

TOWN OF LITTLE COMPTON, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

TOWN OF LITTLE COMPTON, RHODE ISLAND

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INDEPENDENT AUDITOR'S 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 aggregate discretely presented component units, 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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Little Compton, Rhode Island, as of June 30, 2013, and the respective changes in financial position and, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Town of Little Compton, Rhode Island

Independent Auditors' Report

Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 53-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Little Compton, Rhode Island's basic financial statements. The supplementary schedules on pages 57 through 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules on pages 57 through 67 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town's internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
December 10, 2013

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

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, 2013 (FY 2013) and 2012 (FY 2012). 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, plus deferred outflows of the Town exceeded its liabilities plus deferred inflows as of June 30, 2013 and 2012, \$1,619,809 and \$1,613,501, respectively.
- The School's operating fund's, assets plus deferred outflow, exceeded its liabilities plus deferred inflows as of June 30, 2013 and June 30, 2012 by \$359,058 and \$855,767, respectively.
- The Town's total bonded debt as of June 30, 2013 was \$325,000, consisting of General Obligation Bonds of \$105,000 and \$220,000 of revenue bonds related to the Wastewater Treatment Facility. During 2013, \$160,000 was paid in principal and \$21,820 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 and Fund Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private sector business. 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 Position - Presents all of the government's assets and liabilities along with any deferred inflows and/or outflows of resources, with the difference being reported as net position. The amount of net position is widely considered a good measure of the Town's financial health as increases and decreases in the Town's net position serves as a useful indicator of whether the financial position is improving or deteriorating.

Statement of Activities - Presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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).

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

Government-Wide and Fund Financial Statements (Continued)

Statement of Activities (continued) - 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; financial administration; public safety; education; public works; transfer station; 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 12-15 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.

The basic governmental fund financial statements can be found on pages 16-19 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 funds with similar 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*.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

Fund Financial Statements (Continued)

Governmental Funds (Continued)

The Town maintains forty-eight 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 53-56 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 Unrestricted Fund - 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.

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:

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

The Town's fiduciary funds can be found on pages 20-21 of this report.

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 22-52 of this report.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

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 53-61 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$6,223,213 and \$7,133,258 as of June 30, 2013 and 2012, respectively. This decrease was primarily due to a decrease in program revenues and increases in public safety and education operating expenses.

At June 30, 2013, one of the largest portions of the Town's total net position 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.

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

	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$ 11,097,226	\$ 4,018,027
Capital assets	<u>8,127,827</u>	<u>5,273,346</u>
Total assets	<u>19,225,053</u>	<u>9,291,373</u>
Deferred outflows of resources:		
None	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Liabilities:		
Current liabilities	11,632,194	1,194,137
Long-term liabilities	<u>1,369,646</u>	<u>963,978</u>
Total liabilities	<u>13,001,840</u>	<u>2,158,115</u>
Deferred inflows of resources:		
None	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Net position:		
Invested in capital assets, net of related debt	4,155,768	4,680,601
Restricted	1,394,434	583,104
Unrestricted	<u>673,011</u>	<u>1,869,553</u>
Total net position	<u>\$ 6,223,213</u>	<u>\$ 7,133,258</u>

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

Government-Wide Financial Analysis (Continued)

As of June 30, 2013 and 2012, cash and investments totaled \$9,577,524 and \$2,852,751, respectively, for the primary government.

The Town's net position decreased by \$910,045 in 2013 and decreased by \$398,081 in 2012.

The majority of general revenues are tax collections from the Town's taxpayers, which represents 83% of total revenues for both fiscal years 2013 and 2012.

The Town's most significant expense is education, which in 2013 represented 53% of total expenses, followed by general government at 22%.

Town of Little Compton's Changes in Net Position - Primary Government

	2013	2012
Revenues:		
Program revenues:		
Charges for services	471,677	\$ 751,463
Operating grants and contributions	1,154,466	924,316
Capital grants and contributions	79,963	45,173
General revenues:		
Real estate and property taxes, net	10,118,952	10,039,095
Motor vehicle phase-out	23,382	23,665
Realty transfer tax/fee	150,244	103,953
General state aid	71,150	25,360
State aid school housing	1,871	56,692
Telephone tax	-	2,722
Meal tax and hotel tax	41,787	37,877
Earnings on investments	26,424	3,723
Medicaid reimbursements	14,173	-
Other	18,848	19,613
Total revenues	12,172,937	12,033,652
Expenses:		
General government	1,984,320	711,992
Financial administration	149,003	294,508
Public safety	1,826,010	3,045,334
Education	7,789,248	7,317,006
Public works	456,233	349,230
Transfer station	150,143	122,681
Parks, recreation, and other services	711,130	567,259
Interest on debt	16,895	23,723
Total expenses	13,082,982	12,431,733
Increase (decrease) in net position	(910,045)	(398,081)
Net position, beginning of year, restated	7,133,258	7,531,339
Net position, end of year	\$ 6,223,213	\$ 7,133,258

Component Unit. The assets plus deferred outflows of the Town's Component Unit, the Agricultural Trust, exceeded its liabilities plus deferred inflows by \$19,633,067. Net position invested in capital assets, net of related debt, comprises \$16,959,276, or 86% of total net position. The remaining balance of net position of the Agricultural Trust, totaling \$2,673,791, is unrestricted.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

Government-Wide Financial Analysis (Continued)

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, 2013, the Town's governmental funds reported combined fund balances (deficits) of (\$623,483) of which (\$2,017,917) constitutes unassigned fund balance, which is available for spending at the Town's discretion, \$705,359 constitutes committed and assigned fund balance, which has been designated by the Town Council for specific purposes. \$569,134 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, 2012, the governmental funds reported combined fund balances of \$3,242,929, as restated.

The General Fund had a fund balance of \$1,619,809 and \$1,749,981 at June 30, 2013 and 2012 (as restated), respectively.

The School's operating fund balance is \$359,058 and \$855,767 at June 30, 2013 and 2012, respectively. The decrease is primarily a result of initial costs related to the school renovation project.

The fund balance (deficit) of the Nonmajor Governmental Funds is (\$2,602,350) and \$773,661 as of June 30, 2013 and 2012 (as restated), respectively. This significant decrease is primarily due to short term borrowing related to the school renovation project.

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 2013, the actual charges to appropriations (expenditures) were lower than the final budgeted amounts by \$105,714 and \$190,923 for the General Fund and School Department, respectively. For 2012, the actual charges to appropriations (expenditures) were \$192,006 and \$948,782 in excess of the final budgeted amounts for the General Fund and School Department, respectively.

For 2013, revenues were \$80,272 and \$22,717 in excess of the budgeted amounts for the General Fund and School Department, respectively. For 2012, revenues were \$139,787 and \$351,853 in excess of the budgeted amounts for the General Fund and School Department, respectively.

General Fund Actual Comparisons (GAAP Basis)

The major differences between the actual results of the general fund and the final amended budget are as follows:

Total revenues were \$80,772 higher than budgeted primarily due to the following.

- \$51,320 more collected than anticipated for health benefits from the State of Rhode Island.

Total expenditures were lower than anticipated by \$105,714 primarily due to the following:

- \$66,645 less spent than budgeted for public works.
- \$27,544 less spent than budgeted in public safety.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

General Fund Budgetary Highlights (Continued)

Capital Asset Administration

Capital Assets

The Town's investment in capital assets for governmental activities as of June 30, 2013 amounts to \$8,127,827, net of accumulated depreciation. The following is a summary of capital assets, net of accumulated depreciation where applicable, as of June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Primary government:		
Land	\$ 548,179	\$ 548,179
Construction in progress	3,488,380	496,171
Land improvements	660,641	21,563
Buildings and improvements	1,911,356	2,281,834
Infrastructure	394,264	402,691
Machinery and equipment	661,206	729,428
Office equipment and furniture	10,594	14,445
Technology equipment	84,968	119,751
Vehicles	296,446	268,045
Textbooks and library books	<u>71,793</u>	<u>78,347</u>
Total	<u>\$ 8,127,827</u>	<u>\$ 4,960,454</u>
Component unit	<u>\$ 16,959,276</u>	<u>\$ 15,843,014</u>

Additional information on the Town's capital assets may be found starting on page 33 of the notes to the financial statements.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

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 4.00% in FY2013. The combination of rising costs of certain expenditures and the ability to raise additional revenue creates difficulties in addressing new or unexpected expenditures.

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.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2013

Factors Bearing on the Town's Future (continued)

During FY2013, 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 \$683,000 was expended as of June 30, 2013. The Town and School Committee voted to select and signed ADS Construction as the contractor for the project with bid price 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. Also refer to Note 8 of the financial statements on page 46.

As of June 30, 2013, the Town had short-term borrowing of \$9,800,000 which was intended to be paid back with long-term debt in order to fund the construction of school infrastructure. On December 10, 2013, the Town paid off this \$9,800,000 and obtained a long-term bond in the amount of \$11,310,000, which will require level debt payments of approximately \$850,000 per year for twenty years. Bond proceeds will finance health and safety school projects at Wilbur and McMahon Schools including emergency repairs and code compliance. The projects have been approved by the Rhode Island Department of Education at an expected reimbursement rate of 40%.

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 Position

June 30, 2013

	Primary Government Governmental Activities	Component Units Agricultural Trust
ASSETS		
Cash	\$ 1,941,345	\$ 498,415
Investments	7,636,179	2,202,170
Receivables, net		
Personal property taxes	569,755	
Intergovernmental	147,781	
Agricultural trust	19,514	
Departmental and other	272,501	
Prepaid expenses	83,328	-
Inventory	28,807	
Due from other funds	398,016	
Capital assets:		
Land and land easements	548,179	16,959,276
Construction in progress	3,488,380	
Infrastructure, net	394,264	
Building and building improvements, net	1,911,356	
Land improvements, net	660,641	
Vehicles, net	296,446	
Machinery and equipment, net	661,206	
Furniture and fixtures, net	10,594	
Technology equipment, net	84,968	
Textbooks and library books, net	71,793	-
Total capital assets	8,127,827	16,959,276
Total assets	19,225,053	19,659,861
DEFERRED OUTFLOWS OF RESOURCES		
None	-	-
Total assets and deferred outflows of resources	\$ 19,225,053	\$ -

The accompany notes are an integral part of this statement

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TOWN OF LITTLE COMPTON, RHODE ISLAND

Statement of Net Position

June 30, 2013

	Primary Government Governmental Activities	Component Units Agricultural Trust
LIABILITIES		
Accounts payable and accrued expenses	\$ 912,673	\$ 7,280
Retainage payable	270,435	
Accrued interest	12,931	
Due to other funds	398,016	19,514
Current portion of capital leases	49,755	
Current portion of bonds and notes payable	9,960,000	
Current portion of compensated absences	28,384	
Portion due or payable in more than one year:		
Capital leases	107,243	
Bonds and notes payable	165,000	
Compensated absences	231,839	
Pension obligation, net	454,962	
Other post-employment benefit obligation, net	410,602	-
Total liabilities	13,001,840	26,794
DEFERRED INFLOWS OF RESOURCES		
None	-	-
NET POSITION		
Invested in capital assets, net of related debt	4,155,768	\$ 16,959,276
Restricted	1,394,434	
Unrestricted	673,011	2,673,791
Total liabilities, deferred inflows of resources, and net position	\$ 6,223,213	\$ 19,633,067

The accompany notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2013

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit Agricultural Trust</u>
Governmental Activities:						
General government	\$ 1,984,320	\$ 129,797	\$ 78,621	\$ -	\$ (1,775,902)	\$ -
Finance administration	149,003				(149,003)	
Public safety	1,826,010	15,938	77,306		(1,732,766)	
Education	7,789,248	7,445	694,648	65,216	(7,021,939)	
Public works	456,233	95,136	47,930		(313,167)	
Transfer station	150,143	26,645			(123,498)	
Parks, recreation, and other services	711,130	196,716	255,961	14,747	(243,706)	
Interest on debt	<u>16,895</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,895)</u>	<u>-</u>
Total primary government	<u>13,082,982</u>	<u>471,677</u>	<u>1,154,466</u>	<u>79,963</u>	<u>(11,376,876)</u>	<u>-</u>
Component Unit:						
Agricultural Trust	<u>92,805</u>	<u>1,923,872</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>2,131,067</u>
Total Town of Little Compton	<u>\$ 13,175,787</u>	<u>\$ 2,395,549</u>	<u>\$ 1,154,466</u>	<u>\$ 379,963</u>	<u>\$ (11,376,876)</u>	<u>\$ 2,131,067</u>

The accompany notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2013

	Primary Government Governmental Activities	Component Unit Agricultural Trust
General revenues:		
Real estate and personal property, net of reserve for abatement	\$ 10,118,952	\$ -
Motor vehicle phase-out	23,382	
Realty transfer tax / fee	150,244	
General state aid	71,150	
State aid school housing	1,871	
Meal tax	41,787	
Medicaid reimbursement	14,173	
Earnings on investments	26,424	4,008
Miscellaneous	18,848	11,000
 Total general revenues	 10,466,831	 15,008
 Changes in net position	 (910,045)	 2,146,075
 Net position - July 1, 2012, restated	 7,133,258	 17,486,992
 Net position - June 30, 2013, end of year	 \$ 6,223,213	 \$ 19,633,067

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Balance Sheet
Governmental Funds

June 30, 2013

	<u>Major Funds</u>		<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>School</u>		
Assets:				
Cash	\$ 1,271,097	\$ 272,801	\$ 397,447	\$ 1,941,345
Investments	195,192		7,440,987	7,636,179
Receivables:				-
Property taxes, less allowance for doubtful accounts	569,755			569,755
Intergovernmental			147,781	147,781
Agricultural trust	19,514			19,514
Other	61,571	160,973	49,957	272,501
Prepaid expenses	1,911	81,417		83,328
Inventories	28,524		283	28,807
Due from other funds	<u>50,050</u>	<u>90,330</u>	<u>257,636</u>	<u>398,016</u>
Total assets	<u>2,197,614</u>	<u>605,521</u>	<u>8,294,091</u>	<u>11,097,226</u>
Deferred Outflows of Resources:				
None	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources and assets	<u>\$ 2,197,614</u>	<u>\$ 605,521</u>	<u>\$ 8,294,091</u>	<u>\$ 11,097,226</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 163,958	\$ 77,480	\$ 671,235	\$ 912,673
Retainage payable			270,435	270,435
Short term BAN payable			9,800,000	9,800,000
Due to other funds	<u>74,262</u>	<u>168,983</u>	<u>154,771</u>	<u>398,016</u>
Total Liabilities	<u>238,220</u>	<u>246,463</u>	<u>10,896,441</u>	<u>11,381,124</u>
Deferred Inflows of Resources				
Unearned tax revenue	<u>339,585</u>	<u>-</u>	<u>-</u>	<u>339,585</u>
Total deferred inflows of resources	<u>339,585</u>	<u>-</u>	<u>-</u>	<u>339,585</u>
Fund balance:				
Nonspendable				
Legally required			10,000	10,000
Inventory and prepaids	28,524	81,417		109,941
Restricted			569,134	569,134
Committed				-
Assigned	166,691	277,641	261,027	705,359
Unassigned	<u>1,424,594</u>	<u>-</u>	<u>(3,442,511)</u>	<u>(2,017,917)</u>
Total fund balance	<u>1,619,809</u>	<u>359,058</u>	<u>(2,602,350)</u>	<u>(623,483)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,197,614</u>	<u>\$ 605,521</u>	<u>\$ 8,294,091</u>	<u>\$ 11,097,226</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Governmental Funds Statement of Revenue, Expenditures
and Changes in Fund Balance to the Statement of Activities

Year Ended June 30, 2013

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>School</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues:				
General property taxes and penalties	\$ 10,142,706	\$ -	\$ -	\$ 10,142,706
Intergovernmental	150,822	338,666	541,143	1,030,631
Donation revenues	3,275		5,168	8,443
Departmental and other revenue			218,584	218,584
Licenses, permits, and fees	385,403			385,403
Beach receipts	196,716			196,716
Investment Income	12,948		13,476	26,424
State contribution to teachers' pension plan		137,070		137,070
Miscellaneous	<u>29,081</u>	<u>20,390</u>	<u>1,243</u>	<u>50,714</u>
Total revenue	<u>10,920,951</u>	<u>496,126</u>	<u>779,614</u>	<u>12,196,691</u>
Expenditures :				
General government	1,833,287		114,298	1,947,585
Financial administration	149,003			149,003
Public safety	1,621,217		167,804	1,789,021
Education		6,516,691	4,150,502	10,667,193
Public works	379,101		86,845	465,946
Transfer station	150,143			150,143
Parks, recreation, and other services	325,358		386,685	712,043
Debt service:				
Principal payments	160,000			160,000
Interest and fiscal charges	<u>22,169</u>	<u>-</u>	<u>-</u>	<u>22,169</u>
Total expenditures	<u>4,640,278</u>	<u>6,516,691</u>	<u>4,906,134</u>	<u>16,063,103</u>
Excess (deficiency) of revenues over expenditures	6,280,673	(6,020,565)	(4,126,520)	(3,866,412)
Other financing sources (uses):				
Transfers in	59,756	6,227,856	1,285,491	7,573,103
Transfers out	<u>(6,334,121)</u>	<u>(704,000)</u>	<u>(534,982)</u>	<u>(7,573,103)</u>
Other financing sources (uses)	<u>(6,274,365)</u>	<u>5,523,856</u>	<u>750,509</u>	<u>-</u>
Excess of revenue and other sources over expenditures and other uses	6,308	(496,709)	(3,376,011)	(3,866,412)
Fund balance, July 1, 2012, restated	<u>1,613,501</u>	<u>855,767</u>	<u>773,661</u>	<u>3,242,929</u>
Fund balance, June 30, 2013	<u>\$ 1,619,809</u>	<u>\$ 359,058</u>	<u>\$ (2,602,350)</u>	<u>\$ (623,483)</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30, 2013

Total governmental fund balances	\$ (623,483)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,127,827
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	339,585
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(12,931)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds	
Bonds and notes payable	(325,000)
Compensated absences	(260,223)
Pension obligation	(454,962)
Other postemployment benefits	<u>(410,602)</u>
Net position of governmental activities	<u>\$ 6,223,213</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Reconciliation of the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds	\$(3,866,412)
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.	2,854,481
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.) differ between the two statements. This amount represents the net change in deferred revenue.	(23,754)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	207,886
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	5,274
The pension obligation expense reported in the statement of activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(79,870)
The other postemployment benefit expense reported in the statement of activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(21,521)
Some expenses reported in the Statement of Activities, such as compensated absences does not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	<u>13,871</u>
Change in net position of governmental position	<u>\$ (910,045)</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Pension Trust Fund	Agency Funds Student Activity	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and investments	\$ -	\$ 10,201	\$ 10,201
Investments:			
Mutual Funds	2,769,351		2,769,351
Collective Funds	<u>4,914,493</u>	<u>-</u>	<u>4,914,493</u>
 Total assets	 <u>\$ 7,683,844</u>	 <u>\$ 10,201</u>	 <u>\$ 7,694,045</u>
 Liabilities:			
Deposits held	<u>\$ -</u>	<u>\$ 10,201</u>	<u>\$ 10,201</u>
 Total liabilities	 <u>-</u>	 <u>10,201</u>	 <u>10,201</u>
 Net Position:			
Held in Trust for Pension Benefits	<u>\$ 7,683,844</u>	<u>\$ -</u>	<u>\$ 7,683,844</u>
 Total net position	 <u>7,683,844</u>	 <u>-</u>	 <u>7,683,844</u>
 Total liabilities and net position	 <u>\$ 7,683,844</u>	 <u>\$ 10,201</u>	 <u>\$ 7,694,045</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2013

	Pension Trust Fund
Additions:	
Contributions:	
Employee Contributions	\$ 7,773
Employer Contributions	<u>336,737</u>
Total contributions	<u>344,510</u>
Net investment income:	
Dividends and interest	130,770
Capital gains/(losses)	1,011
Net appreciation in fair value of investments	<u>689,713</u>
Total investment income	821,494
Less investment expense	<u>39,956</u>
Net investment income	781,538
Total additions	<u>1,126,048</u>
Deductions:	
Retirement benefits	<u>386,514</u>
Total deductions	386,514
Change in net position	739,534
Net position, July 1, 2012	<u>6,944,310</u>
Net position, June 30, 2013	<u>\$ 7,683,844</u>

The accompanying notes are an integral part of this statement

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 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.

A. 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.

B. 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.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements - Government-Wide Statements (Continued):

In the government-wide statement of net position, 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 position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

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 position resulting from the current year's activities.

C. 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.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements - Fund Financial Statements (Continued)

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

- a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditure/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:

1. Governmental Funds

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

- a) **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.
- b) **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.
- c) **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Town's capital project funds are all nonmajor funds.
- d) **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.

2. 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:

- a) **Pension Trust** - The Pension Trust Fund accounts for contributions made by the Town and its participating employees to provide retirement benefits to participating employees.
- b) **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 the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements and fiduciary financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. 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 inflows of resources. 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.

GASB 63 amends GASB 34 to incorporate deferred outflows of resources and deferred inflows of resources into the financial reporting model. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

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 inflows of resources.

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.

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.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

E. Financial Statement Amounts

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.

Property taxes:

Real and personal property taxes are based on assessed values as of December 31st 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 inflows of resources. Deferred inflows of resources 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 2013, Rhode Island General Law restricts the Town's ability to increase its total tax levy by more than 4.00%.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (Continued)

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.

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 2013.

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 position. 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:

	<u>Years</u>
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 the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (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 position.

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 Balance/Net Position

Government-wide financial statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net positions - All other net positions that do not meet the definition of "restricted" or invested in capital assets, net of related debt.

Governmental fund financial statements:

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Financial Statement Amounts (Continued)

Governmental fund financial statements (Continued):

- *Nonspendable fund balance* - amounts that are not in spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- *Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned fund balance* - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

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 fund balance* - amounts that are available for any purpose; these amounts are reported only in the general fund.

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 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.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 2: Compliance and Accountability

A. 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.

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.

B. Interfund Transactions

Interfund transfers during 2013 were as follows:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>
School unrestricted	General Fund	\$ 6,227,856
Capital Project School Renovation	School Unrestricted	\$ 700,000
Capital Project School Renovation	General Fund	\$ 102,508
General fund	Special Revenue Funds	\$ 59,756
School lunch	School Unrestricted	\$ 4,000
Special Revenue - FEMA	General Fund	\$ 3,757

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.

C. Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2013 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General fund	\$ 50,050	\$ 74,262
School	90,330	168,983
Nonmajor governmental funds	<u>257,636</u>	<u>154,771</u>
	<u>\$ 398,016</u>	<u>\$ 398,016</u>

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

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

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 3: Deposits and Investments

A. Cash and 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, 2013, the carrying amount of the Town's deposits, including the component unit, was \$2,439,760 and the bank balance was \$2,959,607. Of the bank balance, \$2,104,428 was uninsured and uncollateralized and \$855,179 was under FDIC.

At June 30, 2013, deposits are categorized as follows:

	<u>Insured/ Collateralized in Town's Name</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits	\$ 855,179	\$ 2,402,519	\$ 1,882,672
Money market	<u> </u>	<u>557,888</u>	<u>557,088</u>
	<u>\$ 855,179</u>	<u>\$ 2,959,607</u>	<u>\$ 2,439,760</u>

B. 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.

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Maturities</u>
Primary Government:		
Stock	\$ 5,518	N/A
Certificate of deposit	12,604	11/17/13
Certificate of deposit	17,823	06/27/13
Short Term BAN Investment	7,215,012	06/28/13
LCPD Drug Forfeiture	190,206	Revolving
General Fund Investment	<u>195,016</u>	Revolving
	<u>\$ 7,636,179</u>	

<u>Investment Type</u>	<u>Carrying Amount</u>
Pension Trust Fund:	
Mutual funds	\$ 2,769,351
Collective funds	<u>4,914,493</u>
	<u>\$ 7,683,844</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 3: Deposits and Investments (Continued)

B. Investments (Continued)

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, 2013, the Town's investments were unrated.

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 position available for benefits.

Wilmington Trust PIMCO Total Return A	\$1,235,041
Wilmington Trust Thornburg International Value	457,495
Wilmington Trust Large Company Domestic Growth	988,804
Wilmington Trust Large Company Value	1,090,544
Wilmington Trust S&P 500 Index	783,443
Wilmington Trust Strategic Bond	1,182,122
Wilmington Trust First Eagle Sogen	850,587

NOTE 4: Short Term Debt

Short-Term Debt

Governmental Activities:

	<u>Maturity Dates</u>	<u>Balance 7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 6/30/2013</u>	<u>Interest Rate</u>	<u>Interest Paid</u>
Bond Anticipation Note	6/28/2013	<u>\$ -</u>	<u>\$ 9,833,320</u>	<u>\$ -</u>	<u>\$ 9,833,320</u>	0.68%	<u>\$ -</u>
		<u>\$ -</u>	<u>\$ 9,833,320</u>	<u>\$ -</u>	<u>\$ 9,833,320</u>	NA	<u>\$ -</u>

Primary Government:

Under state law and by authorization of the Town Council, the Town is authorized to borrow on a temporary basis to fund the following:

Special revenue, capital projects and enterprise fund costs incurred prior to obtaining permanent financing through the issuance of bond anticipation notes BANS and federal and state aided capital projects and other program expenditures prior to receiving reimbursement through the issuance of federal and state aid anticipation notes (FAANS and SAANS).

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 5: Capital Assets:

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

Government Activities	Beginning Balance	Restatement	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:						
Land & easements	\$ 548,179	\$ -	\$ 548,179	\$ -	\$ -	\$ 548,179
Construction & infrastructure in progress	496,171	(11,189)	484,982	3,003,398	-	3,488,380
Total capital assets not being depreciated:	<u>1,044,350</u>	<u>(11,189)</u>	<u>1,033,161</u>	<u>3,003,398</u>	<u>-</u>	<u>4,036,559</u>
Capital assets being depreciated:						
Infrastructure	421,352		421,352			421,352
Buildings & building improvements	4,088,816	(345,631)	3,743,185	5,822		3,749,007
Land improvements	26,297	671,187	697,484	43,233		740,717
Vehicles	591,267		591,267	71,702		662,969
Machinery & equipment	1,439,421		1,439,421	42,892		1,482,313
Furniture & fixtures	97,681		97,681			97,681
Technology equipment	481,658		481,658	3,965		485,623
Textbooks & library books	386,161		386,161	12,587		398,748
Total capital assets, being depreciated:	<u>7,532,653</u>	<u>325,556</u>	<u>7,858,209</u>	<u>180,201</u>	<u>-</u>	<u>8,038,410</u>
Accumulated depreciation:						
Infrastructure	18,661		18,661	8,427		27,088
Buildings & building improvements	1,806,982	(53,923)	1,753,059	84,592		1,837,651
Land improvements	4,734	57,178	61,912	18,164		80,076
Vehicles	323,222		323,222	43,301		366,523
Machinery & equipment	709,993		709,993	111,114		821,107
Furniture & fixtures	83,236		83,236	3,851		87,087
Technology equipment	361,907		361,907	38,748		400,655
Textbooks & library books	307,814	(1,780)	306,034	20,921		326,955
Total accumulated depreciation:	<u>3,616,549</u>	<u>1,475</u>	<u>3,618,024</u>	<u>329,118</u>	<u>-</u>	<u>3,947,142</u>
Total capital assets being depreciated, net	<u>3,916,104</u>	<u>324,081</u>	<u>4,240,185</u>	<u>(148,917)</u>	<u>-</u>	<u>4,091,268</u>
Governmental activities capital assets, net	<u>\$ 4,960,454</u>	<u>\$ 312,892</u>	<u>\$ 5,273,346</u>	<u>\$ 2,854,481</u>	<u>\$ -</u>	<u>\$ 8,127,827</u>

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 6. Pension Plans:

Teachers' Plan

Effective July 1, 2012, the State administered retirement system which covers local teachers and certain municipal employees was modified to include both defined benefit and defined contribution plan components.

Employees' Retirement System (ERS) - Defined Benefit Plan

Plan Description

All full-time teachers, principals, school nurses and certain other school officials in the Town of Little Compton's school system must participate in ERS, a cost-sharing multiple employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits (as well as annual cost of living allowances if certain conditions have been met) as outlined in Chapters 36-10 and 16-16 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Financial statements for the Teachers' Plan are issued separately and may be obtained from the Employee's Retirement System, 50 Service Avenue, 2nd floor, Warwick, RI 02886. Total covered payroll under the Teachers' Plan for the year ended June 30, 2013 was approximately \$2,344,853.

The Teachers' Plan provides a two-tier benefit structure referred to as Schedule 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. Effective July 1, 2012, Schedule A members will retain the benefit rate that they have accrued as of June 30, 2012, however, the accrue rate for any new members will be 1% per 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.

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. Effective July 1, 2012, Schedule B members will retain the benefit rate that they have accrued as of June 30, 2012, however, the accrue rate for any new members will be 1% per 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.

Continued

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 6. Pension Plans (Continued):

Teachers' Plan (Continued)

Schedule B Benefits (Continued):

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%.

Sweeping pension system reform was passed by the Rhode Island General Assembly on November 17, 2012 and will be implemented effective July 1, 2012. The Rhode Island Retirement Security Act of 2012 (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

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town of Little Compton and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate 17.87% (7.15% State share and 10.72% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The Town of Little Compton contributed \$287,000, \$244,000 and \$262,000 during the fiscal years 2012, 2011 and 2010, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 6. 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, 2013, covered payroll under the Plan totaled \$1,864,145.

As of July 1, 2012, the date of the latest actuarial valuation, membership in the Plan was as follows:

Active participants	46
Vested terminations and inactive lives	6
Retirees	<u>30</u>
Total Plan Members	<u><u>82</u></u>

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.

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 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%.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 6. Pension Plans (Continued):

Town Employees, Other than Certified Teachers (Continued)

Benefit provisions (continued):

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.

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, 2000, 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 the Financial Statements

June 30, 2013

NOTE 6. 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, 2012, 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 the Financial Statements

June 30, 2013

NOTE 6. 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:

	2013	2012	2011
Actuarially Required Contribution (ARC)	\$ 420,236	\$ 336,738	\$ 414,405
Interest on Net Pension Obligation (NPO)	28,132	34,289	41,704
Adjustment to ARC	(31,760)	(38,710)	(47,081)
Annual pension cost	416,608	332,317	409,028
Contribution made	(336,738)	(414,405)	(507,896)
Increase (decrease) in NPO	79,870	(82,088)	(98,868)
NPO, beginning of year	375,092	457,180	556,048
NPO, end of year	454,962	375,092	457,180
% of annual pension cost contributed	80.82%	124.70%	124.17%

Funded status and funding progress:

As of July 1, 2012, the Plan was 79.9% funded. The actuarial accrued liability for benefits was \$9,107,062 and the actuarial value of assets was \$7,281,048, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,826,014. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,864,145 and the ratio of the UAAL to the covered payroll was 98.0%.

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.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. 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, 2013, postemployment benefits totaling \$179,617 were received by thirteen participants.

As of June 30, 2013, the latest available membership census is as follows:

Active employees	44
Retirees	<u>13</u>
Total	<u>57</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, 2013, and the Town's net OPEB obligation as of June 30, 2013.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. Other Postemployment Benefits (Continued):

Public Safety OPEB:

Normal cost (current service cost)	\$	56,877
Amortization of UAAL (for past service)		<u>109,151</u>
Annual Required Contribution (ARC)		166,028
Interest on beginning net OPEB obligation		9,805
ARC adjustment		<u>(11,103)</u>
Annual OPEB expense		164,730
Actual active employee matching contributions		<u>-</u>
Employer Portion of Annual OPEB expense		164,730
Actual current year employer contribution and/or payment		<u>153,293</u>
Increase in OPEB obligation		11,437
Net OPEB obligation at beginning of year		<u>245,121</u>
Net OPEB obligation at end of year	\$	<u>256,558</u>
Covered payroll	\$	454,765
Annual OPEB expense as of % of covered payroll		36.51%
Source for Government-Wide Adjustments		
OPEB expense presented in government-wide statement of activities	\$	164,730
Liability of the government-wide statement of net position	\$	256,558

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. Other Postemployment Benefits (Continued):

OPEB Information for Note Disclosure and Required Supplementary Information

	<u>Current Calculation</u>
Actuarial accrued liabilities (AAL)	\$ 2,409,636
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 2,409,636</u>
Funded Ratio	0.00%
Covered Payroll	\$ 454,765
UAAL as % of Covered Payroll	529.86%

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. Other Postemployment Benefits (Continued):

Results of the ACOPEB Calculation - School Certified OPEB

Normal cost (current service cost)	\$	20,112
Amortization of UAAL (for past service)		16,625
Annual required contribution (ARC)		36,737
Interest on beginning net OPEB obligation		5,727
ARC adjustment		(6,486)
Annual OPEB expense		35,978
Actual active employee matching contributions		-
Employer portion of annual opeb expense		35,978
Actual current year contribution and/or payment		26,324
Increase in OPEB obligation		9,654
Net OPEB obligation at beginning of year		143,182
Net OPEB obligation at end of year	\$	152,836
Covered payroll	\$	1,747,359
Annual OPEB expense as a % of covered payroll		2.10%
OPEB expense presented in government-wide statement of activities	\$	35,978
Liability on the government-wide statement of net position	\$	152,836
		Current Calculation
Actuarial accrued liabilities (AAL)	\$	367,016
Actuarial value of plan assets		-
Unfunded actuarial accrued liabilities (UAAL)	\$	367,016
Funded Ratio		0%
Covered payroll	\$	1,747,359
UAAL as % of covered payroll		21.00%

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. Other Postemployment Benefits (Continued):

Results of the ACOPEB Calculation - School Uncertified OPEB:

Normal cost (current service cost)	\$	462
Amortization of UAAL (for past service)		<u>531</u>
Annual required contribution (ARC)		993
Interest on beginning net OPEB obligation		9
ARC adjustment		<u>(10)</u>
Annual OPEB expense		992
Actual active employee matching contributions		<u>-</u>
Employer portion of annual OPEB expense		992
Actual current year employer contribution and/or payment		<u>-</u>
Increase in OPEB obligation		992
Net OPEB obligation at beginning of year		<u>216</u>
Net OPEB obligation at end of year	\$	<u><u>1,208</u></u>
Covered payroll	\$	197,652
Annual OPEB expense as a % of covered payroll		0.50%
Source for government-wide statement of activities		
OPEB expense presented in government-wide statement of activities	\$	992
Liability on the government-wide statement of net position	\$	1,208

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 7. Other Postemployment Benefits (Continued):

OPEB Information for Note Disclosure and Required Supplementary Information:

	<u>Current Calculation</u>
Actuarial accrued liabilities (AAL)	\$ 11,719
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 11,719</u>
Funded ratio	0%
Covered payroll	\$ 197,562
UAAL as % of covered payroll	5.93%

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 - June 30, 2013

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 rate - 3%

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 8. 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.

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, 2013 was approximately \$683,000. 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 reports for proposals for construction contractors for the Project and, as a result of this competitive bid process, have agreed upon a construction 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 building 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 the Financial Statements

June 30, 2013

NOTE 9. Long-term Obligations:

Changes in the long-term obligations of governmental activities during the year ended June 30, 2013 were as follows:

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2013</u>	<u>Due within one year</u>
Bonds payable:					
General obligation bonds	\$ 210,000		\$ 105,000	\$ 105,000	\$ 105,000
Revenue Bonds	<u>275,000</u>		<u>55,000</u>	<u>220,000</u>	<u>55,000</u>
Total bonds payable	485,000		160,000	325,000	160,000
Capital leases	204,884		47,886	156,998	49,755
Accrued compensated absences	<u>274,094</u>	<u>(13,871)</u>	<u>-</u>	<u>260,223</u>	<u>28,384</u>
Total long-term obligations	<u>\$ 963,978</u>	<u>\$ (13,871)</u>	<u>\$ 207,886</u>	<u>\$ 742,221</u>	<u>\$ 238,139</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 the Financial Statements

June 30, 2013

NOTE 9. Long-term Obligations (Continued):

General Obligations 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.

	<u>Date issued</u>	<u>Maturity date</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2013</u>	<u>Interest paid</u>
General obligation bond	1/1/99	1/1/14	\$ 3,010,000	4.13%	\$ 210,000	\$ -	\$ 105,000	\$ 105,000	\$ 9,345
Revenue Bonds	5/16/07	6/30/17	550,000	4.00%	<u>275,000</u>	<u>-</u>	<u>55,000</u>	<u>220,000</u>	<u>12,475</u>
					<u>\$ 485,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 325,000</u>	<u>\$ 21,820</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 160,000	\$ 15,000	\$ 175,000
2015	55,000	8,075	63,075
2016	55,000	5,650	60,650
2017	<u>55,000</u>	<u>2,700</u>	<u>57,700</u>
	<u>\$ 325,000</u>	<u>\$ 31,425</u>	<u>\$ 356,425</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 9. 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, 2013 were as follows:

<u>Capital Lease Payable</u>	<u>Date issued</u>	<u>Amount issued</u>	<u>Interest rate</u>	<u>Maturity</u>		<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2013</u>	<u>Due within one year</u>	<u>Interest Paid</u>
				<u>Amounts</u>	<u>Dates</u>						
Governmental activities: Fire engine stainless steel pumper and 2008 pierce pumper fire truck	12/01/08	\$ 339,855	4.55%	\$ 49,755 52,290 54,655	07/01/15	\$ 204,340	\$ -	\$ 47,342	\$ 156,998	\$ 49,755	\$ 10,413
Ricoh Copier	07/01/08	2,723	0.00%	544	06/30/13	<u>544</u>		<u>544</u>	-	-	-
						<u>\$ 204,884</u>	<u>\$ -</u>	<u>\$ 47,886</u>	<u>\$ 156,998</u>	<u>\$ 49,755</u>	<u>\$ 10,413</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 9. 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
2014	\$ 57,755
2015	57,755
2016	57,753
2017	-
2018	-
Minimum lease payments for all cap	173,263
Less amount representing interest	16,265
Total principal portion due	\$ 156,998

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

NOTE 10. Fund Deficit

Individual funds had the following deficit fund balances at June 30, 2013:

School Renovation - Town	\$ 3,476,341
School Lunch	31,387
	\$ 3,507,728

The School Renovation - Town deficit will be funded through long-term borrowing and the School lunch deficit will be funded through an administrative plan.

NOTE 11. 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, 2013.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 11. Risk Management (Continued):

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.

NOTE 12. 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 2013 was approximately \$438,000.

At June 30, 2013, a total of approximately \$71,226 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.

NOTE 13. Subsequent Events

As of June 30, 2013, the Town had short-term borrowing of \$9,800,000 which was intended to be paid back with long-term debt in order to fund the construction of school infrastructure. On December 10, 2013, the Town paid off this \$9,800,000 and obtained a long-term bond in the amount of \$11,310,000, which will require level debt payments of approximately \$850,000 per year for twenty years. Bond proceeds will finance health and safety school projects at Wilbur and McMahon Schools including emergency repairs and code compliance. The projects have been approved by the Rhode Island Department of Education at an expected reimbursement rate of 40%.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to the Financial Statements

June 30, 2013

NOTE 14. Restatement Note

In some instances beginning fund balances/net position have been restated as a result of adjustments made to correct or reclassify prior year balances. Such adjustments, summarized by fund type are as follows:

<u>Governmental Funds:</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>School Unrestricted</u>
Beginning balance, July 1, 2012	\$ 1,749,981	\$ 446,002	\$ 153,902	\$ 663,858
To restate fund balance for prior year error	(136,480)	153,381	(111,672)	191,909
Beginning balance, July 1, 2012, restated	<u>\$ 1,613,501</u>	<u>\$ 599,383</u>	<u>\$ 42,230</u>	<u>\$ 855,767</u>

The primary explanation for restatement in the current year was due to the Cell Tower of \$42,215 and Ambulance Reimbursement funds of \$119,377 which were originally part of the general fund but should have been their own special revenue funds. Also, there were restricted school funds that were originally grouped together with school unrestricted funds which had to be removed to special revenue for School lunch in the amount of \$(19,466) and capital projects for school renovations in the amount of \$(111,672).

The following were the restatements that occurred at the government-wide level. This includes the adjustments above plus any additional adjustments.

	<u>Government-Wide Financial Statements</u>
	<u>Governmental Activities</u>
Beginning balance, July 1, 2012	\$ 6,723,227
Restatements, per above	97,139
Restatement of fixed assets	312,892
Beginning balance, July 1, 2012, restated	<u>\$ 7,133,258</u>

The restatements made to fixed assets were due to over depreciated items as well as building improvements that should have been picked up in the prior years that were not noted until this fiscal year.

TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Budgetary Comparison Schedules - General Fund

For the Year Ended June 30, 2013

	Original Budget		Additional Appropriations and Transfers	Recap Total Available	Actual	Encumbrances Carried Forward to FY14	Variance Favorable (Unfavorable)
	Encumbrances Carried Forward to FY13	Budget As Adopted					
Revenues:							
General property taxes and penalties	\$ -	\$ 10,153,414	\$ 22,144	\$ 10,175,558	\$ 10,169,943		\$ (5,615)
Intergovernmental		132,110		132,110	183,430		51,320
Donation revenues		-		-	3,275		3,275
Departmental and other revenue		-		-			-
Licenses, permits, and fees		400,000		400,000	385,403		(14,597)
Beach receipts		180,000		180,000	196,716		16,716
Investment income		2,500		2,500	12,948		10,448
Miscellaneous	-	32,500	-	32,500	29,081		(3,419)
Total revenues	-	10,900,524	22,144	10,922,668	10,980,796		58,128
Expenditures :							
General government		1,839,894	(16,579)	1,823,315	1,833,287	5,000	(14,972)
Financial administration		148,528	863	149,391	149,003		388
Public safety		1,619,649	29,112	1,648,761	1,621,217		27,544
Education				-			-
Public works	54,400	347,534	12,032	413,966	379,101	19,325	15,540
Transfer station		165,456	(4,695)	160,761	150,143		10,618
Parks, recreation, and other services		339,787	1,061	340,848	325,358		15,490
Debt service:							
Principal payments		160,000		160,000	160,000		-
Interest and fiscal charges	-	21,820	350	22,170	22,169		1
Total expenditures	54,400	4,642,668	22,144	4,719,212	4,640,278	24,325	54,609
Excess (deficiency) of revenues over expenditures	(54,400)	6,257,856	-	6,203,456	6,340,518	(24,325)	112,737
Other financing sources and (uses):							
Transfer to capital projects		(30,000)		(30,000)	(30,000)		-
Transfer to education		(6,227,856)		(6,227,856)	(6,227,856)		-
Transfers from other funds					59,756		59,756
Transfers to other funds	-	-	-	-	(76,265)		(76,265)
	-	(6,257,856)	-	(6,257,856)	(6,274,365)	-	(16,509)
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ (54,400)	-	\$ -	\$ (54,400)	\$ 66,153	\$ (24,325)	\$ 96,228
Adjustment of budgetary basis to U.S. GAAP					(35,520)		
Excess (deficiency) of revenues and other sources over expenditures and other uses, GAAP basis					6,308		
Fund balance, beginning of year					1,613,501		
Fund balance, end of year					<u>\$ 1,619,809</u>		

See accompanying independent auditors' report
and notes to required supplementary information

TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Budgetary Comparison Schedules

June 30, 2013

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) (Non-GAAP Budgetary Basis)	\$ 66,153
Increase (decrease) in 60 day accrual	(27,237)
Revenue transfer to Capital Projects	<u>(32,608)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ 6,308</u>

See accompanying independent auditors' report

Continued
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TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Budgetary Comparison Schedules

June 30, 2013

	Budget As Adopted	Actual	Variance Favorable (Unfavorable)
Revenues:			
Funds received State RI - unrestricted	\$ 331,745	\$ 338,666	\$ 6,921
Federal aid - Entitlements, Grants and Restricted Funds	162,923	174,020	11,097
Miscellaneous receipts	9,474	14,173	4,699
Total revenues	504,142	526,859	22,717
Expenditures:			
Salaries	2,893,464	2,960,804	(67,340)
Fringe benefits	1,214,521	1,002,385	212,136
Technical and professional services	294,002	274,935	19,067
Purchased property services	52,050	63,413	(11,363)
Purchased other services	2,018,568	2,045,160	(26,592)
Materials and supplies	207,264	182,921	24,343
Capital outlay	45,000	4,574	40,426
Other operating expenses	7,129	6,883	246
Total expenditures	6,731,998	6,541,075	190,923
Excess of expenditures over revenues	(6,227,856)	(6,014,216)	213,640
Other financing sources (uses):			
Transfer Town appropriations	6,227,856	6,227,856	-
Transfers between funds	(700,000)	(704,000)	(4,000)
Total other financing sources (uses)	5,527,856	5,523,856	(4,000)
Excess of expenditures over revenues and other financing sources, budgetary basis	\$ (700,000)	(490,360)	\$ 209,640
Adjustment of budgetary basis to U.S. GAAP basis		(6,349)	
Excess of expenditures over revenues and other financing sources, U.S. GAAP basis		(496,709)	
Fund balance, beginning of year, as restated		855,767	
Fund balance, end of year		\$ 359,058	

See accompanying independent auditors' report
and notes to required supplementary information

TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Budgetary Comparison Schedules

June 30, 2013

	<u>School Unrestricted</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) (Non-GAAP Budgetary Basis)	\$ (490,360)
State contribution to teachers' pension plan revenue on behalf	137,070
State contribution to teacher's pension plan expense on behalf	(137,070)
Budgeted restricted revenue	(167,803)
Budgeted restricted expenses	<u>161,454</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	<u>\$ (496,709)</u>

See accompanying independent auditors' report
and notes to required supplementary information

TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress

Year Ended June 30, 2013

Actuarial Valuation Date	Actual 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>						
7/1/2012	\$ 7,281,048	\$9,107,062	\$1,826,014	79.95%	\$ 1,864,145	97.95%
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%

See accompanying independent auditors' report

TOWN OF LITTLE COMPTON, RHODE ISLAND

Required Supplementary Information
Schedule of Employer Contributions

Year Ended June 30, 2013

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%
2013	420,236	80.13%

See accompanying independent auditors' report

TOWN OF LITTLE COMPTON, RHODE ISLAND

Notes to Required Supplementary Information

Year Ended June 30, 2013

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, 2012
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	June 30, 2013
Actuarial cost method	Projected unit credit
Asset valuation	Not applicable; unfunded Actuarial assumptions:
Discount rate	4.0% per annum
Health care cost trend rates	3% 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, 2013

<u>Tax Roll Year</u>	<u>Balance July 1, 2012</u>	<u>Assessment</u>	<u>Abatements / Refunds</u>	<u>Transfers</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance June 30, 2013</u>
2012	\$ -	\$ 10,166,271	\$ (17,872)	\$ (24,474)	\$ 10,123,925	\$ 9,755,474	\$ 368,451
2011	381,746	135	(1,437)	24,358	404,802	314,606	90,196
2010	70,137		(32)	(6)	70,099	23,631	46,468
2009	51,042			30	51,072	11,005	40,067
2008	32,028			46	32,074	7,972	24,102
2007	13,045				13,045	946	12,099
2006	6,877		10		6,887	395	6,492
2005	2,501				2,501	1,405	1,096
2004	763				763		763
2003	759				759		759
2002	656				656		656
2001	620				620		620
2000 and prior	<u>1,318</u>	<u>-</u>	<u>90</u>	<u>-</u>	<u>1,408</u>	<u>35</u>	<u>1,373</u>
	<u>\$ 561,492</u>	<u>\$ 10,166,406</u>	<u>\$ (19,241)</u>	<u>\$ (46)</u>	<u>\$ 10,708,611</u>	<u>\$ 10,115,469</u>	593,142
						Less allowance for doubtful accounts	<u>(23,387)</u>
							<u>\$ 569,755</u>

See accompanying independent auditors' report

TOWN OF LITTLE COMPTON, RHODE ISLAND

Tax Collector's Annual Report

Year Ended June 30, 2013

Schedule of net assessed property value by category:

Description of property	Valuations	Levy
Real property	\$ 1,820,567,467	\$ 9,733,426
Motor vehicles	45,543,630	328,695
Tangible personal	<u>9,691,899</u>	<u>104,285</u>
Total	1,875,802,996	10,166,406
Exemptions	<u>35,715,960</u>	<u>-</u>
Current year assessment	<u>\$ 1,840,087,036</u>	<u>\$ 10,166,406</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 9,755,474
Revenue collected within 60 days subsequent to year ended June 30, 2013	<u>230,170</u>
	9,985,644
Prior year revenue received in current year	<u>(359,995)</u>
Current year real estate and personal property tax revenue	<u>\$ 9,625,649</u>

TOWN OF LITTLE COMPTON, RHODE ISLAND

Supplementary Information
Non Major Governmental Funds - Combining Balance Sheet

June 30, 2013

	Special Revenue Town	Special Revenue School	Permanent Trust Funds	Capital Projects	Total Non-Major Governmental Funds
Assets:					
Cash	\$ 212,186	\$ 1,458	\$ 97,012	\$ 86,791	\$ 397,447
Investments	190,206		35,768	7,215,013	7,440,987
Receivables:					
Intergovernmental	72,667	60,367		14,747	147,781
Other	49,957				49,957
Prepaid expenses					
Inventories		283			283
Due from other funds	18,148	-	-	239,488	257,636
Total assets	543,164	62,108	132,780	7,556,039	8,294,091
Deferred outflows of resources:					
None	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 543,164	\$ 62,108	\$ 132,780	\$ 7,556,039	\$ 8,294,091
Liabilities:					
Accounts payable and accrued expenses	\$ 32,001	\$ 3,166	\$ 368	\$ 635,700	\$ 671,235
Retainage payable				270,435	270,435
Short term BAN payable				9,800,000	9,800,000
Due to other funds	64,391	90,329	50	1	154,771
Total Liabilities:	96,392	93,495	418	10,706,136	10,896,441
Deferred inflows of resources:					
None	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balance :					
Nonspendable			10,000	-	10,000
Restricted	446,772		122,362	-	569,134
Committed				-	
Assigned	-		-	261,027	261,027
Unassigned	-	(31,387)	-	(3,411,124)	(3,442,511)
Total fund balance	446,772	(31,387)	132,362	(3,150,097)	(2,602,350)
Total liabilities, deferred inflows of resources, and fund balance	\$ 543,164	\$ 62,108	\$ 132,780	\$ 7,556,039	\$ 8,294,091

See accompanying independent auditors' report

TOWN OF LITTLE COMPTON, RHODE ISLAND

Supplementary Information
 Non Major Governmental Funds - Combining Statement of Revenues,
 Expenditures and Changes in Fund Balance

Year Ended June 30, 2013

	Special Revenue Town	Special Revenue School	Permanent Trust Funds	Capital Projects	Total Non-Major Governmental Funds
Revenues:					
Intergovernmental revenue	\$ 243,511	\$ 217,669	\$ -	\$ 79,963	\$ 541,143
Donation revenues			5,168		5,168
Departmental and other revenue	211,139	7,445			218,584
Investment income	358		1,067	12,051	13,476
Miscellaneous revenue	<u>-</u>	<u>1,243</u>	<u>-</u>	<u>-</u>	<u>1,243</u>
Total revenue	<u>455,008</u>	<u>226,357</u>	<u>6,235</u>	<u>92,014</u>	<u>779,614</u>
Expenditures :					
General government	68,477		3,698	946,449	1,018,624
Public safety	148,286			19,518	167,804
Education		242,278	500	3,003,398	3,246,176
Public works	51,845			35,000	86,845
Parks, recreation and other services	<u>329,117</u>	<u>-</u>	<u>1,723</u>	<u>55,845</u>	<u>386,685</u>
Total Expenditures	<u>597,725</u>	<u>242,278</u>	<u>5,921</u>	<u>4,060,210</u>	<u>4,906,134</u>
Excess (deficiency) of revenues over expenditures	(142,717)	(15,921)	314	(3,968,196)	(4,126,520)
Other financing sources (uses):					
Transfers in	20,640	4,000	-	1,260,851	1,285,491
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(484,982)</u>	<u>(534,982)</u>
Total Other financing sources (uses):	<u>(29,360)</u>	<u>4,000</u>	<u>-</u>	<u>775,869</u>	<u>750,509</u>
Excess of revenue and other sources over expenditures and other uses	(172,077)	(11,921)	314	(3,192,327)	(3,376,011)
Fund balance, July 1, 2012, restated	<u>618,849</u>	<u>(19,466)</u>	<u>132,048</u>	<u>42,230</u>	<u>773,661</u>
Fund balance, June 30, 2013	<u>\$ 446,772</u>	<u>\$ (31,387)</u>	<u>\$ 132,362</u>	<u>\$ (3,150,097)</u>	<u>\$ (2,602,350)</u>

See accompanying independent auditors' report

TOWN OF LITTLE COMPTON, RHODE ISLAND

Supplementary Information
Financial and Operating Information
Fiscal Year 2008-2013

Year Ended June 30, 2013

Building Permits

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>Value</u>
2004	611	\$ 17,423,584
2005	688	17,725,976
2006	877	19,568,551
2007	844	20,126,169
2008	875	28,123,254
2009	762	20,759,035
2010	620	17,545,964
2011	525	9,643,595
2012	567	12,922,929
2013	747	22,680,051

Source: Town Building Inspector

Debt Ratios and Debt Per Capita

	Fiscal Years Ending June 30,				
	<u>2008⁽¹⁾</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽¹⁾</u>	<u>2012</u>
Population	3,492	3,492	3,492	3,492	3,492
Estimated Full Market Value	\$ 2,004,450,610	\$ 2,016,210,360	\$ 2,032,454,725	\$ 1,839,956,716	\$ 1,868,749,676
Gross Bonded Debt	\$ 1,440,000	\$ 1,170,000	\$ 905,000	\$ 665,000	\$ 485,000
Ratio of Debt to EFMV	0.07%	0.06%	0.04%	0.04%	0.03%
Debt Per Capita	\$ 412	\$ 335	\$ 259	\$ 190	\$ 139
Real Property Tax Rate	\$4.62	\$4.61	\$5.33	\$5.33	\$5.38

(1) Statistical update

Assessed Valuation

	<u>12/31/2008</u>	<u>12/31/2009⁽¹⁾</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012⁽²⁾</u>
	<u>(FY2010)</u>	<u>(FY2011)</u>	<u>(FY2012)</u>	<u>(FY2013)</u>	<u>(FY2014)</u>
Real Estate	\$1,987,918,097	\$1,794,167,067	\$1,816,073,967	\$1,820,657,467	\$1,854,608,167
Motor Vehicles	35,049,234	36,537,566	43,057,212	45,543,630	44,503,908
Tangible Personal	9,487,394	9,252,083	9,618,497	9,691,899	9,785,154
Total	\$2,032,454,725	\$1,839,956,716	\$1,868,749,676	\$1,875,892,996	\$1,908,897,229
Less Exemptions	(28,674,837)	(31,615,762)	(35,755,047)	(35,715,960)	(34,905,654)
Net Total	\$2,003,779,888	\$1,808,340,954	\$1,832,994,629	\$1,840,177,036	\$1,873,991,575
Full Value Ratio of Assessment	100.00%	100.00%	100.00%	100.00%	100.00%
Estimated Full Value	\$2,032,454,725	\$1,839,956,716	\$1,868,749,676	\$1,875,892,996	\$1,908,897,229

(1) Revaluation.

(2) Statistical Update.

See accompanying independent auditors' report

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TOWN OF LITTLE COMPTON, RHODE ISLAND

Supplementary Information
Financial and Operating Information
Fiscal Year 2008-2013

Year Ended June 30, 2013

The following table sets forth the principal taxpayers of the Town and the assessed valuation of property held by such taxpayers as of December 31, 2010:

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Valuation</u>
Sakonnet Golf Club	Golf course	\$ 8,976,400
ACEBES CARL & CAROL	Residential	8,205,400
Higgins, Robert J & Mary D	Residential	7,591,000
Merriman, David W	Residential	7,340,800
Wattles, Guardon B	Residential	6,576,700
ADK LLC	Residential	6,111,600
Conaway, D Allen ET AL	Residential	6,077,800
Carpenter, Benjamin & Leigh Worcester	Residential	5,644,700
O'Connor, Stephen L & Lucy C	Residential	5,581,900
Johannessen, Siguard W	Residential	5,505,200

HAGUE, SAHADY & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Little Compton, Rhode Island (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town's basic financial statements, and have issued our report thereon dated December 10, 2013.

Internal Control over Financial Reporting

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

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

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

Continued

Compliance and Other Matters

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

Purpose of this Report

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

Hague, Sahady & Co. PC

Fall River, Massachusetts
December 10, 2013