

**TOWN OF LITTLE COMPTON,  
RHODE ISLAND**

**YEAR ENDED JUNE 30, 2012**



*A Limited Liability Partnership*

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TOWN OF LITTLE COMPTON, RHODE ISLAND

YEAR ENDED JUNE 30, 2012

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YEAR ENDED JUNE 30, 2012

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**Independent Auditors' Report**

The Honorable President and Members of the Town Council  
Town of Little Compton, Rhode Island  
Little Compton, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Little Compton, Rhode Island (the Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Little Compton, Rhode Island as of June 30, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States.

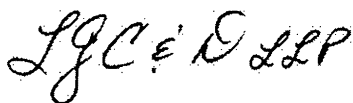
In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2012 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

## Independent Auditors' Report (Continued)

The Honorable President and Members of the Town Council  
Town of Little Compton, Rhode Island

Accounting principles generally accepted in the United States require that Management's Discussion and Analysis on pages 3 through 13, the budgetary comparison schedules on pages 57 through 59 and the historical pension and OPEB information on pages 60 through 62 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary schedules on pages 63 through 65 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



December 28, 2012

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

As management of the Town of Little Compton, Rhode Island (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal years ended June 30, 2012 (FY 2012) and 2011 (FY 2011). We encourage readers to consider the information presented here in conjunction with additional information found within the financial statements.

**Financial Highlights**

- The General Fund assets of the Town exceeded its liabilities as of June 30, 2012 and 2011 by \$1,749,981 and \$1,787,702, respectively.
- The School Department assets exceeded its liabilities as of June 30, 2012 and June 30, 2011 by \$663,858 and \$1,384,414, respectively.
- The Town's total bonded debt as of June 30, 2012 was \$485,000, consisting of General Obligation Bonds of \$210,000 and \$275,000 of revenue bonds related to the Wastewater Treatment Facility. During 2012, \$160,000 was paid in principal and \$28,864 was paid in interest on the bonds.

**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 consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide 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. The statements provide both short-term and long-term information about the Town's financial position, which assists in assessing the Town's economic position at the end of the fiscal year.

The government-wide financial statements include two statements:

*Statement of net assets* – Presents all of the government's assets and liabilities, with the difference reported as *net assets*. The amount of net assets is widely considered a good measure of the Town's financial health as increases and decreases in the Town's net assets serve as a useful indicator of whether the Town's financial position is improving or deteriorating.

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**Government-wide statements (continued)**

*Statement of activities* – Presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions and activities that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions and activities that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the Town include the broad functions of general government; public safety; education; public works; parks, recreation and other services; and the major services provided within each category. The Town has no business-type activities to report.

In the statement of activities, the operations of the Town are presented in a format that reports the net of expenses and revenues of its individual functions – the objective being to report the relative burden of each of the Town's functions to the taxpayers. Revenues offsetting related functional expenses are separated into three categories: charges for services, operating grants and contributions, and capital grants and contributions.

The government-wide financial statements can be found on pages 14-16 of this report.

**Fund financial statements** Traditional users of governmental financial statements will find the fund financial statement presentation to be most familiar. A *fund* is a grouping of related accounts that is used to keep control over resources that have been allocated to specific projects or activities. The Town uses fund accounting to ensure and demonstrate compliance with several finance-related legal requirements.

All of the Town's funds can be divided into two categories as follows:

**Governmental funds** Most of the basic services provided by the Town are financed through governmental funds. *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The focus is also on the balances left at the end of the fiscal year available for spending. These statements provide a detailed short-term view of the Town's finances that assist in determining whether there will be adequate financial resources available to meet current needs.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**Fund financial statements (continued)**

***Governmental funds (continued)***

The basic governmental fund financial statements can be found on pages 17-20 of this report.

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

The Town maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and School Department, which are considered to be major funds. Data for the other governmental funds are combined into a single aggregated presentation.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been provided for the General Fund and School Department to demonstrate compliance with budgets and are presented on pages 57-59 of this report.

The individual governmental funds are summarized into two types of funds – major and nonmajor, consisting of the following:

Major Fund – General Fund – this fund reports all financial resources except those required to be reported as School funds.

Major Fund – School Department – this fund reports all financial resources that are committed to be incurred for educational purposes.

Nonmajor Governmental Funds – these funds report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. Includes financial resources used for the construction and or acquisition of major capital projects and permanent funds that are legally restricted to the extent that only earnings may be used for purposes that support the Town's programs.



## TOWN OF LITTLE COMPTON, RHODE ISLAND

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

#### **Fund financial statements (continued)**

##### *Fiduciary funds*

Such funds are used to account for resources held for the benefit of parties outside the Town government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The full accrual basis of accounting is used for fiduciary funds. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Town maintains the following two types of fiduciary funds:

1. Pension Trust Fund – these funds consist of all trust arrangements under which principal and income benefit individuals, private organizations or other governments.
2. Agency funds (i.e., Student Activity Fund) – these funds report resources held in a purely custodial capacity for individuals, private organizations, or other governments.

**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 23-56 of this report.

**Other information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes a schedule detailing the Town's progress in funding its pension and other postemployment benefit obligations, as well as budgetary comparison schedules for the General Fund and the School Department to demonstrate compliance with their respective budgets. Required supplementary information can be found on pages 57-62 of this report.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$6,723,227 and \$7,121,308 as of June 30, 2012 and 2011, respectively. This decrease was primarily due to a decrease in program revenues and increases in public safety and education operating expenses.

At June 30, 2012, one of the largest portions of the Town's total net assets (64%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, infrastructure, building and improvements, office equipment, computer equipment and software, vehicles, machinery and equipment, and textbooks and library books), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its residents; 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 LITTLE COMPTON, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

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

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Town of Little Compton's Net Assets – Primary Government**

	2012	2011
Assets:		
Current and other assets	\$ 3,920,888	\$ 4,674,311
Capital assets	4,960,454	4,557,473
Total assets	8,881,342	9,231,784
Liabilities:		
Other liabilities	1,194,137	954,878
Long-term liabilities	963,978	1,155,598
Total liabilities	2,158,115	2,110,476
Net assets:		
Invested in capital assets, net of related debt	4,270,570	3,661,997
Restricted	583,104	682,396
Unrestricted	1,869,553	2,776,915
Total net assets	\$ 6,723,227	\$ 7,121,308

As of June 30, 2012 and 2011, cash and investments totaled \$2,852,751 and \$3,753,943, respectively, for the primary government.

At the end of fiscal year 2012 and 2011, the Town is able to report positive balances in all categories of net assets.

**Component unit.** The assets of the Town's Component Unit, the Agricultural Trust, exceeded its liabilities by \$17,486,992. Net assets invested in capital assets, net of related debt, comprises \$15,843,014, or 91% of total net assets. The remaining balance of net assets of the Agricultural Trust, totaling \$1,643,978, is unrestricted.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

**Town of Little Compton's Changes in Net Assets – Primary Government**

	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 751,463	\$ 561,856
Operating grants and contributions	924,316	1,115,883
Capital grants and contributions	45,173	492,379
General revenues:		
Real estate and property taxes	10,039,095	9,929,200
Motor vehicle phase-out	23,665	23,059
Realty transfer tax/fee	103,953	56,883
General state aid	25,360	12,131
State aid school housing	56,692	56,227
Telephone tax	2,722	39,304
Meal tax and hotel tax	37,877	47,400
Earnings on investments	3,723	14,080
Other	19,613	5,269
Total revenues	12,033,652	12,353,671
Expenses:		
General government	711,992	794,934
Financial administration	294,508	286,918
Public safety	3,045,334	2,763,411
Education	7,317,006	6,987,233
Public works	349,230	327,057
Transfer station	122,681	148,591
Parks, recreation and other services	567,259	734,497
Interest on debt	23,723	30,337
Total expenses	12,431,733	12,072,978
Increase (decrease) in net assets	(398,081)	280,693
Net assets, beginning of year	7,121,308	6,840,615
Net assets, end of year	\$ 6,723,227	\$ 7,121,308

TOWN OF LITTLE COMPTON, RHODE ISLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

The Town's net assets decreased by \$398,081 in 2012 and increased by \$280,693 in 2011.

The majority of general revenues are tax collections from the Town's taxpayers, which represents 83% and 80% of total revenues for fiscal years 2012 and 2011, respectively.

The Town's most significant expense is education, which in 2012 represented 59% of total expenses, followed by public safety at 24%.

### **Financial Analysis of Governmental Funds**

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

As of June 30, 2012, the Town's governmental funds reported combined fund balances of \$3,145,790; approximately \$1,350,000 constitutes unassigned fund balance, which is available for spending at the Town's discretion. Approximately \$1,184,000 constitutes committed and assigned fund balance, which has been designated by the Town Council for specific purposes. Approximately \$573,000 is restricted by outside parties to be used for specific purposes. The remainder of the fund balance is nonspendable, representing amounts legally required to be maintained intact, unexpendable inventory or prepaid items. As of June 30, 2011, the governmental funds reported combined fund balances of \$4,075,857.

The General Fund had a fund balance of \$1,749,981 and \$1,787,702 at June 30, 2012 and 2011, respectively.

The School Fund balance is \$663,858 and \$1,384,414 at June 30, 2012 and 2011, respectively. The decrease is primarily a result of initial costs related to the school renovation project.

The fund balance of the Nonmajor Governmental Funds is \$731,951 and \$903,741 as of June 30, 2012 and 2011, respectively.

### **General Fund Budgetary Highlights**

The Town finalizes its original budget at the Town Meeting in May of each year. Various transfers are authorized throughout the year as needed.

For 2012, the actual charges to appropriations (expenditures) were in excess of the final budgeted amounts by \$192,006 and \$948,782 for the General Fund and School Department, respectively. For 2011, the actual charges to appropriations (expenditures) were \$678,189 and \$199,101 in excess of the final budgeted amounts for the General Fund and School Department, respectively.

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**General Fund Budgetary Highlights (continued)**

For 2012, revenues were \$139,787 and \$351,853 in excess of the budgeted amounts for the General Fund and School Department, respectively. For 2011, revenues were \$464,735 and \$380,163 in excess of the budgeted amounts for the General Fund and School Department, respectively.

Expenditures in the General Government were approximately \$169,000 over appropriations primarily due to reporting certain expenditures as General Government that were budgeted in Financial Administration. Expenditures in the Public Safety department were approximately \$289,000 over appropriations. Approximately \$208,000 of these expenditures were unbudgeted, as prior to FY2011 they were reported in special revenue funds. In FY2011, the Town implemented GASB 54 which resulted in certain expenses and revenues that were associated with special revenue funds in prior reporting periods being included in the General Fund. This was partially offset by approximately \$130,000 of related unbudgeted revenue. The FY2012 budget did not incorporate the impact of GASB 54. Commencing with the 2014 budget, the Town will take into effect the impact of GASB 54 requirements on budget appropriations.

The General Fund is the chief operating fund of the Town.

**General Fund Actual Comparisons (GAAP Basis)**

	2012	2011	% Change
Revenues:			
General property and tax penalties	\$ 10,086,270	\$ 9,882,570	2.1%
Intergovernmental	144,765	445,983	(67.5)%
Licenses, permits and fees	322,430	256,917	25.5%
Beach receipts	172,351	159,954	7.8%
Donations	-	175,000	(100.0)%
Department revenues	137,185	154,110	(11.0)%
Investment income	2,418	3,468	(30.3)%
Miscellaneous	14,293	8,476	68.6%
Total revenues	<u>\$ 10,879,712</u>	<u>\$ 11,086,478</u>	<u>(1.9)%</u>
Expenditures:			
General government	\$ 1,750,585	\$ 1,765,120	(0.8)%
Financial administration	227,614	214,547	6.1%
Public safety	1,814,328	1,902,005	(4.6)%
Debt service	188,864	297,479	(36.5)%
Transfer station	122,681	148,591	(17.4)%
Public works	248,230	525,301	(52.7)%
Parks, recreation and other services	297,275	325,702	(8.7)%
Total expenditures	<u>\$ 4,649,577</u>	<u>\$ 5,178,745</u>	<u>(10.2)%</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**General Fund Budgetary Highlights (continued)**

Compared to prior year revenues, general property taxes and penalties increased by approximately \$204,000, intergovernmental revenue decreased by approximately \$301,000; licenses, permits and fees increased by approximately \$66,000 and donations decreased \$175,000. In addition, compared to prior year expenditures, public safety decreased by approximately \$88,000 and public works decreased by approximately \$277,000.

**Capital Asset Administration**

*Capital assets* The Town's investment in capital assets for governmental activities as of June 30, 2012 amounts to \$4,960,454, net of accumulated depreciation. The following is a summary of capital assets, net of accumulated depreciation where applicable, as of June 30, 2012 and 2011.

	2012	2011
Primary government:		
Land	\$ 548,179	\$ 548,179
Construction in progress	496,171	
Land improvements	21,563	22,615
Buildings and improvements	2,281,834	2,346,488
Infrastructure	402,691	411,118
Machinery and equipment	729,428	709,892
Office equipment	14,445	20,237
Computer equipment and software	119,751	133,335
Vehicles	268,045	254,348
Textbooks and library books	78,347	111,261
	<hr/>	<hr/>
Total	<u>\$ 4,960,454</u>	<u>\$ 4,557,473</u>
Component unit	<u>\$ 15,843,014</u>	<u>\$ 12,424,513</u>

Additional information on the Town's capital assets may be found starting on page 37 of the notes to the financial statements.

**Factors Bearing on the Town's Future**

The Town continues to experience a challenging budgeting environment due to the rising cost of education, health care, and pension benefits which must be funded while facing a limited ability to generate additional revenue. The State of Rhode Island (State), in an effort to balance its own budget, continues to reduce and/or eliminate both State and school aid. In addition, the State has mandated a cap for property tax increases of 4.25% in FY2012 and 4.0% in future years. The combination of rising costs of certain expenditures and the ability to raise additional revenue creates difficulties in addressing new or unexpected expenditures.

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**Factors Bearing on the Town's Future (continued)**

Key issues for the Town's future are an increased focus on defining/planning for long-term needs and reducing reliance on tax-based revenues. Mitigating the increase in health care costs, proper funding of other postemployment benefits (OPEB) and modifying the Town and School Union contracts are of primary concern and must be addressed in order to implement measures to balance revenues and expenses without tax rate increases. In response, the Town Council, in concert with the Business Manager and the Department heads, has included these matters as primary among its duties. The Police, Fire and Municipal Employees contracts were renegotiated for the period from July 1, 2012 through June 30, 2015 and include employee pension contributions of 7% of salary for those employees hired after July 1, 2012.

The Town Council, the School Committee and the Budget Committee have continued to work together effectively. Efforts include continuing to investigate new sources of revenue and analyzing the Town's current revenue streams to ensure the Town capitalizes on every opportunity available. The Budget Committee has reformed its budgeting process to require:

- establishing written goals very early in the new budget cycle,
- long-term financial and capital planning,
- analysis of budget to actual by expense categories,
- report generation explaining budget requests,
- mailings to the electors of the Town, and
- supplemental hearings to get voter input and explain the Budget Committee's thinking.

The Town Council, Budget Committee and School Committee have worked successfully to earn grants and low-interest loans to help fund needed capital improvements, which provide a direct benefit to the Town's tax rates.

The Business Manager and Budget Committee are focusing on:

- using budget expenditures by category to permit closer tracking of cost drivers which are enabling economies of scale,
- increased attention on fund balances/trends, including capital funding, which has a direct impact on the Town's long-term capability to meet citizen needs,
- providing increased visibility to the Town on overall financial performance as a key input for future planning and establishing budgets for the next fiscal year;
- increasing the use of the MUNIS system in the budgeting process, including potential use of its web-based portal, and
- researching other available accounting systems, subject to cost and budget constraints, that are more efficient and flexible, supporting ad hoc reporting and providing the necessary financial information (including trends) in order that the Town can leverage its level of staffing to maximize its efficiency.

TOWN OF LITTLE COMPTON, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2012

**Factors Bearing on the Town's Future (continued)**

During FY2012, the School Committee, the School Building Committee and the Town Council approved the construction/renovation of the Wilbur & McMahon School (the Project). The electors of the Town, at a referendum on May 1, 2012, approved the issuance of not more than \$11,310,000 in bonds/notes to finance the Project. It is anticipated that the bond term will be 20 years at an interest rate of less than 5% with the State reimbursing 40% of principal and interest over the term of the bond. On December 13, 2012, the Town issued a Bond Anticipation Note (BAN) for \$9,800,000 in order to cover construction costs until such time as a bond is issued through Rhode Island Health and Educational Building Corporation (RIHEBC) for the cost of the Project. The School Committee engaged the services of architect for the design of the Project at an estimated cost of \$750,000, of which approximately \$423,000 was expended at June 30, 2012. The Town and School Committee are currently negotiating the terms of the construction contract with the successful bidder, with an estimated cost of \$10,100,000. Additionally, the School Department will utilize approximately \$1,100,000 of its accumulated surplus to fund nonconstruction-related costs such as temporary classroom costs, etc. During FY2012, construction is anticipated to start in January 2013. Also refer to Note 7 of the financial statements on page 50.

Keeping the level of services responsive to Town needs as the State continues to reduce the amount of aid will require some combination of property tax increases, cost reduction and/or supplemental non-property tax methods of revenue generation. The Town has proactively taken steps to ensure that it is dealing with this problem on an ongoing basis.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions on this report or need additional financial information, your inquiries should be addressed to:

Treasurer and Tax Collector  
Town of Little Compton  
P.O. Box 226  
40 Commons  
Little Compton, RI 02837



TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Agricultural Trust</u>
<b>ASSETS</b>		
Cash	\$ 2,817,970	\$ 1,694,635
Investments	34,781	
Receivables, net:		
Personal property taxes, less allowance for doubtful accounts of \$23,387	538,105	
Intergovernmental	222,910	
Departmental and other	259,074	
Agricultural Trust	19,514	
Prepaid expenses	6,275	
Inventories	22,259	
Capital assets not being depreciated	1,044,350	15,843,014
Capital assets being depreciated, net	3,916,104	
	<hr/>	<hr/>
Total assets	8,881,342	17,537,649
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	429,964	31,143
Due to primary government		19,514
Pension obligation, net	375,092	
OPEB obligation, net	389,081	
Long-term obligations:		
Due within one year	225,401	
Due in more than one year	738,577	
	<hr/>	<hr/>
Total liabilities	2,158,115	50,657
Commitments and contingencies (Note 7)		
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	4,270,570	15,843,014
Restricted for:		
Non-expendable bequests	10,000	
Expendable bequests	122,047	
Special revenue	451,057	
Unrestricted	1,869,553	1,643,978
	<hr/>	<hr/>
Total net assets	<u>\$ 6,723,227</u>	<u>\$ 17,486,992</u>

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Agricultural Trust
Governmental activities:							
General government	\$ 1,892,326	\$ (1,180,334)	\$ 228,843		\$ 40,437	\$ (442,712)	
Financial administration	227,614	66,894				(294,508)	
Public safety	2,105,160	940,174	266,855	\$ 60,183		(2,718,296)	
Education	7,317,006		35,920	760,802		(6,520,284)	
Public works	277,589	71,641				(349,230)	
Transfer station	122,681		27,929			(94,752)	
Parks, recreation and other services	465,634	101,625	191,916	103,331	4,736	(267,276)	
Interest on debt	23,723					(23,723)	
Total primary government	12,431,733	-	751,463	924,316	45,173	(10,710,781)	
Component unit, Agricultural Trust	118,042		1,291,036		1,655,100		\$ 2,828,094
Total	\$ 12,549,775	\$ -	\$ 2,042,499	\$ 924,316	\$ 1,700,273	\$ (10,710,781)	\$ 2,828,094

(continued)

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2012

	Net (Expense) Revenue and Changes in Net Assets	
	<u>Primary Government Governmental Activities</u>	<u>Component Unit Agricultural Trust</u>
General revenues:		
Real estate and personal property, net of reserve for abatements	\$ 10,039,095	
Motor vehicle phase-out	23,665	
Realty transfer tax/fee	103,953	
General state aid	25,360	
State aid school housing	56,692	
Telephone tax	2,722	
Meal tax	37,877	
Earnings on investments	3,723	\$ 2,236
Miscellaneous	19,613	4,300
Total general revenues	<u>10,312,700</u>	<u>6,536</u>
Changes in net assets	(398,081)	2,834,630
Net assets, beginning of year	<u>7,121,308</u>	<u>14,652,362</u>
Net assets, end of year	<u>\$ 6,723,227</u>	<u>\$ 17,486,992</u>

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2012

ASSETS	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	School		
Cash	\$ 1,346,877	\$ 765,468	\$ 705,625	\$ 2,817,970
Investments			34,781	34,781
Receivables:				
Property taxes, less allowance for doubtful accounts of \$23,387	538,105			538,105
Intergovernmental		205,004	17,906	222,910
Agricultural trust	19,514			19,514
Other	51,859	207,054	161	259,074
Prepaid expenses	1,909	4,366		6,275
Inventories	21,975	284		22,259
Due from other funds	182,796		24,140	206,936
<b>Total assets</b>	<b>\$ 2,163,035</b>	<b>\$ 1,182,176</b>	<b>\$ 782,613</b>	<b>\$ 4,127,824</b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 105,716	\$ 299,102	\$ 6,941	\$ 411,759
Due to other funds	5,288	158,445	43,203	206,936
Deferred revenue	302,050	60,771	518	363,339
<b>Total liabilities</b>	<b>413,054</b>	<b>518,318</b>	<b>50,662</b>	<b>982,034</b>
Fund balances:				
Nonspendable:				
Legally required			10,000	10,000
Inventory and prepaids	23,884	4,650		28,534
Restricted			573,104	573,104
Committed	60,000			60,000
Assigned	297,590	659,208	166,972	1,123,770
Unassigned	1,368,507		(18,125)	1,350,382
<b>Total fund balances</b>	<b>1,749,981</b>	<b>663,858</b>	<b>731,951</b>	<b>3,145,790</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,163,035</b>	<b>\$ 1,182,176</b>	<b>\$ 782,613</b>	<b>\$ 4,127,824</b>

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total governmental fund balances	\$	3,145,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,960,454
Some taxes and grants will be collected after year-end but are not available soon enough to pay off the current period expenditures; therefore, they are reported as deferred revenue in the funds.		363,339
Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the funds:		
Bonds and notes payable	\$	(485,000)
Compensated absences		(274,094)
Capital leases		(204,884)
Pension obligation, net		(375,092)
OPEB obligation, net		(389,081)
Accrued interest		(18,205)
		(1,746,356)
Net assets of governmental activities	\$	6,723,227

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Major Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General	School		
<b>Revenues:</b>				
General property taxes and penalties	\$ 10,086,270			\$ 10,086,270
Intergovernmental	144,765	\$ 520,384	\$ 350,441	1,015,590
Donation revenues			4,736	4,736
Departmental and other revenue	137,185	35,920	48,862	221,967
Licenses, permits and fees	322,430			322,430
Beach receipts	172,351			172,351
Investment income	2,418		1,305	3,723
State contribution to teachers' pension plan		195,371		195,371
Miscellaneous	14,293	4,320	1,000	19,613
<b>Total revenue</b>	<b>10,879,712</b>	<b>755,995</b>	<b>406,344</b>	<b>12,042,051</b>
<b>Expenditures:</b>				
General government	1,750,585		147,987	1,898,572
Financial administration	227,614			227,614
Public safety	1,814,328		316,404	2,130,732
Education		7,704,407		7,704,407
Public works	248,230			248,230
Transfer station	122,681			122,681
Parks, recreation and other services	297,275		153,743	451,018
Debt service:				
Principal payments	160,000			160,000
Interest and fiscal charges	28,864			28,864
<b>Total expenditures</b>	<b>4,649,577</b>	<b>7,704,407</b>	<b>618,134</b>	<b>12,972,118</b>
Excess (deficiency) of revenues over expenditures	6,230,135	(6,948,412)	(211,790)	(930,067)
Other financing sources (uses), transfers between funds	(6,267,856)	6,227,856	40,000	-
Excess of expenditures and other uses over revenues and other financing sources	(37,721)	(720,556)	(171,790)	(930,067)
Fund balance, beginning of year	1,787,702	1,384,414	903,741	4,075,857
Fund balance, end of year	<u>\$ 1,749,981</u>	<u>\$ 663,858</u>	<u>\$ 731,951</u>	<u>\$ 3,145,790</u>

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Net change in fund balances for governmental funds	\$ (930,067)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	402,981
Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differs between the two statements. This amount represents the net change in deferred revenue.	(8,399)
Change in OPEB obligation, net is recorded in the statement of activities but not in the governmental funds	(141,445)
Change in pension obligation, net is recorded in the statement of activities but not in the governmental funds	82,088
The issuance of long-term debt (e.g., bonds and capital leases) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net assets. Principal repayment on long-term debt	205,592
Expenditures of a noncurrent nature are not reported in the statement of activities as expenditures. Compensated absences are not reported as such and, accordingly, this amount represents the increase in this liability over the prior year.	(13,972)
Change in accrued interest reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.	<u>5,141</u>
Change in net assets of governmental activities	<u><u>\$ (398,081)</u></u>

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Pension Trust Fund	Agency Funds, Student Activity Funds	Total
Assets:			
Cash		\$ 8,592	\$ 8,592
Investments:			
Mutual funds	\$ 2,635,938		2,635,938
Collective funds	4,308,372		4,308,372
Total assets	<u>\$ 6,944,310</u>	<u>\$ 8,592</u>	<u>\$ 6,952,902</u>
Liabilities:			
Deposits held in custody		<u>\$ 8,592</u>	<u>\$ 8,592</u>
Total liabilities		<u>8,592</u>	<u>8,592</u>
Net assets held in trust for pension benefits	<u>\$ 6,944,310</u>		<u>6,944,310</u>
Total net assets	<u>6,944,310</u>		<u>6,944,310</u>
Total liabilities and net assets	<u>\$ 6,944,310</u>	<u>\$ 8,592</u>	<u>\$ 6,952,902</u>

See notes to financial statements.



TOWN OF LITTLE COMPTON, RHODE ISLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2012

	Pension Trust Fund
Additions:	
Contributions, employer	\$ 414,405
Net investment income:	
Dividends and interest	54,365
Net appreciation in fair value of investments	222,038
Capital gains (losses)	(144,557)
Total investment income	131,846
Less investment expenses	42,528
Net investment income	89,318
Total additions	503,723
Total deductions, retirement benefits	303,946
Change in net assets	199,777
Net assets, beginning of year	6,744,533
Net assets, end of year	\$ 6,944,310

See notes to financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies:

The accompanying basic financial statements of the Town of Little Compton, Rhode Island (the Town) are presented in conformity with accounting principles generally accepted in the United States applicable to governmental entities. In certain circumstances, summaries of the Town's significant accounting policies have been presented throughout the notes to the financial statements in conjunction with the other disclosures to which they relate.

*Financial reporting entity:*

The Town was incorporated in 1682. On November 8, 1994, the Town adopted the Little Compton Home Rule Charter to be effective in January 1995, which was ratified by the Rhode Island General Assembly in May 1995. In some matters the Town is governed by the general laws of the State of Rhode Island (State). The Town operates under a Town Council form of government.

The Town financial statements include all funds, agencies, boards, commissions, and authorities over which the Town exercises oversight responsibility. Oversight responsibility is determined on the basis of the activity's scope of operations, financial interdependency and fiscal responsibility, selection of governing authority and ability to significantly influence operations.

*Component unit:*

The Little Compton Agricultural Conservancy Trust (Agricultural Trust) is considered a component unit of the Town and meets the criteria as established under Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units." The Agricultural Trust is governed by a seven-member board of trustees, five of which are appointed by the Town Council. The purpose of this trust is to acquire development rights to agricultural property within the Town and to preserve open space, fresh and saltwater marshes, estuaries and adjoining uplands, groundwater recharging areas, land providing access to the ocean, land for bicycle paths and land for future public recreational facilities and use. This component unit is reported in a separate column to emphasize that it is legally separate from the Town, but is included because the Town is financially accountable for and is able to impose its will on the organization. Unless otherwise indicated, the notes to the basic financial statements pertain to the primary government because certain disclosures of the component unit are not significant relative to the primary government.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Basic financial statements – government-wide statements:*

These financial statements present the Town's primary government and component unit.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major and other funds). Both the government-wide and fund financial statements are required to categorize primary activities as either governmental or business-type. The Town's public safety, parks, library and recreation, education, public works, transfer station and general and financial administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide statement of activities reports both the gross and net cost of each of the Town's functions (public safety, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with functions (public safety, public works, community and economic development, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Basic financial statements – fund financial statements:*

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

Financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund balances, revenues and expenditures/expenses. The various funds are reported by general classification within the financial statements.

Separate financial statements are provided for governmental funds and fiduciary funds. However, fiduciary funds are not included in government-wide statements since these assets are held for the benefit of private parties and pension participants, and cannot be used to satisfy obligations of the primary government. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are reported in the aggregate in a separate column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

Fund types used by the Town and a description of the funds comprising each are as follows:

*Governmental funds:*

Governmental funds are used to account for operations that supply basic government services. The Town uses the following governmental funds:

*General Fund:*

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Basic financial statements – fund financial statements (continued):*

*Governmental funds (continued):*

*Special revenue funds:*

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

*Capital projects funds:*

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays. The Town's capital project funds are all nonmajor funds.

*Permanent funds:*

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

*Fiduciary funds:*

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

*Pension Trust:*

The Pension Trust Fund accounts for contributions made by the Town and its participating employees to provide retirement benefits to participating employees.

*Agency:*

Agency funds are established when the Town holds assets in custody for others in an agency capacity.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Measurement focus and basis of accounting:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be available are recorded as deferred revenues. Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes, special assessments, federal impact aid, state aid, meals taxes collected by the State on behalf of the Town, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash; therefore, they are recognized when received.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Measurement focus and basis of accounting (continued):*

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

*Use of estimates:*

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

*Cash and cash equivalents:*

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition. Under Rhode Island General Law, 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 100% of the deposits which are time deposits with maturities greater than 60 days. Any institution not meeting certain minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of the deposits, regardless of maturities.

*Investments:*

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The State does not have pertinent laws regarding investments that apply to cities and towns. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund. The Town's Pension Trust Fund Investment Advisory Committee is responsible for the supervision of the investment of the fund's investments with the objective of preserving capital and investing with care to minimize the risk of large losses.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Property taxes:*

Real and personal property taxes are based on assessed values as of December 31<sup>st</sup> and a tax rate based on an approved levy at the annual town meeting in May. Once levied, these taxes are recorded as receivables, net of estimated uncollectible amounts. In the governmental fund financial statements, property tax revenues have been recorded using the modified accrual basis of accounting. Under the modified accrual basis, real estate, personal property and other excise taxes levied are recorded as receivables in the fiscal year of the levy and as revenue when collected within the current year or expected to be collected within 60 days after the end of the current year. Taxes not collected within this time period are classified as deferred revenue. Deferred revenues are those where asset recognition has been met for which revenue criteria have not been met. The government-wide financial statements recognize property tax revenue when taxes are levied net of estimated abatements and exemptions.

For 2012, Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.25% over that of the preceding fiscal year. The rate will decrease by .25% to 4.00% in 2013.

*Farm, forest and open space:*

Certain taxpayers can file for reclassification of land assessments in accordance with farm, forest and open space guidelines. Subsequent land use changes within a ten-year period for farm or fifteen-year period for forest or open space result in the assessment of a land use change tax.

*Intergovernmental:*

Various federal and state grants for operating and capital purposes are applied for and received annually. For nonexpenditure-driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure-driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible; therefore, the Town has not reported an allowance for uncollectible grants.



TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Capital assets:*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Net interest costs related to construction projects are capitalized during the construction period. Such costs were not considered material during fiscal 2012.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in capital assets.

Capital assets acquired by governmental funds are accounted for as capital outlay expenditures.

Depreciation on all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The ranges of estimated useful lives by type of asset are as follows:

	Years
Building and improvements	40
Machinery and equipment	5-10
Office equipment	5-10
Computer equipment and software	5-10
Vehicles	5
Library and textbooks	3-10

*Encumbrances:*

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures are recorded in order to reserve portions of applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year-end are reported in fund balance as either restricted, committed, or assigned.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Compensated absences:*

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

*Long-term obligations:*

In the government-wide financial statements, long-term debt and long-term compensated absences are reported as liabilities in the statement of net assets.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums are reported as other financing uses while discounts are reported as other financing sources.

*Fund equity:*

*Government-wide financial statements:*

*Net assets:*

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

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

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Fund equity (continued):*

*Government-wide financial statements (continued):*

*Net assets (continued):*

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

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

*Governmental fund financial statements:*

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

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

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

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

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

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

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

Unassigned – amounts available for any purpose

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

1. Summary of significant accounting policies (continued):

*Governmental fund financial statements (continued):*

Expenditures may be incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Composition of the ending fund balance will be determined by applying the following: In those instances where both restricted and unrestricted amounts are *available*, restricted amounts will be considered to have been spent first (as allowed and in compliance with stated and specified terms or requirements) followed by committed amounts, followed by assigned amounts, and then unassigned amounts.

*Interfund transactions:*

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no eliminations made between or within funds. Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund receivables and payables are classified as “due from other funds” or “due to other funds.”

*Indirect expense allocation:*

It is the policy of the Town to allocate indirect expenses (i.e., insurance and pension expenses) to the functions as listed in the government-wide financial statements on the basis of salaries by function.

2. Compliance and accountability:

*Budget requirements, accounting and reporting:*

The General Fund and the School Department are subject to an annual operating budget. The annual operating budgets' appropriation amounts are supported by revenue estimates and can be amended by either a special financial Town meeting or at the next annual financial Town meeting.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

2. Compliance and accountability (continued):

*Budget requirements, accounting and reporting (continued):*

Actual revenue and expenditures in the budgetary basis statements of revenues and expenditures for the General Fund and the School Department are presented on the budgetary basis which includes the net effect of not budgeting for certain other items. Thus, the actual revenues and expenditures differ from those in the governmental fund financial statements which are presented in accordance with accounting principles generally accepted in the United States.

*Interfund transactions:*

Interfund transfers during 2012 were as follows:

Transferred to:	Transferred from:	Amount
School	General Fund	\$ 6,227,856
Nonmajor Governmental Funds	General Fund	40,000

The transfers between funds were to fund revenues related to annual meeting votes, and to fund and utilize funding for operations in the School Department funds.

*Interfund receivables and payables:*

Interfund receivable and payable balances at June 30, 2012 are as follows:

	Due from other funds	Due to other funds
Governmental funds:		
General Fund	\$ 182,796	\$ 5,288
School		158,445
Nonmajor governmental funds	24,140	43,203
	\$ 206,936	\$ 206,936

For the government-wide financial statements, all interfund transactions were eliminated except for those with fiduciary funds (considered payable to/from external parties).

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

2. Compliance and accountability (continued):

*Interfund receivables and payables (continued):*

The Town utilizes the interfund loan accounts as a short-term vehicle to expedite the payment of vouchers from a consolidated vendor checking account.

3. Deposits and investments:

*Cash and cash equivalents:*

Deposits are in various financial institutions and are carried at cost, or fair value in the case of pooled deposits for trust funds.

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2012, the carrying amount of the Town's deposits, including the component unit, was \$4,521,197 and the bank balance was \$5,019,080. Of the bank balance, \$336,207 was uninsured and uncollateralized and \$1,690,534 was uninsured and collateralized with securities held by the pledging financial institution, but not in the Town's name.

At June 30, 2012, deposits are categorized as follows:

	Insured/ collateralized in Town's name	Total bank balance	Carrying amount
Deposits:			
Demand deposits	\$ 2,992,339	\$ 3,328,546	\$ 2,840,451
Money market		1,690,534	1,680,746
	<u>\$ 2,992,339</u>	<u>\$ 5,019,080</u>	<u>\$ 4,521,197</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2012

3. Deposits and investments (continued):

*Investments:*

The majority of investment activities are conducted through a contracted investment management firm; such investments are held in a pooled trust fund account in the Town's name.

Investment type	Carrying amount	Maturities
Primary government:		
Stock	\$ 4,389	N/A
Certificate of deposit	12,569	11/20/12
Certificate of deposit	17,823	12/27/12
	\$ 34,781	
Investment type	Carrying amount	
Pension Trust Fund:		
Mutual funds	\$ 2,635,938	
Collective funds	4,308,372	
	\$ 6,944,310	

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value rates.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2012, the Town's investments were unrated.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

3. Deposits and investments (continued):

*Investments (continued):*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The investments listed below represent 5% or more of total investments, as well as investments that represent 5% or more of the Pension Trust Fund's net assets available for benefits.

Wilmington Trust PIMCO Total Return A	\$	1,223,853
Wilmington Trust Thornburg International Value		407,946
Wilmington Trust Large Company Domestic Growth		859,862
Wilmington Trust Large Company Value		882,952
Wilmington Trust S&P 500 Index		656,135
Wilmington Trust Strategic Bond		1,176,153
Wilmington Trust First Eagle Sogen		765,722

4. Capital assets:

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

	Beginning balance	Increases	Ending balance
Governmental activities:			
Capital assets not being depreciated:			
Land	\$ 548,179		\$ 548,179
Construction in progress		\$ 496,171	496,171
Total capital assets not being depreciated	548,179	496,171	1,044,350
Capital assets being depreciated:			
Land improvements	26,297		26,297
Buildings and improvements	4,059,456	29,360	4,088,816
Infrastructure	421,352		421,352
Machinery and equipment	1,310,347	129,074	1,439,421
Office equipment	97,681		97,681
Computer equipment and software	452,947	28,711	481,658
Vehicles	532,292	58,975	591,267
Textbooks and library books	381,815	4,346	386,161
Total capital assets being depreciated	7,282,187	250,466	7,532,653

(continued)



TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

4. Capital assets (continued):

	Beginning balance	Increases	Ending balance
Governmental activities (continued):			
Capital assets being depreciated (continued):			
Less accumulated depreciation:			
Land improvements	\$ 3,682	\$ 1,052	\$ 4,734
Buildings and improvements	1,712,968	94,014	1,806,982
Infrastructure	10,234	8,427	18,661
Machinery and equipment	600,455	109,538	709,993
Office equipment	77,444	5,792	83,236
Computer equipment and software	319,612	42,295	361,907
Vehicles	277,944	45,278	323,222
Textbooks and library books	270,554	37,260	307,814
Total accumulated depreciation	3,272,893	343,656	3,616,549
Total capital assets being depreciated, net	4,009,294	(93,190)	3,916,104
Governmental activities, capital assets, net	\$ 4,557,473	\$ 402,981	\$ 4,960,454
Depreciation was charged to functions as follows:			
Governmental activities:			
General government	\$ 5,390		
Public safety	171,336		
Parks and recreation	18,414		
Public works	29,359		
Education	119,157		
	\$ 343,656		
Component unit:			
Capital assets not being depreciated, land	\$ 12,424,513	\$ 3,418,501	\$ 15,843,014

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans:

The Town contributes to pension plans covering substantially all of its employees as follows:

Teachers' Plan

*Plan description:*

The Teachers' Plan is a statutory, mandatory, statewide, cost-sharing multiple-employer public employee retirement system administered by the State. The Teachers' Plan covers all school department personnel certified by the Rhode Island Department of Education who are or have been engaged in teaching as a principal occupation. Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903. Total covered payroll under the Teachers' Plan for the year ended June 30, 2012 was approximately \$2,261,000.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedules A benefits and B benefits.

Schedule A Benefits:

Schedule A benefits are available to members who possessed ten years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.70% of earnings for each of the first ten years of service; 1.90% for each of the next ten years of service; 3.00% for each of the next fourteen years; and 2.00% for the 35th year. Joint and survivor options are available, as well as an option that provides for the payment of a larger benefit before the attainment of age 62. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members who are at least age 60 with ten years of credited service, or after 28 years of service at any age. Benefits for all employees are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

On the third January after retirement, a cost-of-living increase of 3.00% (compounded annually) is provided. The Teachers' Plan also provides nonservice-connected disability benefits after five years of service; service-connected disability benefits with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump-sum death benefits.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Teachers' Plan (continued)

*Plan description (continued):*

Schedule B Benefits:

Schedule B benefits are provided to members who had less than ten years of contributory service on or before July 1, 2005. Schedule B provides unreduced benefits of 1.60% of earnings for each of the first ten years of service; 1.80% for each of the next ten years; 2.00% for years 21 through 25 inclusive; 2.25% for years 26 through 30 inclusive; 2.50% for years 31 through 37 inclusive; and 2.25% for the 38th year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of the average highest three years of compensation after 38 years of service. Such benefits are available to members who are at least age 65 with 10 years of service, or at least age 59 with 29 years of service. Actuarially reduced retirement is available at age 55 with 20 years of service; the benefit is reduced actuarially for each month that the age of the member is less than 65 years.

On the month following the third anniversary date of retirement, and on the month following the anniversary date of each succeeding year, a benefit increase is provided for Schedule B members, consisting of the lesser of a cost-of-living increase of 3.00% (compounded annually) or the percentage increase in the Consumer Price Index, determined as of September 30 of the prior calendar year.

Rhode Island General Law relating to state employees and teachers' benefits was amended during the fiscal year ended June 30, 2009. Members eligible to retire as of September 30, 2009 are not affected by the changes. The legislation established a minimum retirement age of 62 for all members, except those Schedule B members who retire with less than 29 years of service; their retirement eligibility remains age 65 with a minimum of ten years of service credit. For affected state employees and teachers, the law provides a proportional downward adjustment of the minimum retirement age based on the years of service credit of a member at September 30, 2009, a final average salary based on the five consecutive highest years of salary and a cost-of-living adjustment.

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

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Teachers' Plan (continued)

*Plan description (continued):*

Sweeping pension system reform was passed by the Rhode Island General Assembly on November 17, 2011 and will be implemented effective July 1, 2012. The Rhode Island Retirement Security Act of 2011 (RIRSA) makes substantial changes to the Teachers' Plan pension benefits, adds a defined contribution element, and creates a hybrid plan as opposed to the current defined benefit plan.

Rhode Island General Law relating to state employees and teachers benefits were amended during the fiscal year ended June 30, 2010. Members eligible to retire as of June 12, 2010 are not affected by the legislation. The legislation modifies the Cost of Living Adjustment (COLA). The COLA now applies to the first \$35,000 of retirement allowance, indexed annually, and shall commence upon the retiree's third anniversary of the date of retirement or when the retiree reaches age 65, whichever is later. The \$35,000 limit will increase annually by the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U) as published by the United States Department of Labor Statistics, determined as of September 30 of the prior calendar year or 3%, whichever is less.

*Funding policy:*

Rhode Island General Law sets the contribution rates of participating employees at 9.5% of salary. Annual required contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 2010 over 25 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. The Town participates in the optional Teachers Survivor Benefits Fund whereby the employer and the employee each contribute 1% of the first \$9,600 of each participating employee's salary for survival benefits.

As prescribed by Rhode Island General Law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years, plus 40% of contributions assessed to employers on payroll not reimbursable through federal programs. For fiscal year 2012, actuarial required contributions were 12.55% of participants' salary (21.19% for federally reimbursed salary), which resulted in a contribution rate paid by the State on behalf of Town teachers of 8.64%. The Town's required and actual contributions to the Teachers' Plan for fiscal years 2012, 2011 and 2010 were approximately \$287,000, \$244,000 and \$262,000, respectively.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers

*Plan description:*

The Retirement Plan for Employees of the Town (the Plan) is a single-employer, contributory defined benefit pension plan which provides retirement, disability and death benefits to substantially all full-time employees of the Town except School Department personnel certified by the Rhode Island Department of Education (Certified Employees) who are eligible to participate in the Employees' Retirement System of the State of Rhode Island. The Plan was established in accordance with the Town Charter and State Statutes. The Plan is administered by a pension committee consisting of four members appointed annually by the Town Council, plus three members of the various unions. The pension committee can make minor changes while major changes require Financial Town Meeting approval. State law gives the Town Council authority to negotiate union contracts. The effective date of the Plan is January 1, 1972. The assets of the Plan are held in a Trust which is reported as a fiduciary fund in the Town's financial statements.

For the Plan year ended June 30, 2012, covered payroll under the Plan totaled \$1,784,706.

As of July 1, 2011, the date of the latest actuarial valuation, membership in the Plan was as follows:

Active participants	48
Vested terminations and inactive lives	6
Retirees	29
 Total Plan members	 83

*Benefit provisions:*

Plan participation commences on the first day of the month coincident with or following the date of hire, if the employee chose to participate in the Plan. Members of the Town Council and Certified Employees of the School Department are not eligible to participate in the Plan. The normal form of the benefit is a life annuity.

The normal retirement date for police and fire employees is upon completion of twenty-five years of credited service. Any police officer hired after July 1, 1994 must have also attained age 55. The normal retirement date for all other employees is their 62nd birthday.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

*Benefit provisions (continued):*

The normal retirement benefits are a product of 1.65% of the employee's average compensation and the years of service. Compensation is defined as the basic rate of pay in effect on July 1 of each Plan year, exclusive of overtime pay and bonuses. Average compensation is compensation averaged over the three consecutive years out of the last ten years producing the highest average prior to termination of employment. For members of the fire and police departments, the annualized rate of pay in effect in the last year of employment is used.

- Effective July 1, 1992, members of the police and fire departments may retire after 25 years of service at 50 percent of their highest annual salary, regardless of age.
- Effective July 1, 1997, members of the police and fire departments will receive an additional 2% of salary for each year of service in excess of 25 years, subject to a maximum of five additional years.
- The minimum annual benefit is \$100 multiplied by the number of years of service.
- Effective July 1, 2000, participants in pay status receive an annual cost-of-living increase of 2%.

Employees who have reached age 50 and have 20 years of service may retire and receive an early retirement benefit. The amount of the early retirement benefit equals 1.25% of the average compensation times the years of service. Alternatively, the participants may elect to defer payment of the accrued benefit until their normal retirement date.

The Plan includes disability benefits for members who have been credited with ten or more years of service and become totally and permanently disabled; such members shall be entitled to payment of the accrued benefit.

If a participant who is a member of the fire or police departments separates from service by reason of occupational disability, the participant is entitled to a monthly benefit equal to 68% of the participant's compensation at the time of occupational disability. A participant receiving an occupational disability is not eligible for the cost-of-living increases.

All employees with ten years of credited service have a nonforfeitable right to the accrued benefit as of the date of termination of employment payable at their normal retirement date. Notwithstanding this vesting schedule, a participant becomes 100% vested upon reaching the normal retirement date.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

*Funding policy and contributions:*

Contribution requirements are established and may be amended by Town Council ordinance or union contract.

Employees are required to contribute to the Plan as follows:

- Commencing July 1, 1995 and ending June 30, 1997, participants who were members of the fire department (other than the Fire Chief) contributed to the Plan an amount equal to 4.5% of their compensation.
- Effective July 1, 1997, employee contributions for the fire department members were no longer required.
- Commencing July 1, 1994 and ending June 30, 2001, police officers hired after July 1, 1994 were required to contribute 2.5% of their base annual compensation.
- Effective July 1, 2001, employee contributions for the police department members were no longer required.

The Town is required to contribute an amount determined in accordance with an actuarial valuation.

*Actuarial methods and significant assumptions:*

Pension assets are valued at fair value as established by quotations from applicable national securities exchanges. Valuations of accrued liabilities, pension assets, and annual required contributions for the Plan are performed annually as of July 1.

The valuation reflects an early retirement window, which credited an extra four years of benefit accrual service to members of the fire department who had attained age 50 with at least 25 years of service and retired between August 1, 2003 and August 31, 2003.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

*Actuarial methods and significant assumptions (continued):*

The most recent actuarial valuation, performed as of July 1, 2011, utilizes the entry age normal cost method to determine both the actuarial accrued liabilities and annual required contributions to the Plan. The normal cost is the sum of the normal costs for all active participants who have not reached the assumed retirement age. For each such participant, the individual normal cost is the participant's normal cost accrued rate multiplied by the participant's current compensation. The normal cost accrued rate equals (a) the actuarial present value of future benefits as of the participant's entry age divided by (b) the actuarial present value of future compensation as of the participant's entry age. For other participants, the normal cost equals zero.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the actuarial present value of future benefits less the normal cost accrued rate multiplied by the actuarial present value of future compensation.

The actuarial assumptions include:

- a. 7.5% investment rate of return
- b. Use of the RP-2000 Combined (Male/Female) Mortality Table
- c. Projected salary increases of 4.0%
- d. A withdrawal rate of none
- e. Assumed retirement ages as follows:
  - members of the fire and police departments are assumed to retire at the earlier of age 62 or the completion of 30 years of service. Members of the police department hired after July 1, 1994 are assumed to retire at the earlier of age 62 or the completion of 30 years of service, but in no event prior to age 55.
  - participants who are not members of the fire and police departments are assumed to retire at age 62
  - participants who are beyond their assumed retirement ages are assumed to retire immediately
- f. expenses are assumed to be paid by the Town



TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

*Annual pension costs and net benefit obligation:*

A summary of annual pension costs, contributions and net pension obligation, without amortization of the unfunded actuarial liability over the preceding three years, is as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially Required Contribution (ARC)	\$ 336,738	\$ 414,405	\$ 507,896
Interest on Net Pension Obligation (NPO)	34,289	41,704	35,786
Adjustment to ARC	<u>(38,710)</u>	<u>(47,081)</u>	<u>(40,400)</u>
Annual pension cost	332,317	409,028	503,282
Contribution made	<u>(414,405)</u>	<u>(507,896)</u>	<u>(424,375)</u>
Increase (decrease) in NPO	(82,088)	(98,868)	78,907
NPO, beginning of year	<u>457,180</u>	<u>556,048</u>	<u>477,141</u>
NPO, end of year	<u>\$ 375,092</u>	<u>\$ 457,180</u>	<u>\$ 556,048</u>
% of annual pension cost contributed	<u>124.70%</u>	<u>124.17%</u>	<u>84.32%</u>

*Funded status and funding progress:*

As of July 1, 2011, the Plan was 86.7% funded. The actuarial accrued liability for benefits was \$8,257,937 and the actuarial value of assets was \$7,158,938, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,098,999. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,784,706 and the ratio of the UAAL to the covered payroll was 61.6%.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

5. Pension plans (continued):

Town Employees, Other than Certified Teachers (continued)

*Funded status and funding progress (continued):*

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

6. Other postemployment benefits:

In addition to pension benefits, the Town and School Department provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits, or compensation in lieu of postemployment health insurance benefits, to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available health care coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. During the year ended June 30, 2012, postemployment benefits totaling \$126,282 were received by eleven participants.

As of June 30, 2012, the latest available membership census is as follows:

Active employees	52
Retirees	<u>11</u>
Total	<u><u>63</u></u>

Annual OPEB cost and net OPEB obligation:

The Town's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Town. In prior years, the Town engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a closed period not to exceed 30 years. The following table shows the components of the Town's annual OPEB cost, the amount actually contributed to the plan for the year ended June 30, 2012, and the Town's net OPEB obligation as of June 30, 2012.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

6. Other postemployment benefits (continued):

Annual OPEB cost and net OPEB obligation (continued):

Annual OPEB Cost	
Annual Required Contribution (ARC)	\$ 266,076
Interest on net OPEB obligation (NPO)	9,905
Adjustment to ARC	(8,254)
Annual OPEB cost	267,727
Contributions made during the year	126,282
Increase in NPO	141,445
NPO, beginning of year	247,636
NPO, end of year	\$ 389,081

Funded status and funding progress:

As of July 1, 2010, the funded status and funding progress were as follows:

Funded ratio	0%
Actuarial accrued liability for benefits	\$ 2,629,923
Actuarial value of assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,629,923
Covered payroll	\$ 2,623,416
UAAL to covered payroll	100.25%

Actuarial methods and assumptions:

The projection of future benefit payments for an ongoing plan involves 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 health care cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

6. Other postemployment benefits (continued):

Actuarial methods and assumptions (continued):

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, 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. Some key assumptions are as follows:

- Measurement date – July 1, 2010
- Funding method – Projected Unit Credit Cost Method
- Discount rate – 4.0%
- Participation – All eligible retirees are assumed to elect medical and/or dental coverage if available
- Health care trend rates – 8.0% per year graded off .5% per year to an ultimate rate of 4.5% per year

7. Commitments and contingencies:

Various lawsuits and claims are pending against the Town and the Agricultural Trust. A number of lawsuits are being defended by the Town's insurers and the claims are within the limits of coverage; therefore, they pose no risk of loss. The outcome of the remaining lawsuits and claims cannot be evaluated at this time and, accordingly, the Town and the Agricultural Trust have not established a reserve for loss contingencies.

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial. Total federal expenditures received by the Town (including the component unit) totaled approximately \$1,970,000 for the year ended June 30, 2012.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

7. Commitments and contingencies (continued):

School construction project:

During 2012, the School Committee, the School Building Committee and the Town Council approved the construction/renovation of the Wilbur & McMahon School (the Project). The electors of the Town, at a referendum on May 1, 2012, approved the issuance of not more than \$11,310,000 in bonds/notes to finance the Project. It is anticipated that the bond term will be 20 years at an interest rate of less than 5%, with the State reimbursing 40% of principal and interest over the term of the bond. On December 13, 2012, the Town issued a Bond Anticipation Note (BAN) for \$9,800,000 to cover construction costs until such time as a bond is issued through Rhode Island Health and Educational Building Corporation (RIHEBC) for the cost of the Project.

During 2012, the School Committee engaged the services of an architect to design the Project. The estimated cost of these services is approximately \$715,000, of which the amount paid or accrued at June 30, 2012 was approximately \$423,000. The balance of this contract will be expended in 2013. It is anticipated that construction will commence in January 2013 and be completed within twelve months. The Town Council and the School Committee issued requests for proposals for construction contractors for the Project and, as a result of this competitive bid process, have agreed upon a construction contractor for the Project. They are presently negotiating the terms of the contract with the successful bidder. The contract is expected to be approximately \$10,100,000.

During the construction, the students, teachers and administrators will be displaced and housed in temporary portable buildings erected on a site adjacent to the School's present location. The cost of these portable buildings, including site preparation, set-up, monthly rent, take-down expenditures and the installation of the necessary utilities, will be approximately \$1,100,000. The School Committee has committed to utilizing \$1,100,000 of its accumulated surplus to fund these nonconstruction-related costs.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

8. Long-term obligations:

Changes in the long-term obligations of governmental activities during the year ended June 30, 2012 were as follows:

	<u>Balance, July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2012</u>	<u>Due within one year</u>
Bonds payable:					
General obligation bonds	\$ 315,000		\$ 105,000	\$ 210,000	\$ 105,000
Revenue bonds	<u>330,000</u>		<u>55,000</u>	<u>275,000</u>	<u>55,000</u>
Total bonds payable	645,000		160,000	485,000	160,000
Capital leases	250,476		45,592	204,884	47,886
Accrued compensated absences	<u>260,122</u>	<u>\$ 13,972</u>		<u>274,094</u>	<u>17,515</u>
Total long-term obligations	<u>\$ 1,155,598</u>	<u>\$ 13,972</u>	<u>\$ 205,592</u>	<u>\$ 963,978</u>	<u>\$ 225,401</u>

Compensated absences have typically been liquidated in the General and School Department governmental funds.

General obligation bonds:

At a Special Financial Town Meeting on October 27, 1998, the Town approved the issuance of \$3,010,000 of general obligation bonds. The bonds, dated January 1, 1999, are due January 1, 2000 to January 1, 2014. The bonds provide for a varying interest rate with a yield of 4.13%. Interest is due semiannually on January 1st and July 1st.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2012

8. Long-term obligations (continued):

General obligation bonds (continued):

At a Special Financial Town Meeting in fiscal year 2007, the Town approved the issuance of \$550,000 of revenue bonds. The bonds, dated May 16, 2007, are due October 1, 2008 to June 30, 2017. The bonds provide for a varying interest rate with a yield of 4.00%. Interest is due semiannually on October 1st and April 1st.

	Date issued	Maturity date	Amount issued	Interest rate	Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012	Interest paid
General obligation bonds	01/01/99	01/01/14	\$ 3,010,000	4.13%	\$ 315,000	\$ - 0 -	\$ 105,000	\$ 210,000	\$ 14,289
Revenue bonds	05/16/07	06/30/17	550,000	4.00%	330,000		55,000	275,000	14,575
					<u>\$ 645,000</u>	<u>\$ - 0 -</u>	<u>\$ 160,000</u>	<u>\$ 485,000</u>	<u>\$ 28,864</u>

Maturities of bonds, to be paid by the general fund, are as follows:

Year	Principal	Interest	Total
2013	\$ 160,000	\$ 21,820	\$ 181,820
2014	160,000	15,000	175,000
2015	55,000	8,075	63,075
2016	55,000	5,650	60,650
2017	55,000	2,700	57,700
	<u>\$ 485,000</u>	<u>\$ 53,245</u>	<u>\$ 538,245</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

8. Long-term obligations (continued):

Capital leases:

The Town's obligation for capital leases is recorded in the government-wide financial statements. Changes in the Town's capital leases during the year ended June 30, 2012 were as follows:

Capital leases payable	Date issued	Amount issued	Interest rate	Maturities		Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012	Due within one year	Interest paid
				Amounts	Dates						
Fire engine stainless steel pumper and 2008 pierce pumper fire truck	12/01/08	\$339,855	4.55%	\$ 47,342	07/01/12	\$249,387	\$ - 0 -	\$ 45,047	\$204,340	\$ 47,342	\$ 12,708
				49,755	07/01/13						
				52,290	07/01/14						
				54,953	07/01/15						
Ricoh Copier	07/01/08	2,723	0.00%	544	06/30/13	1,089		545	544	544	
						<u>\$250,476</u>	<u>\$ - 0 -</u>	<u>\$ 45,592</u>	<u>\$204,884</u>	<u>\$ 47,866</u>	<u>\$ 12,708</u>



TOWN OF LITTLE COMPTON, RHODE ISLAND  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

8. Long-term obligations (continued):

Capital leases (continued):

The following is a schedule of capital leases outstanding and future minimum lease payments under capital leases:

Year ending June 30,	Amount
2013	\$ 58,300
2014	57,755
2015	57,755
2016	57,755
Minimum lease payments for all capital leases	231,565
Less amount representing interest	26,681
Total principal portion due	\$ 204,884

The gross amount of assets capitalized under capital leases is \$ 519,538.

9. Fund deficit:

Individual funds had the following deficit fund balances at June 30, 2012:

Basketball court	\$ 13,070
Assistance to firefighters	5,055
	\$ 18,125

The above deficits will be funded through an administrative plan.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

10. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (the Trust) which provides coverage for property/liability and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. The School Department purchases commercial insurance for all of its risks of loss. There were no significant reductions in insurance coverage during the year ended June 30, 2012.

The Town also participates in the Health Pool (the Pool), a non-profit, public entity risk pool which provides programs of liability, workers' compensation, and health insurance coverage to Rhode Island cities, towns and other governmental units. Upon joining the Pool, members execute a member agreement. That document, pursuant to which the Pool was established and operates, outlines the rights and responsibilities of both the members and the Pool. Members of the Pool participate in the Pool's health insurance plan administered through the Trust and Blue Cross Blue Shield of Rhode Island (BCBSRI). Using the rate calculations prepared by BCBSRI, the Pool sets annual contribution rates for the subscribers of each member for each program offered. The Pool agreement requires that those contribution rates be set at a level sufficient, in the aggregate, to satisfy the funding requirements of the Pool. The contributions of each member are deposited into the General Fund and are used to pay for claims, reinsurance and all administrative expenses.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2012

11. Joint venture:

The Little Compton School Department (LCSD), in conjunction with three other member school departments, participates in a joint venture entitled the Newport County Regional Special Education Program (NCRSEP). NCRSEP was formed to provide services to qualified special needs students in the four towns. Each town is assessed its share of the NCRSEP annual operating budget based on each town's share of total students in the region averaged with each town's share of students in the special education program. NCRSEP also administers the federally funded IDEA Part B program for each of the towns. Each town pays salaries and employee benefits directly to the teachers and aides on their respective payroll that work directly for the program; such amounts are deducted from the gross annual assessment. LCSD's net assessment for 2012 was approximately \$490,000. The towns have no equity interest in the net assets of NCRSEP, which totaled approximately \$104,000 at June 30, 2012.

At June 30, 2012, a total of approximately \$207,000 in Medicaid reimbursements due to the LCSD has been recorded as a liability of NCRSEP. This amount represents Medicaid reimbursements received by NCRSEP over a number of years in excess of the budgeted receipts for Little Compton.

Separately audited financial statements of NCRSEP are available at Newport County Regional Special Education Program, Oliphant Lane, Middletown, RI 02842.

TOWN OF LITTLE COMPTON, RHODE ISLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
YEAR ENDED JUNE 30, 2012

	Budget As Adopted	Less amounts Budgeted For Other Funds	Total General Fund Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>					
General property taxes and penalties	\$ 10,004,741		\$ 10,004,741	\$ 10,086,270	\$ 81,529
Intergovernmental revenue	485,454	\$ (381,888)	103,566	144,765	41,199
Licenses, permits and fees	416,618		416,618	459,615	42,997
Interest on investments	2,500		2,500	2,418	(82)
Beach receipts	180,000		180,000	172,351	(7,649)
Other revenue	122,254	(122,254)	-		-
Miscellaneous income	32,500		32,500	14,293	(18,207)
<b>Total revenues</b>	<b>11,244,067</b>	<b>(504,142)</b>	<b>10,739,925</b>	<b>10,879,712</b>	<b>139,787</b>
<b>Expenditures:</b>					
General government	401,586		401,586	570,251	(168,665)
Financial administration	441,161		441,161	294,508	146,653
Public safety	2,565,595	(100,000)	2,465,595	2,754,502	(288,907)
Capital projects and debt service	207,489		207,489	188,864	18,625
Education	6,731,998	(6,731,998)	-		-
Transfer station	165,456		165,456	122,681	42,775
Public works	399,312		399,312	374,271	25,041
Parks, recreation and other services	431,372		431,372	398,900	32,472
<b>Total expenditures</b>	<b>11,343,969</b>	<b>(6,831,998)</b>	<b>4,511,971</b>	<b>4,703,977</b>	<b>(192,006)</b>
Excess (deficiency) of revenues over expenditures	(99,902)	6,327,856	6,227,954	6,175,735	(52,219)
<b>Other financing sources (uses):</b>					
Reappropriated fund balance	100,000	(100,000)	-		
Transfers between funds		(6,227,856)	(6,227,856)	(6,267,856)	40,000
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>(6,327,856)</b>	<b>(6,227,856)</b>	<b>(6,267,856)</b>	<b>40,000</b>
Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ 98</u>	(92,121)	<u>\$ (92,219)</u>
Adjustment of budgetary basis to U.S. GAAP basis				54,400	
Excess of expenditures and other financing uses over revenues and other financing sources, U.S. GAAP basis				(37,721)	
Fund balance, beginning of year				1,787,702	
Fund balance, end of year				<u>\$ 1,749,981</u>	

See notes to required supplementary information.

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – SCHOOL DEPARTMENT

YEAR ENDED JUNE 30, 2012

	Budget As Adopted	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Funds received State RI – unrestricted	\$ 257,047	\$ 325,491	\$ 68,444
Federal aid – Entitlements, Grants and Restricted Funds	124,841	178,027	53,186
State contribution to teachers' pension plan	-	195,371	195,371
Miscellaneous receipts	22,254	57,106	34,852
<b>Total revenues</b>	<b>404,142</b>	<b>755,995</b>	<b>351,853</b>
<b>Expenditures:</b>			
Salaries	2,807,996	3,076,541	(268,545)
Fringe Benefits	1,051,744	1,280,283	(228,539)
Technical and Professional Services	254,824	271,396	(16,572)
Purchased Property Services	149,600	118,475	31,125
Purchased Other Services	1,973,076	2,090,678	(117,602)
Materials and Supplies	264,458	249,598	14,860
Capital Outlay	221,500	580,705	(359,205)
Other Operating Expenses	8,800	13,104	(4,304)
<b>Total expenditures</b>	<b>6,731,998</b>	<b>7,680,780</b>	<b>(948,782)</b>
<b>Excess of expenditures over revenues</b>	<b>(6,327,856)</b>	<b>(6,924,785)</b>	<b>(596,929)</b>
<b>Other financing sources:</b>			
Reappropriated fund balance	100,000	100,000	
Transfer Town appropriations	6,227,856	6,227,856	-
<b>Total other financing sources</b>	<b>6,327,856</b>	<b>6,327,856</b>	<b>-</b>
<b>Excess of expenditures over revenues and other financing sources, budgetary basis</b>	<b>\$ -</b>	<b>(596,929)</b>	<b>\$ (596,929)</b>
<b>Adjustment of budgetary basis to U.S. GAAP basis</b>		<b>(123,627)</b>	
<b>Excess of expenditures over revenues and other financing sources, U.S. GAAP basis</b>		<b>(720,556)</b>	
<b>Fund balance, beginning of year</b>		<b>1,384,414</b>	
<b>Fund balance, end of year</b>		<b>\$ 663,858</b>	

See notes to required supplementary information.

TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY COMPARISON SCHEDULES

YEAR ENDED JUNE 30, 2012

Budget preparation and budgetary basis of accounting:

In accordance with the Town's Charter, the Town has formally established budgetary accounting control for its General Fund and the School Department. The General Fund and School Department are subject to an annual operating budget legally adopted at the annual Financial Town Meeting. The annual operating budget's appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the reappropriation of accumulated surpluses to the extent necessary. The General Fund and School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include reappropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed.

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

	<u>General Fund</u>	<u>School Department</u>
Reappropriated fund equity		\$ (100,000)
Change in reserve for encumbrances	\$ 54,400	<u>(23,627)</u>
Total adjustments	<u>\$ 54,400</u>	<u>\$ (123,627)</u>

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department and budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by the Town Council.

TOWN OF LITTLE COMPTON, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL ( UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
<i>Pension Plan</i>						
7/1/2011	\$ 7,158,938	\$ 8,257,937	\$ 1,098,999	86.69%	\$ 1,784,706	61.58%
7/1/2010	5,847,475	7,853,226	2,005,751	74.46%	1,707,439	117.47%
7/1/2009	4,990,643	7,757,561	2,766,918	64.33%	1,730,883	159.86%
7/1/2008	5,849,516	7,452,092	1,602,576	78.49%	1,945,970	82.35%
7/1/2007	6,121,508	5,927,448	(194,060)	103.27%	1,826,625	-10.62%
7/1/2006	5,185,900	6,471,342	1,285,442	80.14%	1,660,654	77.41%
<i>OPEB Plan</i>						
7/1/2010	-	2,629,923	2,629,923	0%	2,623,416	100.25%

TOWN OF LITTLE COMPTON, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2012

*Pension Plan*

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2007	\$ 358,331	84.60%
2008	338,040	106.00%
2009	424,375	79.66%
2010	507,896	83.56%
2011	414,405	122.56%
2012	336,738	123.06%

*OPEB Plan*

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 258,326	44.39%



TOWN OF LITTLE COMPTON, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

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

*Pension Plan*

Valuation date	July 1, 2011
Actuarial cost method	Entry Age Normal
Amortization method	30 years
Remaining amortization period	Unknown
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	7.5% per annum
Projected salary increases	4.0% per annum

*OPEB Plan*

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Asset valuation	Not applicable; unfunded
Actuarial assumptions:	
Discount rate	4.0% per annum
Health care cost trend rates	8.0% per year graded off 0.5% per year to an ultimate rate of 4.5% per year
Participation	All eligible retirees are assumed to elect medical and/or dental coverage if available

TOWN OF LITTLE COMPTON, RHODE ISLAND

SUPPLEMENTARY INFORMATION

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2012

Real estate and personal property taxes receivable:

<u>Tax Roll Year</u>	<u>Balance July 1, 2011</u>	<u>Assessment</u>	<u>Abatements/ adjustments</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance June 30, 2012</u>
2011	\$ -	\$ 10,004,516	\$ (19,301)	\$ 9,985,215	\$ 9,603,469	\$ 381,746
2010	370,541		10,030	380,571	310,434	70,137
2009	73,337		42	73,379	22,337	51,042
2008	42,563		(1,705)	40,858	8,830	32,028
2007	20,696		(2,993)	17,703	4,658	13,045
2006	12,988		(3,711)	9,277	2,400	6,877
2005	7,967		(3,273)	4,694	2,193	2,501
2004	4,123		(3,360)	763	-	763
2003	2,025		(1,239)	786	27	759
2002	1,554		(849)	705	49	656
2001	929		(217)	712	92	620
2000 and Prior	2,680		(634)	2,046	728	1,318
	<u>\$ 539,403</u>	<u>\$ 10,004,516</u>	<u>\$ (27,210)</u>	<u>\$ 10,516,709</u>	<u>\$ 9,955,217</u>	561,492
				Less allowance for doubtful accounts		<u>(23,387)</u>
						<u>\$ 538,105</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND  
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)  
YEAR ENDED JUNE 30, 2012

Schedule of property taxes levied and collected- cash basis:

Year Ended June 30	Assessments	Total Collections	Percent Collected	Balance Due June 30, 2012	Delinquent Taxes Owed Percent of Current Assessments
2012	\$ 10,004,516	\$ 9,955,217	99.51%	\$ 561,492	5.61%
2011	9,850,654	9,831,693	99.81%	539,403	5.48%
2010	9,441,514	9,277,113	98.26%	501,500	5.31%
2009	9,458,376	9,418,790	99.58%	333,601	3.53%
2008	9,001,274	8,908,704	98.97%	320,609	3.56%
2007	8,568,543	8,502,067	99.22%	257,312	3.00%
2006	8,170,104	8,114,040	99.31%	227,275	2.78%
2005	7,550,740	7,495,171	99.26%	267,667	3.54%
2004	6,862,648	6,849,177	99.80%	235,235	3.43%
2003	6,290,531	6,303,584	100.21%	213,742	3.40%
2002	6,190,736	5,919,804	95.62%	242,006	3.91%
2001	5,686,882	5,658,481	99.50%	265,092	4.66%

TOWN OF LITTLE COMPTON, RHODE ISLAND  
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)

YEAR ENDED JUNE 30, 2012

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 1,816,073,967	\$ 9,679,674
Motor vehicles	43,057,212	598,495
Tangible personal	9,618,497	102,533
Total	1,868,749,676	10,380,702
Exemptions	35,755,047	376,186
Current year assessment	<u>\$ 1,832,994,629</u>	<u>\$ 10,004,516</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 9,955,217
Revenue collected within 60 days subsequent to year ended June 30, 2012	<u>258,007</u>
	10,213,224
Prior year revenue received in current year	<u>(188,143)</u>
Current year real estate and personal property tax revenue	<u>\$ 10,025,081</u>