18,500	27,900	-	360,000	-
Total other financing sources (uses)	(118,700)	4,763,822	371,192	(619,068)	154,416	728,307	27,900	33,259,221	10,160,000	840,500
Net change in fund balances	\$ (4,708,965)	\$ 4,695,027	\$ 2,317,946	\$ 31,900	\$ 1,944,733	\$ 2,826,755	\$ 2,721,987	\$ 1,619,049	\$ (367,870)	\$ (21,222)
Debt service as a percentage of noncapital expenditures	4.4%	4.3%	4.0%	4.3%	4.8%	4.7%	6.3%	33.1%	4.2%	4.1%

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	
12/31/2005	2006-07	\$ 5,165,044,102	\$ 5,172,803,307	\$ 202,826,187	\$ 203,130,883	\$ 5,367,870,289	\$ 5,375,934,190	99.85%
12/31/2006	2007-08	5,158,689,100	5,386,539,731	201,731,499	210,641,640	5,360,420,599	5,597,181,371	95.77%
12/31/2007	2008-09	5,181,200,600	5,410,045,526	216,904,287	226,484,585	5,398,104,887	5,636,530,111	95.77%
12/31/2008	2009-10	4,617,076,700	4,821,005,221	189,473,696	197,842,431	4,806,550,396	5,018,847,652	95.77%
12/31/2009	2010-11	4,660,076,700	4,755,180,306	191,058,160	199,018,917	4,851,134,860	4,954,199,223	97.92%
12/31/2010	2011-12	4,638,015,302	4,732,668,676	126,150,948	126,150,948	4,764,166,250	4,858,819,624	98.05%
12/31/2011	2012-13	4,350,353,287	4,439,136,007	133,943,059	133,943,059	4,484,296,346	4,573,079,066	98.06%
12/31/2012	2013-14	4,351,278,768	4,542,366,625	132,860,822	132,860,822	4,484,139,590	4,675,227,447	95.91%
12/31/2013	2014-15	4,369,756,694	4,599,743,888	136,792,291	136,792,291	4,506,548,896	4,736,536,179	95.14%
12/31/2014	2015-16	4,476,928,059	4,815,206,205	147,375,176	147,375,176	4,624,303,235	4,962,581,381	93.18%

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 2015-16 (ASSESSED VALUE AS OF 12-31-14)			FISCAL YEAR 2005-2006 (ASSESSED VALUE AS OF 12-31-04)		
		Gross Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Gross Assessed Valuation	Rank	Percentage of Total Assessed Valuation
DPF Narragansett, LLC	Shopping Plaza	\$ 24,228,800	1	0.54%	\$ 15,287,100	1	0.44%
National Grid	Electric Utility	13,405,135	2	0.30%	8,056,722	5	0.23%
Dunes Corporation	Private Beach Club	11,424,400	3	0.25%	13,427,506	2	0.39%
Point Judith Country Club	Private Golf Course	8,332,300	4	0.18%	6,171,400	7	0.18%
United Water Company	Water Utility	8,138,600	5	0.18%	10,989,860	3	0.32%
JDL Family LTD Partnership	Shopping Plaza	7,752,200	6	0.17%			
Recreation Partners I	Hotel/Restaurant	7,443,700	7	0.17%			
Cox Communications	Cable Utility	7,206,840	8	0.16%			
Gilbane Properties Retail Shopping	Retail Shopping	7,110,200	9	0.16%			
J. Terrance Murray	Residential Property	5,988,900	10	0.13%			
Frank, Marilyn & William	Residential Property	5,290,500	11	0.12%			
Beachwood Preservation Assoc.	Senior Apartments	5,224,800	12	0.12%			
Picerne, John G. Trust	Residential Property	5,175,900	13	0.11%			
Micacci, Anthony & Lucille	Residential Property	5,151,100	14	0.11%			
Boss, Marhorie & Russell	Residential Property	4,995,700	15	0.11%	5,179,500	10	0.15%
Murray, Stephen P & Tami A.	Residential Property	4,958,200	16	0.11%	5,379,800	9	0.15%
Town Dock	Fish Processor				8,308,676	4	0.24%
Stop & Shop Supermarket	Grocery				5,820,814	8	0.17%
New England Gas Company	Gas Utility				6,891,194	6	0.20%
		<u>\$ 131,827,275</u>		<u>2.93%</u>	<u>\$ 85,512,572</u>		<u>2.46%</u>
	Total assessed valuation (gross)	<u>\$ 4,504,380,800</u>			<u>\$ 3,475,333,264</u>		
	Commercial/Industrial Values	\$ 100,266,975		2.23%	\$ 74,953,272		2.16%
	Residential Values	31,560,300		0.70%	10,559,300		0.30%

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
2005-06	\$ 36,266,408	\$ 36,131,210	99.63%
2006-07	37,367,278	37,136,701	99.38%
2007-08	38,496,512	38,081,116	98.92%
2008-09	41,264,467	38,670,037	93.71%
2009-10	44,923,670	43,608,209	97.07%
2010-11	45,357,123	44,407,854	97.91%
2011-12	45,657,642	44,917,809	98.38%
2012-13	45,635,119	44,843,811	98.27%
2013-14	46,855,316	46,113,597	98.42%
2014-15	48,173,623	47,352,195	98.29%
2015-16	49,094,018	48,320,442	98.42%
		Current Year Collected	Percent of Levy
	Current Taxes		
2007-08	\$ 38,496,512	\$ 38,081,116	98.92%
2008-09	40,477,770	38,251,119	94.50%
2009-10	42,258,667	41,425,591	98.03%
2010-11	44,053,922	43,613,626	99.00%
2011-12	44,736,568	44,380,651	99.20%
2012-13	44,946,199	44,547,908	99.11%
2013-14	46,107,795	45,754,896	99.23%
2014-15	47,455,661	47,043,390	99.13%
2015-16	48,342,629	47,937,036	99.16%

Source: Town of Narragansett Tax Collector

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 8

<u>List Year</u>	<u>Fiscal Year</u>	<u>Residential Property Rate</u>	<u>Commercial Property Rate</u>	<u>Personal Property Rate</u>	<u>Motor Vehicle Rate</u>	<u>Inventory Rate</u>
2005	2006-07	\$6.74	\$10.11	\$10.11	\$16.46	\$3.37
2006	2007-08	\$6.96	\$10.44	\$10.44	\$16.46	\$1.69
2007	2008-09	\$7.25	\$10.87	\$10.87	\$16.46	\$0.00
2008	2009-10	\$8.58	\$12.87	\$12.87	\$16.46	\$0.00
2009	2010-11	\$8.86	\$13.29	\$13.29	\$16.46	\$0.00
2010	2011-12	\$8.97	\$13.45	\$13.45	\$16.46	\$0.00
2011	2012-13	\$9.57	\$14.35	\$14.35	\$16.46	\$0.00
2012	2013-14	\$9.80	\$14.68	\$14.68	\$16.46	\$0.00
2013	2014-15	\$10.04	\$15.06	\$15.06	\$16.46	\$0.00
2014	2015-16	\$9.94	\$14.91	\$14.91	\$16.46	\$0.00

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 9

Fiscal Year	Population	Assessed Valuation	Gross Bonded Debt (1)	Debt payable from Business Type Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt per Capita
2006-07	16,361	\$ 5,367,870,289	\$ 17,231,063	\$ 11,088,164	\$ 6,142,899	0.11%	\$ 375.46
2007-08	16,361	5,360,420,599	15,865,000	1,408,380	14,456,620	0.27%	883.60
2008-09	16,361	5,398,104,887	25,034,999	875,952	24,159,047	0.45%	1,476.62
2009-10	15,868	4,806,550,396	31,728,315	6,692,867	25,035,448	0.52%	1,577.73
2010-11	15,868	4,851,134,860	30,196,064	6,638,301	23,557,763	0.49%	1,484.61
2011-12	15,868	4,764,166,250	27,864,187	5,795,183	22,069,004	0.46%	1,390.79
2012-13	15,868	4,484,296,346	25,968,000	5,198,315	20,769,685	0.46%	1,308.90
2013-14	15,868	4,484,139,590	23,824,611	4,323,020	19,501,590	0.43%	1,228.99
2014-15	15,868	4,506,548,986	25,965,510	3,660,869	22,304,641	0.49%	1,405.64
2015-16	15,868	4,624,303,235	23,864,429	3,084,674	20,779,755	0.45%	1,309.54

(1) includes Business-type Activities

TOWN OF NARRAGANSETT, RHODE ISLAND

COMPUTATION OF LEGAL DEBT MARGIN
LAST NINE FISCAL YEARS
(UNAUDITED)*Exhibit 10*

	Assessment Date 12/31/2014 FY 2015-16	Assessment Date 12/31/2013 FY 2014-15	Assessment Date 12/31/2012 FY 2013-14	Assessment Date 12/31/2011 FY 2012-13	Assessment Date 12/31/2010 FY 2011-12	Assessment Date 12/31/2009 FY 2010-11	Assessment Date 12/31/2008 FY 2009-10	Assessment Date 12/31/2007 FY 2008-09	Assessment Date 12/31/2006 FY 2007-08
Net assessed valuation	\$ 4,624,303,235	\$ 4,506,548,986	\$ 4,484,139,590	\$ 4,484,296,346	\$ 4,764,166,250	\$ 4,851,134,862	\$ 4,806,550,396	\$ 5,398,104,887	\$ 5,360,420,599
Debt limit	138,729,097	135,196,470	134,524,188	134,528,890	142,924,988	145,534,046	144,196,512	161,943,147	160,812,618
Total net debt applicable to limit	20,779,755	22,304,641	19,501,590	20,769,685	22,069,004	23,557,763	25,035,448	24,159,047	14,456,620
Legal debt margin	117,949,342	112,891,829	115,022,598	113,759,205	120,855,984	121,976,283	119,161,064	137,784,100	146,355,998
Total net debt applicable to limit as a percentage of the debt limit	14.98%	16.50%	14.50%	15.44%	15.44%	16.19%	17.36%	14.92%	8.99%

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 (2)	Total Governmental Funds Expenditures (1)	Ratio of Total Debt Service to Total Governmental Expenditures
2007	\$ 1,461,010	\$ 244,241	\$ 1,705,251	\$ 51,906,118	3.29%
2008	1,486,279	195,495	1,681,774	64,595,222	2.60%
2009	1,429,810	1,290,766	2,720,576	61,209,438	4.44%
2010	2,194,667	1,072,286	3,266,953	51,831,926	6.30%
2011	1,526,266	1,012,797	2,539,063	54,924,335	4.62%
2012	1,534,485	969,447	2,503,932	54,471,353	4.60%
2013	1,370,553	922,026	2,292,579	55,155,801	4.16%
2014	1,268,095	879,015	2,147,110	57,285,977	3.75%
2015	1,296,950	839,622	2,136,572	59,599,076	3.58%
2016	1,524,885	928,436	2,453,321	66,070,369	3.71%

Note:

(1) Modified accrual basis of accounting

(2) General Obligation Bonds and Notes only

TOWN OF NARRAGANSETT, RHODE ISLAND

PRINCIPAL EMPLOYERS*

JUNE 30, 2016
(UNAUDITED)

Exhibit 12

Employer	Type of Business	Number of Employees
Town of Narragansett	Municipality/Schools/Library	435
University of Rhode Island/Bay Campus	Colleges & Universities	300
Dunes Club	Beach Club/Seasonal - Private	180
VNS Home Health Service	Healthcare Services	150
DeWal Industries	Manufacturer - Specialty films, tapes, etc.	135
Ocean Rose Inn	Hotel and Motel	120
George's of Galilee Restaurant	Restaurant	118
Stop & Shop	Grocery Retail - Supermarket	100
Aunt Carrie's Restaurant	Restaurant	100
Environmental Protection Agency	Federal Government Laboratory	100
Point Judith Country Club	Parks & Recreation - Private Club	80
NOAA National Marine Fisheries Service	Federal Government	70
Bonnet Shores Beach Club	Beach Club/Seasonal - Private	70
Unemployment rate: 3.8% - June 2015	* Source: RIEDC, Major Employers in RI March 2011	

TOWN OF NARRAGANSETT, RHODE ISLAND

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

Exhibit 13

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administration	10.0	10.0	10.0	11.0	11.0	11.0	10.0	9.0	11.0	10.0
Financial administration	15.0	15.0	15.0	15.0	16.0	16.0	16.0	15.0	12.0	14.0
Public safety:										
Police:										
Officers	40.0	40.0	40.0	41.0	41.0	41.0	42.0	42.0	41.0	41.0
Civilians	13.0	13.0	13.0	15.0	14.0	13.0	13.0	13.0	12.0	12.0
Fire:										
Firefighter and officers	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total Public Safety	88.0	88.0	88.0	91.0	90.0	89.0	90.0	90.0	88.0	88.0
Public works:										
Administration & Highway	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Parks Maintenance	0.0	0.0	0.0	0.0	5.5	0.0	0.0	0.0	0.0	0.0
Engineering	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.7	3.0	3.0
Total Public Works & Engineering	14.6	14.6	14.6	15.6	15.6	21.1	21.1	21.2	21.5	21.5
Parks and recreation	4.5	4.5	4.5	4.5	3.5	3.5	3.5	3.5	3.5	3.5
Parks Maintenance	5.5	5.5	5.5	5.5	0.0	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	8.5	8.5	8.0	8.0	8.0	8.0	8.0	9.0	9.0	10.0
Administrative, noncertified	11.6	11.6	11.7	11.4	11.0	11.0	11.0	11.0	11.0	12.0
Classroom aides	28.4	28.4	32.0	28.0	28.0	31.0	29.0	28.0	28.0	28.0
Teachers	152.1	152.1	153.9	154.8	154.9	158.0	158.0	154.0	158.0	159.0
Bus drivers, monitors, and bus aides	22.5	22.5	22.5	24.0	24.0	22.0	24.0	27.0	27.0	26.0
Clerks	12.0	12.0	12.0	12.0	12.0	11.0	11.0	12.0	13.0	14.0
Operation and maintenance	18.4	18.4	18.4	18.0	18.0	20.0	22.0	20.0	20.0	20.0
	253.5	253.5	258.5	256.2	255.9	261.0	263.0	261.0	266.0	269.0
Library - full-time	5.0	5.0	5.0	5.0	5.0	4.0	4.0	5.0	5.0	5.0
Library-part-time	12.0	12.0	15.0	18.0	18.0	16.0	16.0	16.0	N/A	N/A
Fleet Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Water	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	4.0
Wastewater Treatment	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.0
Beach	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0
Total	435.5	435.5	443.5	449.2	447.9	449.0	451.0	448.1	434.4	435.0

TOWN OF NARRAGANSETT, RHODE ISLAND
MISCELLANEOUS STATISTICS
JUNE 30, 2016
(UNAUDITED)

Exhibit 14

Town Incorporation	1901	Municipal buildings:	
Type of Government	Council / Town Manager	Town Hall	1
Population:		Fire Stations	3
Official U.S. Census:		Police Station	1
1950	2,288	Port Facility Building	1
1960	3,444	Education	
1970	7,138	High School (Grades 9 – 12)	1
1980	12,088	Middle School (Grades 5 – 8)	1
1990	15,004	Elementary (Grades Pre-K – 4)	1
2000	16,361	Wastewater pumping stations	19
2010 (State of RI Est.)	17,454	Wastewater treatment plant	1
2010 Census	15,876	Water pumping stations	1
Area of Town	18.3 square miles	Water storage tanks	3
Shoreline	44.2 miles	Water chlorine injections stations	3
Miles of Streets:		Public works garage/maintenance facility	2
Local Paved	103	Library	1
State Paved	25	Parks/recreation buildings	10
Construction (Period 7/1/15 to 6/30/16):		Beach Cabanas – 83 units	1
Building Permits Issued	906	Beach clubhouse	1
Total Value	\$41,065,382	North Beach Pavilion – 263 units	1
Elections – November 2014:		South Beach Pavilion – 218 units	1
Registered voters	12,065	Kinney Bungalow	1
Number of votes cast	6,176	Comfort station	1
Percentage voting	51%	Community Center	1
Fire Protection:		The Towers	1
Fire alarm boxes	187	Recreation Facilities:	
Fire hydrants	698	Public squares	3
Education:		Acres for recreation (developed)	48
Student Enrollments:		Playgrounds	6
Pre-Kindergarten	51	Tot lots	1
Elementary (grades k – 4)	439	Major recreation facilities	12
Middle School (grades 5 – 8)	409	Undeveloped sites	2
High (grades 9 – 12)	419	Municipal tennis courts	16
Special Education-Out of Dist	6	Bathing beaches	1
Other out of district	7	Diamonds:	
Total in all schools	1,331	Hard ball	4
Home Instruction	14	Soft ball	1
Charter Schools	24	Basketball courts:	
Total	1,369	Outdoor	7
		Indoor (schools)	3
		Soccer Fields	7
		Marina - 37 slips	1
		Marina Building	1
		Residential Cottages	4
		Residential House	1
		Café/Restaurant Building	1
		Farm House (Sunset Farm)	1
		Barn (Sunset Farm)	1

**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, 2016, and the related notes to the financial statements, which collectively comprise the Town of Narragansett, Rhode Island's basic financial statements, and have issued our report thereon dated January 31, 2017.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

A handwritten signature in black ink that reads "Bacon & Company, LLC". The signature is written in a cursive, flowing style.

Warwick, Rhode Island
January 31, 2017