

# Town of North Providence Rhode Island



**Basic Financial Statements and  
Required Supplementary Information  
Fiscal Year Ended June 30, 2011**

**Including Independent Audit Report  
of Certified Public Accountants**

**Charles A. Lombardi  
Mayor**

**Prepared by Finance Department**

# **TOWN OF NORTH PROVIDENCE**

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  - LIST OF TOWN OFFICIALS
-

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**YEAR ENDED JUNE 30, 2011**

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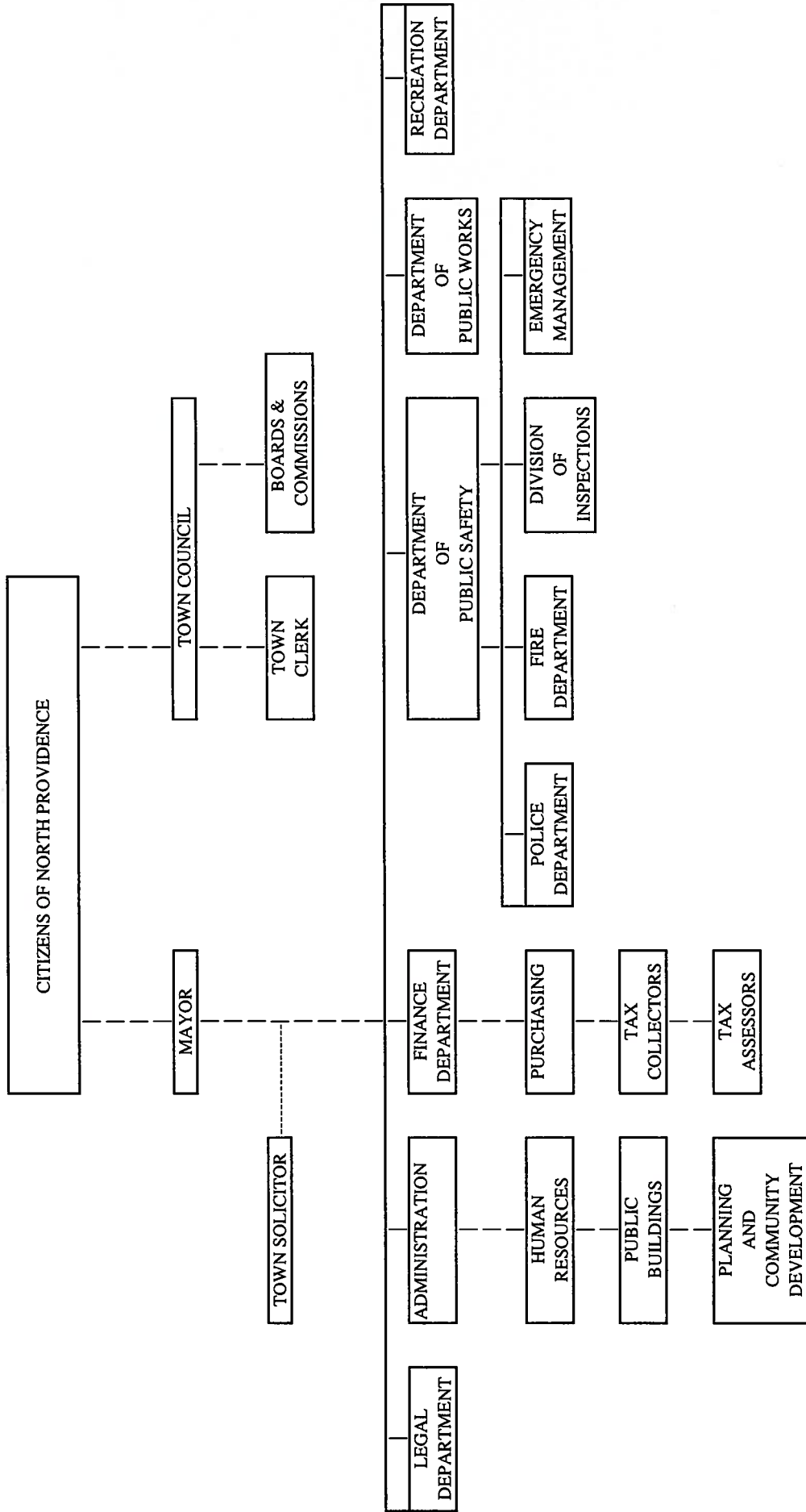
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(CONCLUDED)

**TOWN OF NORTH PROVIDENCE**  
 GOVERNMENTAL ORGANIZATION  
 June 30, 2011



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

*JUNE 30, 2011*

**TOWN COUNCIL**

Kristen J. Catanzaro - President  
Mansuet J. Giusti, III  
Stephen Feola  
John Lynch  
Joseph Giammarco  
Dino Autiello  
Alice Brady

**MAYOR**

Charles A. Lombardi

**FINANCE DEPARTMENT**

Maria G. Vallee, Town Controller  
Claudette Mooney, Tax Collector  
Janesse Muscatelli, Acting Tax Assessor

# TOWN OF NORTH PROVIDENCE

## FINANCIAL SECTION

- REPORT OF INDEPENDENT AUDITORS
  - MANAGEMENT'S DISCUSSION AND ANALYSIS
  - BASIC FINANCIAL STATEMENTS
  - SUPPLEMENTARY INFORMATION
-

## **REPORT OF INDEPENDENT AUDITORS**

To the Honorable Mayor and Members of the Town Council  
Town of North Providence, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Providence, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of June 30, 2011, and the respective changes in financial position, and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2012 on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Needham  
Boston  
Concord  
Taunton



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress for Pension Plans, and Schedule of Funding Progress of OPEB, on pages 3 through 10, pages 61 through 64, page 65, and page 66, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Providence, Rhode Island's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Town of North Providence, Rhode Island. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.



Providence, RI  
January 3, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011**

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As management of the Town of North Providence, we offer readers of the Town of North Providence's financial Statements this narrative overview and analysis of financial activities of the Town of North Providence for the fiscal year ended June 30, 2011.

### **Financial Highlights**

- On the Government-Wide Statements, the liabilities of the Town of North Providence exceeded its assets at the close of the most recent fiscal year by \$ 1,359,160 (net asset deficiency). This is a significant improvement over last year's shortfall of \$6,336,629.
- The unrestricted net assets of the governmental activities at June 30, 2011 totaled \$(22,149,288).
- As of year-end June 30, 2011 the Town's General Fund had a surplus unassigned fund balance of \$2,160,933. This is significantly better than last year's deficit fund balance of \$7,351,406.
- As of June 30, 2011 the School Unrestricted Fund has an unassigned deficit fund balance of \$182,478. This is significantly better than last year's deficit fund balance of \$1,921,587 (as restated).
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2011 this fund had restricted net asset deficiency of \$ 83,580. The fund incurred an increase in net assets of \$9,860 for the fiscal year ended June 30, 2011.
- In July of 2010 (the beginning of fiscal year 2011) the town issued a deficit reduction bond to eliminate the cumulative fund balance deficits of the Town's General Fund and the School Unrestricted Fund. In accordance with governmental accounting standards, the proceeds from the bond issuance and the elimination of the deficit fund balances were recorded and reported in fiscal year ending June 30, 2011 as other financing sources. Therefore the surplus for 2011 reflects the issuance of the bonds. Accordingly, the net change in fund balance of the Town's General Fund was \$10,080,339 for the fiscal year ended June 30, 2011 and the School Unrestricted Fund was \$1,739,109 (see Exhibit B-2, page 15).
- On the budgetary basis of accounting the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$2,047,983 (RSI-1, pages 61-63) while the School Unrestricted Fund reported a deficiency of (\$436,498) (RSI-2 page 64).

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction of the Town of North Providence's basic financial statements. The Town of North Providence's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The Town of North Providence's basic financial statements and other supplementary financial information provide information about all the Governments' activities. They provide both a short-term and a long-term view of the Town's financial health as well as information about activities for which the Town acts solely as a trustee for the benefit of those outside of the Town's government.

## **Government-wide financial statements**

*Government-wide financial statements* are designed to provide readers with a broad overview of the Town of North Providence's finances, in a manner which is similar to a private-sector business. They are presented on the accrual base of accounting where revenues and expenditures are recognized on the date they occurred rather than on the date they were collected or paid.

The *Statement of Net Assets* presents information on all of the Town of North Providence's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of North Providence is improving or deteriorating.

The *Statement of Activities* presents information showing how the Government's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Town of North Providence which are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Town's governmental activities include general government and administration, public safety, development services, cultural and recreational services.

The government-wide financial statements are reported on pages 11 through 12.

## **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of North Providence, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of North Providence can be divided into two categories: governmental funds and proprietary funds.

### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. 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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### *Governmental Funds (continued)*

The Town of North Providence maintains governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, School Unrestricted Fund (Special Revenue Fund), and Debt Service Fund, which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental funds statements are presented on pages 13 through 16.

### *Proprietary Funds*

The Town of North Providence's proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of North Providence has only one proprietary fund, this being an enterprise fund, the North Providence School Cafeteria Fund. This fund operates as a federally mandated school food service system for low income families on a for profit basis.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The North Providence School Cafeteria fund, which is not a major fund, is presented in the proprietary funds.

The basic proprietary fund financial statements are presented on pages 17 through 19.

### *Fiduciary Funds*

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

The basic fiduciary fund financial statements are presented on pages 20 through 21.

### *Notes to 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 are presented on pages 22 through 60.

### *Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town of North Providence's operations.

Required Supplementary information is presented on pages 61 through 66.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on pages 67 through 74.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of North Providence, liabilities exceeded assets by \$1,359,160 as of June 30, 2011.

The largest portion of the Town of North Providence’s net assets consists of its investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets which is still outstanding. The Town of North Providence uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the Town of North Providence’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate these liabilities.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND  
NET ASSETS**

**June 30, 2011 and 2010 (in 000’s)**

	Governmental Activities		Business-type Activities (as restated)		Total (restated)	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 22,577	\$19,609	\$ 202	\$163	\$ 22,779	\$19,772
Capital Assets	45,333	45,571	0	0	45,333	45,571
<b>Total Assets</b>	<b>67,910</b>	<b>65,180</b>	<b>202</b>	<b>163</b>	<b>68,112</b>	<b>65,343</b>
Long-Term Liabilities	50,994	42,830	0	0	50,994	42,830
Other Liabilities	18,192	28,593	285	256	18,477	28,849
<b>Total Liabilities</b>	<b>69,186</b>	<b>71,423</b>	<b>285</b>	<b>256</b>	<b>69,471</b>	<b>71,679</b>
<b>Net Assets:</b>	<b><u>\$( 1,276)</u></b>	<b><u>\$(6,243)</u></b>	<b><u>\$ (83)</u></b>	<b><u>\$ (93)</u></b>	<b><u>\$(1,359)</u></b>	<b><u>\$ (6,336)</u></b>
Invested in capital assets, net of related debt	\$ 20,873	\$18,188	\$ 0	\$ 0	\$20,873	\$18,188
Unrestricted	(22,149)	(24,431)	(83)	(93)	( 22,232)	(24,524)
<b>Total Net Assets</b>	<b><u>\$ ( 1,276)</u></b>	<b><u>\$ (6,243)</u></b>	<b><u>\$ (83)</u></b>	<b><u>\$ (93)</u></b>	<b><u>\$( 1,359)</u></b>	<b><u>\$ (6,336)</u></b>

There are no external restrictions on the Town of North Providence’s net assets.

As of June 30, 2011 the Town of North Providence reports negative (deficit) balances in all three categories of net assets, government as a whole, as well as separately for the governmental activities and business-type activities in the Government-wide statements.

## Analysis of the Town of North Providence's Operations

The following analysis provides a summary of the Town of North Providence's operations for the year ended June 30, 2011.

### **TOWN OF NORTH PROVIDENCE, RHODE ISLAND CHANGES IN NET ASSETS**

**For the Fiscal Years ending June 30, 2011 and 2010 (in 000's)**

	Governmental Activities		Business Type Activities (Restated)		Total (Restated)	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 3,791	\$ 3,709	\$468	\$ 433	\$ 4,259	\$ 4,142
Operating Grants and Contributions	18,493	17,525	540	524	19,033	18,049
Capital Grants and Contributions	987	571			987	571
<b>General Revenues:</b>						
Property taxes	65,547	60,410			65,547	60,410
Motor vehicle phase-out taxes	349	4,189			349	4,189
Telephone and State PILOT	866	807			866	807
Grants and aid not restricted for a specific program	1,862	2,387			1,862	2,387
Gain on sale of surplus equipment	23	35			23	35
Unrestricted investment earnings	5	8			5	8
<b>Total Revenues</b>	<b>91,923</b>	<b>89,641</b>	<b>1,008</b>	<b>957</b>	<b>92,931</b>	<b>90,598</b>
<b>Expenses:</b>						
Legislative, judicial, and administrative	12,424	13,390			12,424	13,390
Department of Finance	840	832			840	832
Public Safety	18,204	19,478			18,204	19,478
Public Services/works	4,023	4,113			4,023	4,113
Grants and contributions	1,195	1,428			1,195	1,428
Education	48,687	48,905			48,687	48,905
Interest on long-term debt	1,583	1,511			1,583	1,511
School Cafeteria			998	953	998	953
<b>Total Expenses</b>	<b>86,956</b>	<b>89,657</b>	<b>998</b>	<b>953</b>	<b>87,954</b>	<b>90,610</b>
Increase (decrease) in net assets	4,967	(16)	10	4	4,977	(12)
Net assets beginning of year	(6,243)	(6,227)	(93)	(97)	(6,336)	(6,324)
<b>Net assets (deficit) end of year</b>	<b>(\$1,276)</b>	<b>(\$6,243)</b>	<b>(\$83)</b>	<b>(\$93)</b>	<b>(\$1,359)</b>	<b>(\$6,336)</b>

## **Financial Analysis of the Town of North Providence's Funds**

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

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

At the end of the current fiscal year, the Town of North Providence's governmental funds reported combined ending fund balance of \$5,598,141. Unassigned fund balance amounted to \$1,976,002 with nonspendable fund balance of \$568,000, committed fund balance of \$2,902,361, and restricted fund balance of \$151,778.

The general fund is the operating fund of the Town of North Providence. At the end of the current fiscal year the Town of North Providence ended with an increase in fund balance of \$10,080,339. This resulted in a cumulative surplus fund balance in the General Fund of \$2,728,933 at June 30, 2011. The unassigned portion of the fund balance/cumulative surplus was \$ 2,160,933.

### **Proprietary Funds**

The Town of North Providence's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Unrestricted net assets (cumulative deficit) of the respective proprietary funds are (\$83,580).

### **General Fund Budgetary Highlights**

The most significant revenue variances between the budget and actual were favorable variances in the collection of prior year property taxes, interest on delinquent accounts, the State motor vehicle taxes (unbudgeted), and prior year collections of EMS rescue services reimbursements. Unfavorable variances in the revenues budget were for current year taxes, State aid to education, building inspection revenue and miscellaneous receipts. Total actual revenue exceeded the budgeted revenue by \$1,138,349.

The most significant favorable expense variances were savings in the Departments of Public Buildings, Police Department, Department of Public Works, Environmental Protection, and Town wide fringe benefits. Overall expenses were under budget by \$655,383. The combined favorable variance in both revenue accounts and expense accounts was \$1,793,732. A favorable variance in other financing sources of \$254,251 brings the total favorable variance between budget and actual to \$2,047,983.

### **Capital Assets and Debt and Administration**

#### **Capital Assets**

The Town of North Providence's investment in capital assets for its governmental and business-type activities amounts to \$45,333,155 net of accumulated depreciation at June 30, 2011. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure.

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

**Town of North Providence's Capital Assets  
(Net of depreciation) in 000's**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
	Land	\$15,583	\$15,583			\$15,583
Construction in progress	0	312			0	312
Buildings and improvements	24,262	24,929			24,262	24,929
Equipment, furn. & fixtures	1,412	1,107			1,412	1,107
Vehicles	765	905			765	905
Infrastructure	3,241	2,709			3,241	2,709
Land improvements	70	27			70	27
<b>Total</b>	<b>\$45,333</b>	<b>\$45,572</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 45,333</b>	<b>\$45,572</b>

**Long Term Debt**

At the end of the current fiscal year, the Town of North Providence had total bonded debt (net of bond premium) of \$34,924,400. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government.

**Town of North Providence, Rhode Island's  
Outstanding Debt Obligations  
(000's)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
	General Obligation Bonds	\$34,924	\$27,284	\$ 0	\$0	\$34,924
Bond premium	49	0	0	0	49	0
Lease purchase obligations	35	99	0	0	35	99
<b>Total obligations</b>	<b>\$35,008</b>	<b>\$27,383</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$35,008</b>	<b>\$27,383</b>

Short-term obligations consisted of a Tax Anticipation Note Obligation at June 30, 2011. The principal balance outstanding on the note obligation was \$4,000,000.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the fair value of all taxable Town of North Providence property on the general obligation debt that a municipality can issue. The Town of North Providence's limit is \$84,221,340 at year-end. The Town of North Providence's outstanding general obligation debt is \$34,924,400 at year-end, which is \$49,296,940 under the State imposed limitation.

The Town of North Providence's bonds are insured and hold a Baa1 credit rating from Moody's and a BBB+ from Standard & Poor's.

Additional information of the Town of North Providence's debt administration can be found in footnote 10 on pages 41 through 43 of this report.



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

- The Town of North Providence has budgeted \$84,308,026 for fiscal 2012, an increase of \$2,448,761 over fiscal 2011. The increase is to cover the debt service payments for the deficit reduction bonds and a significant increase in the Town's contribution to the police pension.
- Budgeted educational expenses are \$42,975,775 or 51%; leaving \$41,332,251 or 49% budgeted for all other purposes.
- State aid to education is budgeted at \$12,138,987 which is an increase of \$351,505 over fiscal 2011. This represents 28.2% of the education budget.
- The Town is currently reviewing the education department's request for an additional \$1.1 million dollars of appropriation. The Town has a report from an outside expert that states that the education department needs \$754,000 additional to have a balanced budget at year end.
- The Town of North Providence has a five tier tax base. This base is comprised of the following: Residential Real Estate \$19.65; Commercial Real Estate \$25.60; Tangible Property \$63.75 and Motor Vehicle \$41.95.

## **Request for Information**

This financial report is designed to provide our citizens a general overview of the Town of North Providence's finances for all those with an interest. Questions concerning this report or if additional financial information is needed, please contact the Town of North Providence, Acting Finance Director Walter E. Edge, Jr., MBA, CPA, 2000 Smith Street, North Providence, Rhode Island 02911.

# **TOWN OF NORTH PROVIDENCE**

## **BASIC FINANCIAL STATEMENTS**



TOWN OF NORTH PROVIDENCE RHODE ISLANDStatement of Net Assets  
June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 13,054,493	\$ 155,015	\$ 13,209,508
Accounts receivable, net	6,505,305		6,505,305
Due from federal and state governments	2,209,152	46,769	2,255,921
Prepays	568,000		568,000
<b>Total Current Assets</b>	<b>22,336,950</b>	<b>201,784</b>	<b>22,538,734</b>
<b>Noncurrent Assets:</b>			
Deferred charges - bond issuance costs	239,654		239,654
Capital assets not being depreciated	15,582,648		15,582,648
Capital assets, net of accumulated depreciation	29,750,507		29,750,507
<b>Total Noncurrent Assets</b>	<b>45,572,809</b>	<b>-</b>	<b>45,572,809</b>
<b>TOTAL ASSETS</b>	<b>67,909,759</b>	<b>201,784</b>	<b>68,111,543</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	3,736,101	285,364	4,021,465
Tax anticipation note payable	4,000,000		4,000,000
Accrued liabilities	3,961,832		3,961,832
Unearned revenue	230,398		230,398
Current portion of compensated absences	1,100,000		1,100,000
Current portion of IBNR claims	391,590		391,590
Current portion of bonds and notes	4,771,885		4,771,885
<b>Total Current Liabilities</b>	<b>18,191,806</b>	<b>285,364</b>	<b>18,477,170</b>
<b>Noncurrent Liabilities:</b>			
Compensated absences	8,036,944		8,036,944
Net pension obligation	5,585,860		5,585,860
Net OPEB obligation	7,134,661		7,134,661
Bond and note obligations, net	30,236,068		30,236,068
<b>Total Noncurrent Liabilities</b>	<b>50,993,533</b>	<b>-</b>	<b>50,993,533</b>
<b>TOTAL LIABILITIES</b>	<b>69,185,339</b>	<b>285,364</b>	<b>69,470,703</b>
<b>NET ASSETS:</b>			
Invested in capital assets net of related debt	20,873,708	-	20,873,708
Unrestricted	(22,149,288)	(83,580)	(22,232,868)
<b>TOTAL NET ASSETS</b>	<b>\$ (1,275,580)</b>	<b>\$ (83,580)</b>	<b>\$ (1,359,160)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

*Statement of Activities  
For the Year Ended June 30, 2010*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b><u>Functions/Programs:</u></b>							
<b>Governmental activities:</b>							
Legislative, judicial, and administrative	\$ 12,424,413	\$ 1,121,652	\$ 44,762	\$ -	\$ (11,257,999)		\$ (11,257,999)
Department of finance	839,535				(839,535)		(839,535)
Public safety	18,203,721	1,776,396	1,428,164	315,552	(14,683,609)		(14,683,609)
Public services	4,023,034	230,253	-	518,289	(3,274,492)		(3,274,492)
Grants and contributions	1,194,478	-	167,375	-	(1,027,103)		(1,027,103)
Education	48,687,174	662,438	16,852,551	153,217	(31,018,968)		(31,018,968)
Interest on long-term debt	1,582,705				(1,582,705)		(1,582,705)
<b>Total governmental activities</b>	<b>86,955,060</b>	<b>3,790,739</b>	<b>18,492,852</b>	<b>987,058</b>	<b>(63,684,411)</b>		<b>(63,684,411)</b>
<b>Business-type activities:</b>							
School Cafeteria	997,970	467,668	540,162			9,860	9,860
<b>Total business-type activities</b>	<b>997,970</b>	<b>467,668</b>	<b>540,162</b>	<b>-</b>	<b>-</b>	<b>9,860</b>	<b>9,860</b>
<b>Total</b>	<b>\$ 87,953,030</b>	<b>\$ 4,258,407</b>	<b>\$ 19,033,014</b>	<b>\$ 987,058</b>	<b>\$ (63,684,411)</b>	<b>9,860</b>	<b>(63,674,551)</b>
<b>General revenues:</b>							
Property taxes					65,546,628		65,546,628
Motor vehicle phase-out taxes					348,804		348,804
Telephone and State PILOT payments					866,472		866,472
Grants and aid not restricted for a specific program					1,862,070		1,862,070
Gain on sale of surplus equipment					22,647		22,647
Unrestricted investment earnings					5,399		5,399
<b>Total general revenues and transfers</b>					<b>68,652,020</b>		<b>68,652,020</b>
<b>Change in Net assets</b>					<b>4,967,609</b>	<b>9,860</b>	<b>4,977,469</b>
<b>Net assets - beginning of year, as restated</b>					<b>(6,243,189)</b>	<b>(93,440)</b>	<b>(6,336,629)</b>
<b>Net assets - ending of year</b>					<b>\$ (1,275,580)</b>	<b>\$ (83,580)</b>	<b>\$ (1,359,160)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General Fund	School Unrestricted Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 9,026,313	\$ 488,303	\$ 2,139,521	\$ 1,400,356	\$ 13,054,493
Accounts and other receivable, net	6,140,309	159,390		205,606	6,505,305
Due from federal and state governments	1,275,915			933,237	2,209,152
Prepaid expenditures	568,000			-	568,000
Due from other funds	1,106,492	3,778,720		1,459,373	6,344,585
<b>TOTAL ASSETS</b>	<b>\$ 18,117,029</b>	<b>\$ 4,426,413</b>	<b>\$ 2,139,521</b>	<b>\$ 3,998,572</b>	<b>\$ 28,681,535</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,769,132	\$ 1,849,179		\$ 117,790	3,736,101
Tax anticipation notes	4,000,000				4,000,000
Accrued liabilities	742,061	2,756,351		17,420	3,515,832
Due to other funds	3,620,425	3,361	\$ 1,103,969	1,616,830	6,344,585
Deferred revenues	5,256,478			230,398	5,486,876
<b>TOTAL LIABILITIES</b>	<b>15,388,096</b>	<b>4,608,891</b>	<b>1,103,969</b>	<b>1,982,438</b>	<b>23,083,394</b>
<b>FUND BALANCES:</b>					
Nonspendable	568,000	-		-	568,000
Restricted			1,035,552	1,866,809	2,902,361
Committed				151,778	151,778
Unassigned	2,160,933	(182,478)		(2,453)	1,976,002
<b>TOTAL FUND BALANCES</b>	<b>2,728,933</b>	<b>(182,478)</b>	<b>1,035,552</b>	<b>2,016,134</b>	<b>5,598,141</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 18,117,029</b>	<b>\$ 4,426,413</b>	<b>\$ 2,139,521</b>	<b>\$ 3,998,572</b>	<b>\$ 28,681,535</b>

(CONTINUED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet  
Governmental Funds  
June 30, 2011*

**Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:**

<b>Total Fund Balance reported in Exhibit B-1</b>	<b>\$ 5,598,141</b>
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund Balance Sheet - represents net capital assets at June 30, 2011	45,333,155
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(57,257,008)
Deferred bond issuance costs are recorded as an expenditure in the Governmental Funds when paid but are capitalized and amortized over the life of the bond in the Statement of Net Assets.	239,654
Deferred tax and other miscellaneous revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	5,256,478
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net assets and not the Governmental Fund Balance Sheet at June 30, 2011.	(446,000)
<b>Total Net Assets reported in Exhibit A-1</b>	<b><u>\$ (1,275,580)</u></b>

(CONCLUDED)

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year the Ended June 30, 2011**

	General Fund	School Unrestricted Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
General property taxes	\$ 64,113,230				\$ 64,113,230
Intergovernmental	3,317,822	\$ 11,936,023		\$ 5,714,413	20,968,258
Licenses and fees	447,244			157,085	604,329
Investment income	408		\$ 36	4,955	5,399
Departmental	974,456				974,456
Contributions					-
State on behalf pension contribution		1,589,000			1,589,000
Medicaid reimbursement		564,275			564,275
Miscellaneous	1,798,771	98,163		123	1,897,057
<b>TOTAL REVENUES</b>	<b>70,651,931</b>	<b>14,187,461</b>	<b>36</b>	<b>5,876,576</b>	<b>90,716,004</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Legislative, judicial, and administrative	2,472,095				2,472,095
Department of finance	839,997				839,997
Public safety	14,976,657			876,016	15,852,673
Public services/works	4,096,102				4,096,102
Grants and contributions	1,196,468				1,196,468
Education		44,476,141		3,165,875	47,642,016
Other	9,529,963			350,744	9,880,707
<b>Debt Service:</b>					
Principal	2,911,067			13,124	2,924,191
Interest and other costs	1,410,814		164,484	319	1,575,617
Bond issuance costs	299,568				299,568
<b>Capital:</b>					
Capital expenditures	-	158,775		675,282	834,057
<b>TOTAL EXPENDITURES</b>	<b>37,732,731</b>	<b>44,634,916</b>	<b>164,484</b>	<b>5,081,360</b>	<b>87,613,491</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>32,919,200</b>	<b>(30,447,455)</b>	<b>(164,448)</b>	<b>795,216</b>	<b>3,102,513</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from bond issuance	10,560,632				10,560,632
Transfers in	-	32,186,571	1,200,000	15,020	33,401,591
Transfers out	(33,399,493)	(7)		(2,091)	(33,401,591)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(22,838,861)</b>	<b>32,186,564</b>	<b>1,200,000</b>	<b>12,929</b>	<b>10,560,632</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>10,080,339</b>	<b>1,739,109</b>	<b>1,035,552</b>	<b>808,145</b>	<b>13,663,145</b>
<b>FUND BALANCE (DEFICIT) BEGINNING OF YEAR, AS RESTATED</b>	<b>(7,351,406)</b>	<b>(1,921,587)</b>	<b>-</b>	<b>1,207,989</b>	<b>(8,065,004)</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ 2,728,933</b>	<b>\$ (182,478)</b>	<b>\$ 1,035,552</b>	<b>\$ 2,016,134</b>	<b>\$ 5,598,141</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)  
Year Ended June 30, 2011**

<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):</b>	\$ 13,663,145
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 depreciation exceeded capital outlays in the current period.	(238,337)
Proceeds from bond issuance are reported as an other financing source in the Fund Statements. However these proceeds are reported as long-term obligations in the Government-wide statements	(10,560,632)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	2,924,191
Governmental funds report bond issuance costs as an expenditure when it is paid. However, these costs are capitalized and amortized over the life of the bond obligation. This is the amount by which bond issuance expenditures exceeded the amortization of those costs and the bond premium.	251,780
Governmental funds do not report estimated accrued IBNR claims as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the decrease in the estimate from the amount reported at June 30, 2010.	167,101
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred tax and other revenue increased from fiscal 2010.	692,191
Allowance for doubtful accounts on tax & other receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both receivables and deferred revenue. The decrease in the allowance provision is recorded against revenue in the statement of activities.	514,474
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the decrease in the accrual for the year ended June 30, 2011 versus June 30, 2010.	40,700
Net pension & OPEB obligations are long-term liabilities reported in the government-wide financial statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources. Accordingly, the increase in these obligations is reported as an expenditure in the government-wide statement of activities. These net obligations increased in fiscal 2011.	(3,005,640)
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	518,636
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)</b>	<b>\$ 4,967,609</b>



**TOWN OF NORTH PROVIDENCE RHODE ISLAND**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2011**

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (as restated) (prior year)
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 155,015	\$ 47,428
Due from other funds		64,873
Due from federal and state governments	46,769	50,296
<b>Total Current Assets</b>	<b>201,784</b>	<b>162,597</b>
<b>TOTAL ASSETS</b>	<b>201,784</b>	<b>162,597</b>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable	285,364	256,037
<b>Total Current Liabilities</b>	<b>285,364</b>	<b>256,037</b>
<b>TOTAL LIABILITIES</b>	<b>285,364</b>	<b>256,037</b>
<b>NET ASSETS:</b>		
Restricted	(83,580)	(93,440)
<b>TOTAL NET ASSETS</b>	<b>\$ (83,580)</b>	<b>\$ (93,440)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Statement of Revenues, Expenses, and Changes in Fund Retained Earnings  
Proprietary Funds  
For the Year Ended June 30, 2011**

	Enterprise Funds	
	School Cafeteria (current year)	(as restated) School Cafeteria (prior year)
<b>Operating revenues:</b>		
Federal & State Grants for free and reduced lunch	\$ 540,162	\$ 523,907
Charges for usage and service	467,668	432,544
<b>Total Operating Revenues</b>	<b>1,007,830</b>	<b>956,451</b>
<b>Operating expenses:</b>		
Management operations costs	996,844	951,609
Maintenance and other costs	1,126	1,080
<b>Total Operating Expenses</b>	<b>997,970</b>	<b>952,689</b>
<b>Operating income (loss)</b>	<b>9,860</b>	<b>3,762</b>
<b>Nonoperating revenues:</b>		
Interest income	-	-
<b>Total Nonoperating Revenues</b>	<b>-</b>	<b>-</b>
<b>Revenues over (under) expenses</b>	<b>9,860</b>	<b>3,762</b>
<b>Retained earnings (deficit) at beginning of year</b>	<b>(93,440)</b>	<b>(97,202)</b>
<b>Retained earnings (deficit) at end of year</b>	<b>\$ (83,580)</b>	<b>\$ (93,440)</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

## TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

		Enterprise Fund School Cafeteria
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$	467,668
Cash received from State and Federal Grants		543,687
Cash paid to suppliers for goods and services and other operating payments		(968,641)
<b>Net cash provided by operating activities</b>		<b>42,714</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Increase in amounts due from other funds		64,873
<b>Net cash provided by noncapital financing activities</b>		<b>64,873</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income		-
<b>Net cash provided by investing activities</b>		<b>-</b>
<b>Net increase in cash and cash equivalents</b>		107,587
<b>Cash and cash equivalents, beginning of year</b>		47,428
<b>Cash and cash equivalents, end of year</b>	\$	<b>155,015</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>		
Operating income	\$	9,860
(Increase) decrease in:		
Intergovernmental receivables		3,527
Increase (decrease) in:		
Accounts payable		29,327
<b>Net cash provided by operating activities</b>	\$	<b>42,714</b>

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011**


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	Police Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,169,295	\$ 451,882
Investments	10,381,311	-
Receivables	92,436	7,940
<b>TOTAL ASSETS</b>	<u>12,643,042</u>	<u>459,822</u>
<b>LIABILITIES</b>		
Accrued expenses	23,467	
Deposits held in custody for others		459,822
<b>TOTAL LIABILITIES</b>	<u>23,467</u>	<u>459,822</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 12,619,575</u>	<u>\$ -</u>

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THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the year ended June 30, 2011**

	Police Pension Trust Fund
<b>ADDITIONS:</b>	
Contributions - employer	\$ 787,295
Contributions - plan members	294,201
Investment income (loss) - includes realized and unrealized gains and losses	<u>2,007,225</u>
<b>TOTAL ADDITIONS</b>	<u>3,088,721</u>
<b>DEDUCTIONS:</b>	
Benefits paid	1,472,558
Annuities acquired	6,512,021
Investment expense	<u>117,516</u>
<b>TOTAL DEDUCTIONS</b>	<u>8,102,095</u>
<b>CHANGE IN NET ASSETS</b>	(5,013,374)
NET ASSETS - BEGINNING OF YEAR	17,632,949
NET ASSETS - END OF YEAR	<u>\$ 12,619,575</u>

***"Annuities acquired" as noted above represents acquisitions of annuities for pre-1999 retirees. The obligations for these retirees are being covered by the annuities and are guaranteed by the investment company maintaining the annuities. The Town's only obligation is to make annual COLA payments to these retirees.***

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

***Reporting Entity***

The Town of North Providence was incorporated in 1765. The Town operates under a Council/Mayor form of government, with a seven member Town Council headed by a Council President.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 39. Under GASB Statement No. 39, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate entities that meet any one of the following three tests:

- Test 1 – The primary government appoints the voting majority of the board of the potential component unit and is able to impose its will on the potential component unit and/or is in a relationship of financial benefit or burden with the potential component unit;
- Test 2 – The potential component is fiscally dependent upon the primary government; or
- Test 3 – The financial statements would be misleading if data from the potential component unit were not included.

The following entities were considered for classification as component units for fiscal year 2011.

- North Providence School Department

Although this entity meets certain criteria of the tests listed above, it is not deemed to have a separate legal status apart from the Town. As a result, the financial data for the North Providence School Department has been included in the Governmental Funds within the Town's financial statements. There are no component units included in the financial statements of the Town of North Providence as of and for the year ended June 30, 2011.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation***

***Government-Wide Financial Statements***

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements***

Fund financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements. A fund is considered a major fund if it is the primary operating fund of the Town or meets the following criteria:

- (a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type,  
and
- (b) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Debt Service Funds**

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated.

**Special Revenue Funds**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Governmental Funds (Continued)***

**Capital Projects Funds**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital Projects Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Permanent Funds**

The Permanent Funds account for assets held by the Town pursuant to trust agreements. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund. The Town does not currently maintain any Permanent Funds.

**Proprietary Funds**

Proprietary funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Proprietary Funds include both Enterprise and Internal Service Funds. The Town currently has one Enterprise Fund and no Internal Service Funds.

**Fiduciary Funds (Not included in government wide statements)**

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes nine agency funds at June 30, 2011. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Animal Care Donations
- Food Pantry
- Student Activities Fund (represents a combination of 31 funds)
- Seized Property
- Animal Care Adoptions
- Performance Bond Fund
- Low Cost Spay/Neuter
- Realty Tax Transfer

**Private-Purpose Trust Funds**

Private-Purpose trust funds are used to account for resources legally held in trust for use by parties outside of the Town, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity currently does not have any funds that meet the definition of a private-purpose trust fund.

**Pension Trust Funds**

The Town of North Providence currently maintains one Pension Trust Fund to account for the activity of the Town administered Police Pension Plan.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Major and Non-Major Funds**

The funds are further classified as major or non-major as follows:

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description.
Debt Service Fund:	This fund is used to report transfers from the General Fund that are restricted for principal and interest payments on the deficit reduction bond. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Special Revenue Fund: School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Proprietary Funds: School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
<b>Non-Major:</b>	
Special Revenue Funds:	Police Grants, Community Development Block Grants, Dare Fund Program, Drug Free Community Grant, Emergency Management, EPA Grant, Federal Drug Forfeiture, State Drug Forfeiture, Fire Alarm Tie-in, Fire Prevention Fund, Historical Records Trust, Land Trust Reserve Fund, Recording Fees Fund, Decon Grant, Substance Abuse Task Force, Swat Fund, Recycling Fund, UASI Grant, Stormwater Grant, LSTA (Library) Grant, Roadway Aid Grant, Comprehensive Plan Grant, Federal Energy Grant, State Energy Grant, and School Restricted Funds (consisting of 22 restricted grant funds).
Capital Project Funds:	School Capital Reserve, \$3.5M Capital Project Fund, and Kids Klub School Improvement Fund.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus***

On the government-wide Statement of Net Assets and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below and the accrual basis of accounting.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- (a) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The Town considers property taxes, State PILOT revenue, Telephone Tax revenue, and other miscellaneous revenue from the State of Rhode Island as available if they are collected within 60 days after year end. Grant revenue of the governmental funds is generally recognized as revenue when earned as long as the payment is expected to be received within twelve months after fiscal year end. Substantially all other revenue of the governmental funds is recognized utilizing the modified accrual method of accounting and as such is recognized as revenue when received.
- (b) The proprietary funds and pension trust funds utilize "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.
- (c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

In the government-wide Statement of Net Assets and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds, agency funds, and pension trust funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting (Continued)***

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal operation. The principal operating revenues of the enterprise funds are charges for services provided in accordance with the fund's purpose. Operating expenses for the enterprise funds include the costs of providing the services, including administration and depreciation on capital assets. All other revenue and expense items not meeting these criteria are reported as nonoperating revenues and expenses.

***Assets, Liabilities, and Fund Equity***

**Cash**

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of the date of maturity. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns. State statutes and the Town charter authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

**Investments**

The Town invests in various types of investments, which are stated at fair value in accordance with GASB Statement No. 31.

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$4,517,769 at June 30, 2011. The allowance for uncollectible accounts includes \$3,370,000 for property taxes, \$312,807 for tax lien property, \$106,702 for municipal court fines, \$587,427 for EMS rescue billings, \$5,833 for police details, and \$135,000 for first time home buyer loans offered through the CDBG program. Major receivable balances for the governmental activities include property taxes (approximately 78% of the gross receivable balance at June 30, 2011).

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, EMS billings, municipal court, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, and Fund Equity (Continued)***

**Property Taxes**

Real and personal property taxes are based on values assessed as of each December 31 (lien date) and attach as an enforceable lien on property as of August 1 (levy date). Assessed values are established by the Tax Assessor's Office and are currently calculated at 100% of the value. Taxes are due in equal quarterly installments on August 1, November 1, February 1, and May 1 following the levy date or taxes may be payable by a 10 month payment plan starting in September and lasting thru June. Taxes due and unpaid after the respective due dates are subject to interest at a rate of 12% per annum calculated on the unpaid portion of the total tax. An automatic lien is placed on the taxpayer's property if payment has not been received by the tax due date. Property taxes levied are recorded as receivables in the fiscal year of the levy. Property tax revenues are recorded in accordance with the modified accrual basis of accounting in the fund financial statements.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid assets. Prepays recorded in governmental type funds do not reflect current appropriated resources and, thus, an equivalent portion of the fund balance is reserved.

**Property, Plant and Equipment**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements as discussed below.

**Government-Wide Statements**

In the government-wide financial statements, long-lived 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 their estimated fair value at the date of donation.

The Town has adopted a formal capitalization policy which defined capital assets as assets with an estimated useful life in excess of one year and a cost basis of \$5,000 or more, except for land acquisitions which are recorded as capital assets regardless of the cost.

The government-wide financial statements include all infrastructure assets in accordance with GASB Statement #34.

Depreciation of all exhaustible capital assets is recorded, as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful life using the straight-line method of depreciation.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Liabilities, and Fund Equity (Continued)***

**Property, Plant and Equipment (Continued)**

**Government-Wide Statements (Continued)**

The range of estimated useful lives by type of asset is as follows:

Land Improvements	20 years
Buildings and improvements	20 to 100 years
Equipment, Furniture, and Fixtures	3 to 20 years
Vehicles	3 to 20 years
Infrastructure	20 to 50 years

**Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide statements.

**Deferred Revenues**

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which were assessed on December 31, 2009 and prior and are not collected within 60 days of June 30, 2011. Net deferred taxes included in the fund financial statements were \$4,263,165 at June 30, 2011. In addition, net deferred revenue in the fund financial statements includes EMS billings and Municipal Court fines receivable which were not considered available at June 30, 2011 totaling \$918,797 and \$74,516, respectively. Deferred revenues noted on the fund financial statements totaled \$5,256,478.

**Interfund Transactions**

Interfund activity within and among the funds of the Town have been classified and reported as follows:

- Reciprocal interfund activities:
  - Interfund loans are reported as interfund receivables in the lending fund and interfund payables in borrower funds.
  - Interfund services are reported as revenues in the seller fund and as expenditures or expenses in the purchasing fund.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Transactions (Continued)**

- Non-reciprocal interfund activities:
  - Interfund transfers are reported in governmental funds as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds transfers are reported after nonoperating revenues and expenses.
  - Interfund reimbursements are repayments from the fund responsible for particular expenditures or expenses to other funds that initially paid for them. Reimbursements are not displayed separately within the financial statements.

***Equity Classifications***

**Government-Wide Statements**

Equity is classified as net assets and displayed in 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 other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (b) Restricted net assets - Consists of net assets 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 provisions or enabling legislation.
- (c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. These categories are defined below:

- (a) Non-spendable Fund Balance – includes the amount of fund balance that cannot be spent because it is either (1) not in spendable form or (2) legally or contractually required to be maintained intact. "Not in spendable form" includes items that are not expected to be converted to cash.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Equity Classifications (Continued)***

**Fund Financial Statements (Continued)**

- (b) Restricted Fund Balance – includes amounts that are restricted to specific purposes. Fund balance is reported as restricted when constraints placed in the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislature.
- (c) Committed Fund Balance – includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specific use by taking the same type of action it employed to previously commit those amounts. The highest level of decision-making authority for the Town of North Providence is the Town Council. The Town Council passes Town Ordinances to establish committed fund balance.
- (d) Assigned Fund Balance – includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the governing body itself or (2) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- (e) Unassigned Fund Balance – is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may need to report a negative unassigned fund balance.

**Compensated Absences**

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. For governmental activities the general fund is used to satisfy this liability as it becomes due, while each enterprise fund accounts for all its settlement of business-type liabilities for compensated absences. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$57,257,008 are as follows:

Bonds payable, including bond premium.....	\$34,972,906
Lease purchase obligations .....	35,047
Accrued IBNR claims.....	391,590
Net Pension Obligation .....	5,585,860
Net OPEB Obligation .....	7,134,661
Compensated absences .....	<u>9,136,944</u>
<b>Total .....</b>	<b><u>\$57,257,008</u></b>

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this (\$238,337) difference are as follows:

Capital outlays .....	\$1,504,701
Depreciation expense .....	<u>(1,743,038)</u>
<b>Net adjustment .....</b>	<b><u>(\$ 238,337)</u></b>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this \$692,191 difference are as follows (before affect of allowance):

Deferred revenue - ending.....	\$9,320,608
Deferred revenue – beginning .....	<u>(8,628,417)</u>
<b>Net adjustment –increase net asset .....</b>	<b><u>\$ 692,191</u></b>

Another element of that reconciliation states that, “Net pension and OPEB obligations are long-term liabilities reported in the government-wide statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources.” The details of this (\$3,005,640) difference are as follows:

Increase in net OPEB Obligation .....	(\$2,354,637)
Increase in Net Pension Obligation .....	<u>( 651,003)</u>
<b>Net adjustment – decrease net assets .....</b>	<b><u>(\$3,005,640)</u></b>

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Recently Issued Accounting Standards***

During the fiscal year ended June 30, 2011 the Town implemented the following new accounting pronouncements:

- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. Implementation of this Statement required the restatement of fund balance at the beginning of the year due to reclassification of some of the governmental funds.
- ✓ GASB Statement No. 57 – OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.
- ✓ GASB Statement No. 59 – Financial Instruments Omnibus. Adoption of this Statement did not have a significant impact on the Town's fiscal 2011 financial statements.

The following are recently issued governmental accounting standards which will be applicable in future years. The impact of these pronouncements has not been determined.

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 61 – The Financial Reporting entity; Omnibus an amendment of GASB Statements No. 14 and 34, effective for the Town's fiscal year ended June 30, 2013.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, effective for the Town's fiscal year ending June 30, 2013.
- ✓ GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53, effective for the fiscal year ending June 30, 2012.

**2. BUDGETARY PROCESS**

**(a) Adoption**

In accordance with the North Providence Legislative Charter, the Town has formally established budgetary accounting control for its General Fund and the School Unrestricted Fund. The annual operating budget for the General Fund is subject to adoption by the Town Council. The School Unrestricted Fund is subject to an annual operating budget approved by the School Committee and adopted by the Town Council. The annual operating budgets' appropriation amounts are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. Appropriations, which are not expended lapse at year end. The Town's General Fund and School Unrestricted Fund operating budgets are in conformance with generally accepted accounting principals and the budget to actual presentations reflect the same basis of accounting.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**2. BUDGETARY PROCESS**

**(a) Adoption**

Amendments to the operating budget that do not result in additional appropriations may be made within departments by means of a transfer. The Mayor has authority to make such transfers within departments. Any other transfers made outside the department level during the fiscal year require Town Council approval. The level on which all budgeted funds may not legally exceed appropriations is at the departmental level.

**(b) General Fund**

The following General Fund departmental expenditures exceeded appropriations: Public Safety - \$222,219. These over expenditures were offset by positive variances of \$149,426 in Legislative, Judicial, and General Government; \$9,623 in Department of Finance; \$93,354 in Public Services/Works; \$9,553 grants and contributions; \$53,531 in Debt Service; and \$562,115 in other expenditures. Overall total expenditures of the General Fund (excluding transfers to School Unrestricted Fund) were less than the amount budgeted by \$655,383 while actual revenue received was over the amount budgeted by \$1,138,349.

As a result of the implementation of GASB Statement #54, the revenues restricted for the North Providence School Department are reported directly in the School Unrestricted Fund for GAAP purposes. Whereas, for budgetary purposes, these revenues are reported in the Town's General Fund with a matching transfer out to the School Unrestricted Fund. These revenues and transfers totaled \$12,500,296 for fiscal 2011. In addition, the revenue received from the State of Rhode Island for Library Grant Aid (\$154,613) is reported as revenue for GAAP purposes but netted against the grant to library expenditure for budget purposes. A reconciliation of the Town's General Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI - 1, is presented below:

**REVENUES AND OTHER FINANCING SOURCES**

<b>Total General Fund revenues and other financing sources from Exhibit B-2</b> .....	\$81,212,563
<b>Adjustments:</b>	
Proceeds from bond issuance not budgeted .....	(10,560,632)
State Aid, SFSF, and Medicaid included in School Unrestricted Fund for GAAP but part of budgetary basis revenue .....	12,500,296
Library grant aid netted with expenditures for budget purposes.....	<u>(154,613)</u>
<b>Total budgetary basis revenues and other financing sources from RSI -1</b> .....	<b><u>\$82,997,614</u></b>

**EXPENDITURES AND OTHER FINANCING USES**

<b>Total General Fund expenditures and other financing sources from Exhibit B-2</b> .....	\$71,132,224
<b>Adjustments:</b>	
Unbudgeted transfers to School Unrestricted Fund for deficit reduction .....	(2,228,708)
Bond issuance costs not part of budget .....	(299,568)
Library grant aid netted with expenditures for budget purposes.....	(154,613)
State Aid, SFSF, and Medicaid included as a transfer out for budget purposes but reported directly on the School Unrestricted Fund for GAAP .....	<u>12,500,296</u>
<b>Total budgetary basis expenditures and other financing uses from RSI - 1</b> .....	<b><u>\$80,949,631</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**2. BUDGETARY PROCESS (Continued)**

**(c) Special Revenue Funds**

As stated above the School Unrestricted Fund is the only other major governmental fund that has a formally adopted budget. The actual revenues and expenditures of Special Revenue Funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – (RSI - 2) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized for the School Unrestricted Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit B-2). GAAP purposes require the on-behalf pension contributions by the State of Rhode Island to be reported as both revenue and expenditures in the funds statements. In addition, the implementation of GASB Statement #54 resulted in the consolidation of some non-major governmental funds into the School Unrestricted Fund for GAAP purposes while these funds remain separate for budget purposes. A reconciliation of the School Unrestricted Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI - 2, is presented below:

**REVENUES AND OTHER FINANCING SOURCES**

<b>Total School Unrestricted revenues and other financing sources from Exhibit B-2.....</b>	<b>\$46,374,032</b>
<b>Adjustments:</b>	
Unbudgeted transfers in from the Town for deficit reduction .....	(2,228,708)
Literacy set-aside revenue budgeted but reported as separate Special Special Revenue Fund – School Restricted Fund .....	330,096
Revenue for Use of Property Fund not included in budgetary basis .....	(44,606)
Revenue for Preschool Tuition Fund not included in budgetary basis .....	(53,557)
State on behalf pension contribution not budgeted .....	<u>(1,589,000)</u>
<b>Total budgetary basis revenues and other financing sources from RSI - 2 .....</b>	<b><u>\$42,788,257</u></b>

**EXPENDITURES AND OTHER FINANCING USES**

<b>Total School Unrestricted expenditures and other financing sources from Exhibit B-2.....</b>	<b>\$44,634,923</b>
<b>Adjustments:</b>	
Literacy set-aside revenue budgeted but reported as separate Special Special Revenue Fund – School Restricted Fund .....	330,096
Expenditures for Use of Property Fund not included in budgetary basis.....	(37,327)
Expenditures for Preschool Tuition Fund not included in budgetary basis.....	(113,937)
State on behalf pension contribution not budgeted.....	<u>(1,589,000)</u>
<b>Total budgetary basis expenditures and other financing uses from RSI - 2.....</b>	<b><u>\$43,224,755</u></b>

**3. CASH AND INVESTMENTS**

The State of Rhode Island requires, that certain uninsured deposits be collateralized. Section 35-10.1-7 of the General Laws of the State of Rhode Island, dealing with the collateralization of public deposits, requires that all time deposits with maturities of greater than 60 days and all deposits in institutions that do not meet the minimum capital requirements of its Federal regulator must be collateralized.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**3. CASH AND INVESTMENTS (Continued)**

**Deposits**

The carrying amount of the Town's cash and cash equivalents at June 30, 2011 was \$15,830,685 (including Fiduciary Funds) while the bank balance was \$17,545,821. Of the bank balance, approximately \$14,842,415 was covered by federal depository insurance and \$2,703,406 was uninsured. The uninsured balance of \$2,703,406 was held in money market accounts (\$1,988,917) and accounts backed by federal securities (\$714,489). The Town has entered into certain collateralization agreements and as such the remaining uninsured balance is covered under collateralization agreements.

**Investments**

Investments of all idle funds shall be made through national banks or trust companies, providing that the financial conditions and integrity of said institution or institutions are verifiable and can be monitored. The investment of funds shall be in direct obligations of the United States Government and "money market instruments" rated "A" or better. Investments in any one institution shall not exceed 5% of that institutions capital and surplus as set forth in the institutions most recent audited financial statements. All investments will be made as would be done by prudent persons of discretion and intelligence in such matters who are seeking a reasonable rate of return and preservation of capital.

At June 30, 2011 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund totaled \$10,381,311. These investments consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds .....	\$ 913,973	n/a	n/a	not rated
1 Shares – Equities .....	2,546,268	n/a	n/a	not rated
Common Stock - Equities .....	<u>6,921,070</u>	n/a	n/a	not rated
<b>Total</b> .....	<b><u>\$ 10,381,311</u></b>			

**Interest Rate Risk**

The Town limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market funds, or similar investment pools. The investments noted above do not specify a rate of return rather the rate of return is dependent on operating results and economic conditions.

**Concentration of Credit Risk**

At June 30, 2011 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although virtually all of the investments are held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**4. PROPERTY TAXES**

During the year ended June 30, 2011, the Town received \$348,804 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$41.95 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008, 2008-2009, and 2009-2010 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$41.95.

The State of Rhode Island has also passed legislation to phase-out wholesale and retail inventory tax over a ten-year period effective July 1, 1999. The phase-out of this tax was supposed to be supplemented through an increase in General Revenue Sharing (GRS). The GRS was supposed to be increased from the effective rate of 1% on June 30, 1998 to 4.7% on June 30, 2009. Based on fiscal problems with the State budget over the last few years the program did not increase as scheduled in the 2006, 2007, 2008 or 2009 fiscal years. In fiscal 2004, 2.7% of total State tax revenues were earmarked for GRS to cities and towns. In fiscal 2005 an additional \$1 million was added to the total GRS to cities and towns rather than the planned increase to 3% of the State tax revenues. In fiscal 2006 GRS was increased to 3% of the State tax revenues. In fiscal 2007 GRS was increased by \$137,875 and then cut by \$10,000,000 in fiscal 2008. During the 2009 fiscal year GRS was cut by another \$25,111,876 through the final adopted supplemental State budget. For fiscal 2010 the Governor's budget has eliminated all GRS to Cities and Towns resulting in a loss of \$25,000,000 to the Cities and Towns in the State of Rhode Island.

An automatic lien is placed on the taxpayer's property if payment has not been received by the due date. Interest is charged on past due accounts at a rate of 12% per annum calculated on the unpaid portion of the total tax. The Town does not record interest on delinquent taxes until payment is received.

Net property taxes levied for fiscal year 2011 were based on a net assessed value of approximately \$2,804,377,500 at December 31, 2009 and amounted to approximately \$65,311,452. Collections on this assessment recognized as revenue for the year ended June 30, 2011 amounted to approximately \$61,545,666 which represents approximately 94% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2011 (\$5,043,388) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,370,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2011 are recorded as deferred revenue and amounted to \$4,263,165 at June 30, 2011. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2011 (due to their collection within the 60 days immediately following June 30, 2011) amounted to \$780,223.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**5. ACCOUNTS RECEIVABLE**

At June 30, 2011 General Fund accounts receivable on the fund statements consisted of the following:

	<u>Receivable Balance</u>	<u>Allowance</u>	<u>Net Receivable</u>	<u>Recognized 60 Day Rule Collections</u>	<u>Fund Statement Deferred Revenue</u>
Property taxes .....	\$ 8,413,388	(\$3,370,000)	\$5,043,388	\$780,223	\$4,263,165
Tax lien property .....	312,807	(312,807)	0	0	0
Municipal Court fees .....	181,218	(106,702)	74,516	0	74,516
EMS Rescue billings .....	1,506,224	(587,427)	918,797	0	918,797
Other receivables .....	109,441	(5,833)	103,608	103,608	0
<b>Total</b> .....	<b>\$10,523,078</b>	<b>(\$4,382,769)</b>	<b>\$6,140,309</b>	<b>\$883,831</b>	<b>\$5,256,478</b>

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>Balances 7/1/10</u>	<u>Additions</u>	<u>Retirements &amp; Disposals</u>	<u>Balances 6/30/11</u>
<b>Governmental Activity:</b>				
<b>Nondepreciable Assets:</b>				
Land .....	\$15,582,648			\$15,582,648
Construction in progress .....	312,169	\$ 56,621	(\$368,790)	0
<b>Total nondepreciable assets</b> .....	<b>15,894,817</b>	<b>56,621</b>	<b>( 368,790)</b>	<b>15,582,648</b>
<b>Depreciable Assets:</b>				
Buildings and improvements .....	44,424,224	134,291		44,558,515
Land improvements .....	217,500	47,060		264,560
Vehicles .....	4,756,582	218,611	(93,826)	4,881,367
Equipment, furniture and fixtures .....	2,301,552	548,499	(57,923)	2,792,128
Infrastructure .....	5,596,893	868,409		6,465,302
<b>Total depreciable assets</b> .....	<b>57,296,751</b>	<b>1,816,870</b>	<b>(151,749)</b>	<b>58,961,872</b>
<b>Total cost</b> .....	<b>73,191,568</b>	<b>1,873,491</b>	<b>(520,539)</b>	<b>74,544,520</b>
<b>Accumulated Depreciation:</b>				
Buildings and improvements .....	(19,494,210)	(802,604)		(20,296,814)
Land improvements .....	(190,756)	(3,918)		(194,674)
Vehicles .....	(3,852,318)	(357,304)	(93,826)	(4,115,796)
Equipment, furniture and fixtures .....	(1,194,575)	(243,407)	(57,923)	(1,380,059)
Infrastructure .....	(2,888,217)	(335,805)		(3,224,022)
<b>Total accumulated depreciation</b> .....	<b>(27,620,076)</b>	<b>(1,743,038)</b>	<b>(151,749)</b>	<b>(29,211,365)</b>
<b>Net capital assets</b> .....	<b>\$45,571,492</b>	<b>\$ 130,453</b>	<b>(\$368,790)</b>	<b>\$45,333,155</b>

Certain capital asset balances at July 1, 2010 have been reclassified to agree to the June 30, 2011 presentation.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**6. CAPITAL ASSETS (Continued)**

	<u>Balances</u> <u>7/1/10</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/11</u>
<b>Business- type Activities:</b>				
Machinery, equipment and furniture .....	\$ 93,795			\$93,795
<b>Accumulated Depreciation:</b>				
Machinery, equipment and furniture .....	<u>(93,795)</u>			<u>(93,795)</u>
<b>Net capital assets</b> .....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Depreciation expense for the year ended June 30, 2011 was charged to the following functions/programs of the Town:

**Governmental Activities:**

Legislative, judicial, and administrative .....	\$ 101,082
Public safety.....	591,641
Public services/works .....	216,397
Grants and Contributions.....	168,038
Education.....	<u>665,880</u>
<b>Total</b> .....	<u>\$1,743,038</u>

**7. TAX ANTICIPATION NOTE PAYABLE**

At June 30, 2011 the Town had tax anticipation notes payable on September 21, 2011 in the amount of \$4,000,000. The notes bear interest at an annual rate of 3.5%. The accrued interest on this obligation is included in accrued liabilities in the government-wide Statements of Net Assets and Activities. In addition at June 30, 2011 the Town recorded the accrued interest liability in the Balance Sheet of the General Fund (Fund statements) as it was expected to be paid with current measurable and available resources.

<u>Balance</u> <u>7/1/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2011</u>
<u>\$7,500,000</u>	<u>\$4,000,000</u>	<u>\$7,500,000</u>	<u>\$4,000,000</u>

Subsequent to June 30, 2011 the \$4,000,000 tax anticipation note matured and the balance along with interest was paid in full. On December 21, 2011 the Town entered into a new tax anticipation note obligation in the amount of \$4,000,000 with interest at 3.75%. The note is due in full on June 26, 2012.

**8. DUE FROM FEDERAL AND STATE GOVERNMENTS**

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2011:

	<u>Due From</u>
<b>General Fund:</b>	
State of Rhode Island .....	\$1,275,915
<b>Other Governmental Funds:</b>	
State of Rhode Island .....	933,237
<b>School Cafeteria Fund:</b>	
State of Rhode Island .....	<u>46,769</u>
<b>Total all fund types</b> .....	<u>\$2,255,921</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**9. INTERFUND BALANCES**

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2011 is as follows:

<b><u>Governmental Funds:</u></b>	<b><u>Due From Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
<b>Major Governmental Funds:</b>		
General Fund.....	\$ 1,106,492	\$ 3,620,425
School Unrestricted Fund .....	3,778,720	3,361
Debt Service Fund .....	0	1,103,969
<b>Non-major Governmental Funds:</b>		
Police Grants .....	12,394	0
Dare Fund Program .....	3,198	0
Drug Free Community Grant .....	3,536	0
Federal Drug Forfeiture Fund .....	0	2,522
Emergency Management.....	34,372	0
Fire Alarm Tie-in .....	5,022	0
EPA Grant.....	3,120	0
Fire Prevention Fund .....	53,669	0
Historical Records Trust .....	22,566	0
Land Trust Reserve Fund .....	120,233	0
Recording Fees Fund .....	226,942	0
Decon Grant.....	14	0
Substance Abuse Task Force.....	54,760	11,750
Recycling Fund .....	21,605	0
Stormwater Grant.....	2,160	0
LSTA (Library) Grant.....	2,224	0
Comprehensive Plan Grant .....	6,328	0
Federal Energy Grant .....	285	0
State Energy Grant .....	4,390	0
School Restricted Fund.....	725,978	1,602,558
School Capital Reserve Fund .....	156,577	0
<b>Total Interfund Balances.....</b>	<b><u>\$6,344,585</u></b>	<b><u>\$6,344,585</u></b>

Generally Accepted Accounting Principles (GAAP) requires that fund balance be reported as nonspendable for the amount due from other funds which is not expected to be collected within one year. As of June 30, 2011 management has not reported nonspendable fund balance for amounts due from other funds due to the belief that all interfund receivable balances will be collected during the fiscal year ended June 30, 2012.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**10. LONG-TERM DEBT**

(a) At June 30, 2011, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>									
<b>General obligation bonds:</b>									
General Obligation Bonds.....	10/15/03	\$16,500,000	10/15/23	2.0% - 4.55%	\$13,105,000		\$ 670,000	\$12,435,000	\$ 700,000
Rhode Island Clean Water.....	06/01/94	1,597,000	09/01/14	4.03%	399,250		79,850	319,400	79,850
General Obligation Refunding.....	06/29/01	17,165,000	09/15/14	2.7-4.7%	7,640,000		1,395,000	6,245,000	1,455,000
Various Purpose Bond.....	07/15/99	1,500,000	07/15/11	5.75%	300,000		150,000	150,000	150,000
Public Improvement Bond.....	06/29/01	1,300,000	03/15/11	3.34-6.54%	165,000		165,000	0	0
General Obligation Bonds.....	10/01/01	4,500,000	09/15/21	4.52-4.56%	2,700,000		225,000	2,475,000	225,000
General Obligation Bond.....	02/15/07	3,500,000	6/12 & 6/27	4.0-5.375%	2,975,000		175,000	2,800,000	175,000
Premium on deficit reduction bond.....	07/15/10	60,632				60,632	12,126	48,506	0
Deficit Funding Bond.....	07/15/10	10,500,000	07/15/15	2.8-4.12%	0	10,500,000	0	10,500,000	1,975,000
		<u>\$56,622,632</u>			<u>27,284,250</u>	<u>10,560,632</u>	<u>2,871,976</u>	<u>34,972,906</u>	<u>4,759,850</u>
<b>Total general obligation bonds.....</b>									
<b>Lease purchase obligations:</b>									
Fire Department - turn out gear equip	03/22/06	186,345	07/15/10	5.17%	39,994		39,994	0	0
Police - 2008 Tahoe.....	02/28/08	25,200	02/28/11	5.28%	5,949		5,949	0	0
Telephone Lease (Town).....	04/01/09	59,437	04/01/14	7.00%	46,270		11,223	35,047	12,035
Fire - 2008 Tahoe.....	04/16/08	24,500	04/16/11	5.28%	7,175		7,175	0	0
		<u>\$295,482</u>			<u>99,388</u>	<u>0</u>	<u>64,341</u>	<u>35,047</u>	<u>12,035</u>
<b>Total lease purchase obligations..</b>									
Compensated absences.....					9,655,580		518,636	9,136,944	1,100,000
Net pension obligation.....					4,934,857	651,003	0	5,585,860	0
Net OPEB obligation.....					4,780,024	2,354,637	0	7,134,661	0
IBNR claims.....					558,691	391,590	558,691	391,590	391,590
					<u>19,929,152</u>	<u>3,397,230</u>	<u>1,077,327</u>	<u>22,249,055</u>	<u>1,491,590</u>
<b>Governmental activities long-term liabilities.....</b>					<u>\$47,312,790</u>	<u>\$13,957,862</u>	<u>\$4,013,644</u>	<u>\$57,257,008</u>	<u>\$6,263,475</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**10. LONG-TERM DEBT (Continued)**

**(b) Additional Debt Information**

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap can not exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$84,221,300 which is 3% of the assessed value of property at December 31, 2009 (\$2,807,378,000). The Town's total bonded debt at June 30, 2011 was \$34,924,400 which is less than the maximum amount allowed. Also some of the Towns bonded debt may be exempt from the 3% calculation resulting in additional amounts available within the cap. The total long-term debt of the Town (\$57,257,008) represents approximately 2.0% of the assessed value of the taxable property of the Town at June 30, 2011.

Interest accrued on debt obligations is reported as a liability and expense in the government-wide financial statements. However, it is not reported in the Fund Statements until it is paid with measurable and available resources. Accrued interest expense recorded for the tax anticipation note obligations and long-term debt obligations of the Governmental Activities was approximately \$446,000 at June 30, 2011.

Compensated absences of \$9,136,944 at June 30, 2011 represent vested sick, personal, and vacation time earned by employees as of June 30, 2011 in accordance with their applicable employment contracts. This balance is comprised of \$6,885,346 for Town personnel and \$2,251,598 for School Department personnel.

**(c) Debt Service Requirements**

The Town's future debt service requirements relating to outstanding bond and lease purchase obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and library improvements:

**Governmental Activities**

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012 .....	\$ 4,771,885	\$ 1,336,470	\$ 6,108,355
2013 .....	4,782,755	1,161,390	5,944,145
2014 .....	4,949,957	977,153	5,927,110
2015 .....	5,124,850	776,529	5,901,379
2016 .....	3,500,000	601,025	4,101,025
2017 – 2021 .....	6,950,000	1,773,794	8,723,794
2022 – 2026 .....	4,705,000	401,434	5,106,434
2027 – 2028 .....	175,000	7,438	182,438
Total .....	<u>\$34,959,447</u>	<u>\$7,035,233</u>	<u>\$41,994,680</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**10. LONG-TERM DEBT (Continued)**

**(d) Advanced and Current Refundings and Defeased Debt**

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, would not be reflected in the financial statements of the Town of North Providence, Rhode Island.

The Town does not have any defeased bonds outstanding at June 30, 2011.

**(e) Schedule of long-term debt by purpose at June 30, 2011 is as follows:**

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds.....	\$24,424,400	43%
Deficit reduction bond and bond premium.....	10,548,506	18%
Lease purchase obligations – Public Safety.....	35,047	0%
Net pension obligation – Public Safety – Police Plan.....	5,585,860	10%
Net OPEB obligation.....	7,134,661	12%
IBNR claims.....	391,590	1%
Compensated absences.....	9,136,944	16%
<b>Total</b> .....	<b><u>\$57,257,008</u></b>	<b><u>100%</u></b>

**11. FUND EQUITY BALANCES (DEFICITS)**

**(a) Fund Balances**

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. See Note 1 of these financial statements for definitions of these five Fund Balance categories. The detail of the composition of Nonspendable, Restricted, and Committed Fund Balance

At June 30, 2011 **Nonspendable Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**General fund:**

Prepaid expenditures – health care deposits ..... \$ 568,000

At June 30, 2011 **Restricted Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**Debt Service Fund:**

Funds restricted for debt service payments  
on the deficit reduction bond obligation ..... \$1,035,552

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**11. FUND EQUITY BALANCES (DEFICITS) (Continued)**

**(a) Fund Balances (Continued)**

At June 30, 2011 **Restricted Fund Balance** consisted of the following (Continued):

**NONMAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Community development programs.....	\$ 15,446
Police/Public safety programs .....	1,029,891
Preservation of records and technology .....	241,771
Educational programs.....	72,176

**Capital Projects Funds:**

Educational facilities and equipment .....	420,054
Public work improvements.....	<u>87,471</u>

**Total NonMajor Governmental Fund .....** **\$1,866,809**

At June 30, 2011 **Committed Fund Balance** consisted of the following:

**NONMAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Land acquisition and preservation .....	\$ 120,233
Recycling program .....	21,544

**Capital Projects Funds:**

Elementary School improvements.....	<u>10,001</u>
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**Total NonMajor Governmental Fund .....** **\$151,778**

The Town of North Providence does not currently have a spending policy regarding the order in which restricted, committed, assigned, and unassigned fund balances are spent when more than one amount is available for the expenditures incurred. Accordingly, by default, the Town is following the policy prescribed by GASB Statement No. 54 which specifies that fund balance is reduced first by committed, then by assigned, then by unassigned when expenditures are incurred for purposes for which any unrestricted fund balance could be used. In all situations, the Town considers restricted fund balance to be used first when available and when expenditures are incurred that meet the requirements of the restricted fund balance.

**(b) Fund Deficits**

The following individual funds had deficit fund equity balances at June 30, 2011:

**Major Governmental Funds:**

School Unrestricted Fund .....	\$ 182,478
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**NonMajor Governmental Funds:**

**Special Revenue Funds:**

Police Grants .....	<u>2,453</u>
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**Fund Balance Deficits at June 30, 2011 .....** **\$ 184,931**

The deficit fund balances noted above will be eliminated by future revenue and/or deficit reduction plans adopted by the Town Council and/or School Committee.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**11. FUND EQUITY BALANCES (DEFICITS) (Continued)**

**(b) Fund Deficits (Continued)**

The following individual funds had deficit net assets at June 30, 2011:

**Business-Type Activities:**

School Cafeteria ..... \$83,580

Management will be reviewing the School Cafeteria Fund to determine ways to increase profitability through an increase in user fees and/or cost saving strategies, or appropriation from the School Unrestricted Fund.

The following individual funds had operating deficits for the fiscal year ending June 30, 2011:

**Major Governmental Funds:**

School Unrestricted Fund ..... \$182,478

**Nonmajor Governmental Funds:**

**Special Revenue Funds**

Police Grants ..... \$ 2,181

Fire Alarm Tie-In ..... 12,184

Fire Prevention Fund ..... 13,919

Swat Team Fund ..... 1,005

**Total deficits non-major governmental activities..** **\$ 29,289**

**12. INTERFUND TRANSFERS**

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer Out</u>	School Unrestricted Fund	Non-major Governmental Funds	Debt Service Fund	Total Transfer Out
General Fund .....	\$32,186,571	\$12,922	\$1,200,000	\$33,399,493
School Unrestricted Fund.....	0	7	0	7
Non-major Governmental Funds.	0	2,091	0	2,091
<b>Total transfer in.....</b>	<u><b>\$32,186,571</b></u>	<u><b>\$15,020</b></u>	<u><b>\$1,200,000</b></u>	<u><b>\$33,401,591</b></u>

**13. DEFINED BENEFIT PENSION PLANS**

**(a) General Municipal Employees' Pension Plan**

The Town of North Providence participates in the Municipal Employees' Retirement System (MERS) of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for fire personnel. All full-time Town and non-certified School Department general employees participate in the System.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(a) General Municipal Employees' Pension Plan (Continued)**

The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$6,900,000 and the Town wide payroll was approximately \$46,000,000.

**Plan Description**

The MERS was established under section one of chapter 2784 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate.

The plan generally provides retirement benefits equal to 2 percent of a member's final average salary multiplied by the number of years of total service up to a maximum benefit of 75 percent of final average salary. Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age sixty-two and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two, including cost of living increases, minus the member's estimated social security benefit payable at age sixty-two. Such benefits are available to members at least age 58 with 10 years of service or after 30 years regardless of age. An optional cost of living provision may be elected. The general employees of the Town of North Providence have not elected the cost of living provision. The plan also provides nonservice-connected disability benefits after 5 years of service, service-connected disability pensions with no minimum service requirement, vested benefits after 10 years of service; survivor's benefits, and certain lump sum death benefits.

**Contributions Required and Contributions Made**

Town of North Providence general employees are required by State Statute to contribute 6 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2008.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2011 was \$0 for general employees. This contribution represents 0% of covered payroll. General municipal employees were required to contribute approximately \$414,000. This contribution represents 6% of covered payroll for the period July 1, 2010 to June 30, 2011.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(a) General Municipal Employees' Pension Plan (Continued)**

**Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$184,393	100%	\$0
2010	\$40,500	100%	\$0
2011	\$0	100%	\$0

Trend information showing the System's progress (See RSI - 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2010 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$26,260,322
- Actuarial accrued liability - \$26,570,377
- Funding Deficit - \$310,055
- Funded Ratio - 98.8%
- Annual covered payroll - \$7,249,635
- Funding Deficit as percentage of covered payroll - 4.3%

***Subsequent to June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results presented above. The changes will be reflected in future financial statements.***

**(b) Municipal Fire Pension Plan**

The Town of North Providence participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and firemen. All full-time fire employees participate in the System.

The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$5,116,500 and the Town wide payroll was approximately \$46,000,000.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(b) Municipal Fire Pension Plan (Continued)**

**Plan Description**

The following eligibility and benefit provisions are established by State Statute. The System provides the following retirement benefits to employees at or after age 55 with 10 years of service or after 25 years of service with no restriction on age. Members may retire receive reduced benefit if they are at least age 50 and have at least 20 years of service. Fire personnel may elect for an optional cost-of-living provision. However, the Town of North Providence has not opted for the optional cost-of-living provision under MERS. The Town of North Providence has elected the optional 20-year retirement provision for its firefighters and accordingly an additional 1% contribution is required by all participating employees (normal employee contribution rate 7% plus option provision 1% - total employee contribution 8%).

Monthly retirement benefits are equal to 2.5% of the member's monthly final average compensation for each year of service, up to 30 years (75% of final average compensation maximum). Final average compensation is the three highest consecutive years of earned salary exclusive of overtime, bonuses or severance pay. The plan also provides non-occupational disability benefits after 5 years of service, occupational disability benefits with no minimum service requirement, survivors' benefits, and certain lump sum death benefits. Employees are vested in their retirement benefits on completion of 10 years of service. Retirees' benefits are adjusted annually by 3 percent, not compounded, to allow for increases in the cost of living.

**Contributions Required and Contributions Made**

Fire personnel are required by State Statute to contribute 8 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2008.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2011 was approximately \$494,000. This contribution represents 9.67% of covered payroll for the fiscal year ended June 30, 2011. Employees were required to contribute approximately \$409,000 or 8% of the covered payroll for the fiscal year ended June 30, 2011.

The most recent actuarial assumptions reduced the investment rate of return from 8.25% to 7.5% and made adjustments to the mortality tables. There were no other current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(b) Municipal Fire Pension Plan (Continued)**

**Trend Information**

**Municipal Fire Pension Plan:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$620,000	100%	\$0
2010	\$617,000	100%	\$0
2011	\$494,000	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Fire Pension Plans with a valuation date of June 30, 2010, which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$27,623,708
- Actuarial accrued liability - \$35,889,123
- Unfunded actuarial accrued liability (UAAL) - \$8,265,415
- Funded Ratio – 77.0%
- Annual covered payroll - \$5,223,668
- UAAL as percentage of payroll – 158.2%

**Subsequent to June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results presented above. The changes will be reflected in future financial statements.**

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

13. **DEFINED BENEFIT PENSION PLANS (Continued)**

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

	General Municipal Employees <u>Pension Plan</u>	Municipal Fire <u>Pension Plan</u>
Valuation Date .....	6/30/10	6/30/10
Actuarial Cost Method .....	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method .....	Level Percent Closed – 30 year from June 30, 1999	Level Percent Closed –30 year from 6/30/99
Remaining Amortization Period .....	19 years	19 years
Asset Valuation Method .....	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return .....	7.5%, compounded annually	7.5%, compounded annually
Projected Salary Increases .....	4.0% to 8.0%, compounded annually	4.25% to 14.25%, compounded annually
Inflation Adjustment .....	2.75%	2.75%
Cost-of-living Adjustments .....	3%, not compounded, beginning on the January 1 following participant's retirement	3%, not compounded, beginning on the January 1 following participant's retirement
Participant Information .....	Active Employees 246	Active Employees 93
	Retirees and beneficiaries 155	Retirees and beneficiaries 54
	<u>401</u>	<u>147</u>

Note: Town of North Providence has opted 20-year optional Fire Plan but not the COLA for either the General Municipal Employees or the Fire Plan.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(c) Teacher's Pension Plan**

All North Providence School Department certified school personnel participate in the Employees' Retirement System (ERS) of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The covered payroll for employees covered by the System for the year ended June 30, 2011 was approximately \$21,396,000, which consisted of \$926,000 for employees charged to federal programs and approximately \$20,470,000 for all other certified employees. The School Department's total payroll was approximately \$27,300,000. The Town wide payroll for the year ended June 30, 2011 was approximately \$46,000,000.

**Plan Description**

The ERS was established under section two of chapter 2334 of the Rhode Island Public Laws of 1951 and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, or title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of title 16 of the Rhode Island General Laws. The plan provides a two tier benefit structure referred to as schedules A and B as follows:

**Schedule A Benefits:** Schedule A benefits are available to members who possess 10 years or more of contributory service on or before July 1, 2005. Schedule A provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years of service; 3.0% per year for each of the next fourteen years; and 2% for the 35<sup>th</sup> year. Joint and survivor options are available as well as the Service Retirement Allowance (SRA) Plus option that provides for the payment of a larger benefit before the attainment of age 62 and a reduced amount thereafter. The reduced amount is equal to the benefit before age 62, including cost-of-living increases, minus the member's estimated social security benefit payable at age 62. The maximum benefit is 80% of "final average" (FAC) earnings after 35 years of service. Final average earnings are the three highest consecutive years of earned salary excluding overtime, bonuses, or severance pays. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. On the third January after retirement, a cost-of-living increase of 3% (compounded annually) is provided independent of actual changes in the consumer price index. The plan also provides nonservice-connected disability benefits after five years of service; service connected disability pensions with no minimum service requirements; vested benefits after ten years of service; survivor's benefits for service connected death; and certain lump sum death benefits. For Schedule A members who are not grandfathered, i.e., members who had at least 10 years of creditable service at June 30, 2005 but who were not eligible to retire on September 30, 2009, benefits are based on Schedule A for services through September 30, 2009 and on Schedule B for services after September 30, 2009. Maximum benefit is 80% of FAC.

**Schedule B Benefits:** Schedule B benefits are provided to members who have less than 10 years of contributory service on or before July 1, 2005. For Schedule B members, the plan provides unreduced benefits of 1.6% of earnings for each of the first ten years of service; 1.8% for each of the next ten years; 2.0% per year for years 21 through 25 inclusive; 2.25% per year for years 26 through 30 inclusive; 2.5% per year for years 31 through 37 inclusive and 2.25% for the 38<sup>th</sup> year. Only single life, and joint and survivor options are available. The maximum benefit is 75% of his or her average highest three years of compensation after 38 years of service. Such benefits are available to members at least age 65 with 10 years of service, or after 29 years of service and age 59. Actuarially reduced retirement is available at age 55 and 20 years of service, the benefit is reduced actuarially for each month that the age of the member is less than sixty-five years. On the month following the third anniversary date of the retirement, and on the month following the anniversary date of each succeeding year, a cost of living increase of 3% (compounded annually) or the percentage of 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, whichever is less is provided for Schedule B members.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(c) Teacher's Pension Plan (Continued)**

**Plan Description (Continued)**

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2010 which can be found at [www.ersri.org](http://www.ersri.org).

**Funding Policy**

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 11.25%, 11.25%, and 11.886% for all full-time employees for fiscal years 2011, 2010, and 2009, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 7.5 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.0 – 12.75 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A Members - 3.0 percent compounded annually, grandfathered, 2.35% nongrandfathered. Schedule B Members – 2.35%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2011, actuarial required contributions were 19.01% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 7.76% of non-federally reimbursable payrolls which contribution totaled \$1,589,000 for the fiscal year ended June 30, 2011. The School Department contributed the remaining 11.25% of the required 19.01%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2010 represented approximately 2.3% percent of total contributions required of all local employers participating for the fiscal year ended June 30, 2010 (latest available information).

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(c) Teacher's Pension Plan (Continued)**

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee (approximate)</u>	<u>Town's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2011	\$2,032,000	\$2,478,400	100%
2010	\$2,046,000	\$2,481,000	100%
2009	\$2,265,000	\$2,835,000	100%

In accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," the School Department has determined that there are no assets or liabilities relating to the funding requirements of the plan.

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2010 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at [www.ersri.org](http://www.ersri.org).

**(d) Police Pension Plan**

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2011. The covered payroll for employees covered by the plan for the year ended June 30, 2011 was approximately \$3,678,000 while the Town wide payroll for the year ended June 30, 2011 was approximately \$46,000,000.

**Plan Description**

The plan became effective July 1, 1978. All police officers working 1000 hours or more in a plan year and contributing to the plan are eligible for retirement benefits. Participants are eligible for vested benefits after 10 years of service. The plan provides retirement benefits as well as death and disability benefits. Participants in the plan are eligible to retire at the completion of 20 years of service. Normal retirement benefit is 2.5% of average compensation for each year of credited service, up to 20 years, plus 2% of average compensation for each year of credited service in excess of 20 years with a maximum of 75% of average compensation. Benefit is payable as an unreduced 67.5% Joint and Survivor Annuity. Average compensation is defined as the average of the 3 highest non-consecutive years during the last 10 years of base annual pay including longevity pay and excluding overtime.

Participants are eligible for non-occupational disability benefits after 7 years of service. Occupational disability benefits are provided to all employees immediately. Non-occupational disability benefits are 50% of average compensation as of the disability date while occupational disability benefits are equal to 66.67% of average compensation as of the date of disability.

Pre-Retirement Spouse's Death Benefit is immediate. The spouse is entitled to 40% of final average salary plus 10% for dependent children, subject to a maximum of 50%. If no surviving spouse, 15% of final average salary for each dependent subject to maximum of 45% and ceasing when the last child has attained his/her 18<sup>th</sup> birthday. The benefit is payable immediately following the death of the participant.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(d) Police Pension Plan (Continued)**

**Plan Description (Continued)**

The plan provides benefits prior and subsequent to retirement. The death benefit prior to retirement is \$400 times the number of years of service, subject to a minimum of \$2,000 and a maximum of \$8,000, but no less than the employee accumulation. If death occurs after termination of employment, only the employee accumulation is payable. The death benefit subsequent to retirement is determined as above reduced by ¼ for each year subsequent to retirement, subject to a minimum of \$2,000 or the employee accumulation less annuity payments received. If employment is terminated prior to his/her retirement date, only the employee accumulation less payments received is payable.

Cost of living increases – Participants retiring between July 1, 1986 and prior to July 1, 2004, with 20 years of service, a lump sum payment will be made on each January 1<sup>st</sup>. The payment is initially 3% of the annual retirement allowance, increasing each year by 1% to a maximum of 12%. For participants retiring after July 1, 2004 and prior to July 1, 2006, with 20 years of service, a lump sum payment will be made on each January 1<sup>st</sup> beginning January 1, 2007. The payment is 3% of the initial annual retirement allowance, not compounded, for a period of 15 years. Those retiring after July 1, 2004 but prior to January 1, 2006 shall receive the COLA set forth above until January 1, 2007 at which time the 3% COLA will commence. Those participants retiring after July 1, 2006, with 20 years of service will receive a lump sum payment on each January 1<sup>st</sup> following the date of retirement and each January thereafter for 25 years. The payment is 3% per year of the original benefit, not compounded. At the end of 25 years, the COLA will not increase, but the final benefit will continue to be paid thereafter.

**Contributions Required and Contributions Made**

Under the provisions of the plan, employees are required to contribute 8% of their compensation effective January 1, 2007. Prior to January 1, 2007 the employee's contributions were 7% of their compensation. The plan actuarial valuation dated July 1, 2007 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2011. The Town's annual required contribution for the fiscal year ended June 30, 2011 was \$1,529,633 while actual contributions made were approximately \$789,000. The employer required contribution (ARC) represents 39.9% of the covered payroll.

The Town's annual pension cost (APC) and net pension benefit obligation (NPO) for the Police Pension Fund for the year ended June 30, 2011 was as follows:

Annual required contribution (ARC).....	\$ 1,529,633
Interest on net pension obligation.....	357,777
Adjustment to ARC .....	<u>(447,180)</u>
Annual pension cost (APC).....	1,440,230
Town contributions made.....	<u>789,227</u>
Increase in net pension obligation .....	651,003
Net pension benefit obligation, June 30, 2010 .....	<u>4,934,857</u>
<b>Net pension benefit obligation, June 30, 2011.....</b>	<b><u>\$ 5,585,860</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(d) Police Pension Plan (Continued)**

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 789,227	\$1,440,230	54.80%	\$5,585,860
6/30/2010	\$ 746,432	\$1,459,506	51.14%	\$4,934,857
6/30/2009	\$ 820,962	\$1,475,222	55.65%	\$4,221,783

The net pension obligation of \$5,585,860 at June 30, 2011 is included as a long-term obligation in the government-wide statement of net assets.

**Actuarial Methods and Assumptions:**

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2010 dated November 9, 2011 (latest available). There have been no significant changes in the actuarial assumptions from the previous valuation. The schedule of funding progress is presented in the Required Supplementary Information Section of these financial statements as RSI-3. The unfunded actuarial accrued liability at July 1, 2010 has been calculated at approximately \$16,575,000.

**Entry Age Normal Method**

**Investment Return** – 7.25%

**Amortization Period** – Level dollar amount over 25 years effective 7/1/2007 – 22 years remaining at 7/1/2010

**Salary Increases** – 4.0% annually    **Payroll Growth Rate** – 4%

**Healthy Mortality** – RP-2000 Combined Healthy Table

**Disabled Mortality** – RP – 2000 Disabled Table

**Retirements** – 25% of active members are assumed to retire on completion of 20 years of service; 5% retire at each age thereafter; 100% are assumed to have retired by age 55.

**Turnover** – 25% of the Sarason T-1 Table

**Disability** – The United Auto Workers Table. 50% of disabilities are assumed to be duty related.

**Survivors** – 90% of men and 75% of women are assumed to be married, with wives four years younger than husbands. 100% of active members are assumed to have one dependent child.

**Plan Expenses** - None (Prior year - Administrative expenses are estimated using prior year's actual expenses increased by 3%, rounded to the nearest \$1,000.

A complete copy of the Town of North Providence, Rhode Island Police Pension Plan Annual Actuarial Valuation as of July 1, 2010 for Fiscal Year 2011-2012 (latest available) can be obtained by contacting the Finance Department, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**13. DEFINED BENEFIT PENSION PLANS (Continued)**

**(d) Police Pension Plan (Continued)**

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police Pension Plans with a valuation date of July 1, 2010, which is the most recent report available from the Actuary hired by the Town to conduct a valuation.

**Police Pension Plan:**

- Actuarial value of assets - \$13,748,156	- Actuarial accrued liability - \$30,323,300
- Unfunded actuarial accrued liability (UAAL) - \$16,575,144	
- Funded Ratio – 45.3%	- Annual covered payroll - \$3,583,371
- UAAL as percentage of payroll – 462.6%	

**14. DEFERRED COMPENSATION PLAN**

The Town offers its municipal employees a deferred compensation plan established in accordance with the provisions of Internal Revenue Code Section 457 (g). The Town has not reported these plans on its financial statements in accordance with GASB No. 32, "Accounting for Internal Revenue Code Section 457 Deferred Compensation Plans", since the Town does not have fiduciary responsibility for these plans. The Plans, available to all municipal employees, permit the deferral of a portion of their salary. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by an outside agency and the Town is only liable for remitting employee withholdings.

**15. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN**

The Town of North Providence is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation claims; and natural disasters for which the Town carries commercial insurance. Premiums are charged as expenditures as incurred. Settled claims resulting from these risks have not created additional premiums to the Town over the past several years and it is not anticipated that additional premiums will result from current year activity. There have been no significant reductions in insurance coverage from prior years.

The Town has a cost-plus financing plan in order to finance the costs of its health, dental, and workers compensation insurance benefits. Under this cost-plus plan the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program. During fiscal 2009 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims (and in fiscal 2011 dental claims). All departments of the Town participate in the self insurance program (cost plus basis) through RIMIC.

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2011 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**15. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN (Continued)**

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2011 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2011. Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2011 were as follows:

Incurred but not reported claims (IBNR), June 30, 2010.....	\$ 558,691
Approximate amount of incurred claims .....	9,482,024
Paid claims including amount in accounts payable at June 30, 2011 .....	<u>(9,649,125)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2011 .....</b>	<b><u>\$ 391,590</u></b>

Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2010 were as follows:

Incurred but not reported claims (IBNR), June 30, 2009.....	\$ 418,839
Approximate amount of incurred claims .....	10,432,376
Paid claims including amount in accounts payable at June 30, 2010 .....	<u>(10,292,524)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2010 .....</b>	<b><u>\$ 558,691</u></b>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2011 but which were not reported until after year-end. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Assets as they are not expected to be paid with current measurable and available resources at June 30, 2011. The IBNR claims outstanding at June 30, 2011 are comprised of approximately \$197,717 and \$193,873 related to Town and School employees, respectively.

At June 30, 2011 the Town of North Providence has a deposit with the Plan Administrator totaling approximately \$568,000. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in reservation of fund balance in the governmental activities of the Fund Statements.

**16. COMMITMENTS AND CONTINGENCIES**

Liabilities for legal cases and other claims against governmental funds are recorded in the governmental funds when the ultimate liability can be estimated and such cases are expected to be settled with available expendable financial resources.

The Town, including the School Department has received grants from various federal and state agencies for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. Town officials are of the opinion that such disallowances, if any, would be immaterial.

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Assets at June 30, 2011.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**17. OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 13, the Town provides post employment health care benefits and dental in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group is described below:

**ELIGIBILITY:**

**School Teachers and Administrators:** Members who have retired under the Employees' Retirement System of Rhode Island (ERSRI), with a minimum of 15 years of service (20 years of service for Schedule B members) with the North Providence School System, shall be eligible to receive medical and dental benefits for self and spouse. Eligibility for retirement is as follows: If vested by 7/1/2005 (Schedule A): The earlier of 28 years of service, or age 60 with 10 years of service. If vested after 7/1/2005 (Schedule B): Normal retirement is the earlier of age 65 with 10 years of service, or age 59 with 29 years of service. Early retirement is age 55 with 20 years of service. Cost Sharing – 50% retiree paid (35% for teachers who notify the School Department by February 1, 2009 of their intent to retire at the end of the 2008-2009 school year. Coverage is provided until age 65.

**Police:** Members who have retired under the Town's Police Retirement Plan with at least 20 years of service, shall be eligible to receive medical and dental benefits for self and spouse. Cost Sharing: 100% Town paid up to age 65.

**Fire:** Members who have retired under the MERS for firefighters shall be eligible to receive medical and dental benefits for self and spouse. Eligibility for retirement is completion of 20 years of service regardless of age. Cost Sharing: 100% Town paid up to age 65.

**General Employees:**

Town Council 94 – Members who have retired under MERS with at least 18 years of service receive medical and dental for self and spouse.

Town Local 1033 – Members who have retired under MERS with at least 20 years of service receive medical and dental for self and spouse.

School Local 2435 – Members hired after 7/1/1989 and who have retired under MERS with at least 20 years of service (10 years if hired prior to 7/1/1989) receive medical and dental for self and spouse. Eligibility for retirement is the earlier of completion of 30 years of service regardless of age, or age 58 with 10 years of service.

General employees listed above receive 100% paid benefits for retiree and spouse for a period of up to 36 months.

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – Other Post-Employment Benefits Program July 1, 2010 Valuation*. This report dated July 29, 2011 can be obtained by contacting the Town's Finance Department.

(CONTINUED)

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**17. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Funding Policy:**

The Annual Required Contribution (ARC) for OPEB consists of two pieces: A Normal Cost (the cost of benefits earned each year which should be accrued in that year) plus a Past Service Cost (a catch-up accrual to amortize the unfunded accrued liability). The actuarial valuation selected a 30 year amortization period for past service costs (this is the maximum period allowed by GASB).

The ARC and Net OPEB cost for the fiscal year ended June 30 was as follows:

	<u>2011</u>	<u>2010</u>
ARC .....	\$4,549,000	\$4,289,000
Net OPEB Cost.....	\$4,562,637	\$4,299,024

The ARC noted above for fiscal 2011 is estimated to represent approximately \$890,000 and \$3,659,000, for School and Town (police, fire and other Town) personnel, respectively. The actual breakdown of the ARC information was not available for fiscal 2011 and therefore the above was estimated based on the fiscal 2012 required contributions.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2011, expenditures of approximately \$1,837,000 were recognized for post-retirement benefits. Of this amount approximately \$1,477,000 was paid for 87 Town retirees, and \$360,000 was paid for approximately 82 School retirees. Current year expenditures represent approximately 48.5% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal years ended June 30, 2011 and 2010 which were determined by the actuarial valuation report with a valuation date of July 1, 2008. As a result, the government-wide financial statements include a long-term liability and an expense for this Net OPEB Obligation (NOO) of approximately \$4,780,024. The NOO at June 30, 2011 was calculated as follows:

Annual Required Contribution .....	\$4,549,000
Interest on the NOO .....	191,201
Adjustment to ARC.....	<u>(177,564)</u>
Annual OPEB Cost.....	4,562,637
Contributions made during fiscal 2011 .....	** <u>(2,208,000)</u>
Increase in NOO.....	2,354,637
NOO at June 30, 2010 .....	<u>4,780,024</u>
<b>NOO at June 30, 2011 .....</b>	<b><u>\$ 7,134,661</u></b>

\*\* Amount estimated by actuary.

**Funded Status of Plan:**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2010 which is the most recent report available from the actuary who was hired by the Town to value the plan.

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$61,278,000
- Unfunded actuarial accrued liability (UAAL) - \$61,278,000
- Funded ratio - 0.00%
- Annual covered payroll - N/A
- UAAL as percent of payroll - N/A

(CONTINUED)

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**17. OTHER POST EMPLOYMENT BENEFITS (Continued)**

**Funded Status of Plan (Continued):**

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect 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, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets, if any. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**Actuarial Assumptions:**

- a. Valuation Date: July 1, 2010
- b. Actuarial Method: Projected Unit Credit. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.
- c. Payroll Growth Rate: 4%
- d. Amortization Period: 30 year closed (28 years remaining at July 1, 2010)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 4.0% reflects Town had not established an OPEB Trust
- g. Medical Inflation Discount Rate: Initial inflation rate 6.2%; Ultimate inflation rate 4.5%
- h. Mortality tables: Teachers: GRS table based on male teacher experience. 95% of rates in a GRS table based on female teacher experience. Police – RP-2000 Combined Healthy Table. All others – 1994 Group Annuity Mortality for males and females, set forward on year for males.

**Number of Participants:**

At July 1, 2010 the total number of participants under the plan was 1,051. The plan participants include 307 current retirees and spouses of retirees (178 Town and 129 School) and 744 active employees (270 Town and 474 School).

**18. RESTATEMENT**

The fund balance of the School Unrestricted Fund (a Major Governmental Fund) at June 30, 2010 was increased by \$307,123 to reflect the implementation of GASB Statement #54. As such the fund balance of the Nonmajor Governmental Funds was reduced by the same amount. This restatement was necessary to reflect the reclassification of the fund balance of the Use of Property Fund (\$186,825) and the Preschool Tuition Fund (\$120,298) to be included in the School Unrestricted Fund as the individual Nonmajor funds no longer met the definition to be classified as separate Special Revenue Funds. This restatement had no impact on the net assets of the governmental activities as reported in the Government-Wide Statement of Net Assets.

Net Assets of the Business-Type Activities and the Proprietary Funds – School Cafeteria Fund have been restated for the correction of an error resulting from the understatement of accounts payable at June 30, 2010. The Net Assets have been reduced by \$79,688 to reflect the additional expense and accounts payable which should have been recorded at June 30, 2010.

(CONCLUDED)

# **TOWN OF NORTH PROVIDENCE**

## **REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual****General Fund - Budgetary Basis****For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
<b>Property taxes:</b>				
Current taxes	\$ 62,080,413	\$ 62,080,413	\$ 61,545,666	\$ (534,747)
Prior taxes	1,200,000	1,200,000	2,087,799	887,799
<b>Total taxes current and prior</b>	<b>63,280,413</b>	<b>63,280,413</b>	<b>63,633,465</b>	<b>353,052</b>
Interest on delinquent accounts	300,000	300,000	479,765	179,765
<b>Total property taxes</b>	<b>63,580,413</b>	<b>63,580,413</b>	<b>64,113,230</b>	<b>532,817</b>
<b>State &amp; Federal Aid:</b>				
School construction aid	983,996	983,996	1,020,051	36,055
Meal Tax	365,348	365,348	331,503	(33,845)
State motor vehicle phase-out	-	-	348,804	348,804
Telephone tax	315,181	315,181	361,048	45,867
State PILOT	455,764	455,764	505,424	49,660
State aid to education	11,284,019	11,787,482	11,629,471	(158,011)
State Fiscal Stabilization Funds (SFSF)	-	320,065	306,550	(13,515)
Medicaid reimbursement (Education Department)	647,000	647,000	564,275	(82,725)
Federal grants - EPA	-	-	85,863	85,863
State community relief fund	510,516	510,516	510,516	-
<b>Total state aid - Town</b>	<b>14,561,824</b>	<b>15,385,352</b>	<b>15,663,505</b>	<b>278,153</b>
<b>Licenses, fees and rents:</b>				
Pool & fitness center/recreation	220,000	220,000	221,620	1,620
Data processing services	14,000	14,000	14,000	-
Rental of Town properties	160,000	160,000	211,624	51,624
<b>Total licenses, fees and rents</b>	<b>394,000</b>	<b>394,000</b>	<b>447,244</b>	<b>53,244</b>
<b>Investment income - short term</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>408</b>
<b>Departmental revenues:</b>				
Building inspection revenue	450,000	450,000	262,358	(187,642)
Town clerk receipts	600,000	600,000	577,743	(22,257)
Police department revenue (VIN/Odometer)	-	-	1,665	1,665
Municipal court revenue	200,000	200,000	132,690	(67,310)
<b>Total departmental revenues</b>	<b>1,250,000</b>	<b>1,250,000</b>	<b>974,456</b>	<b>(275,544)</b>
<b>Miscellaneous revenues:</b>				
Housing authority - in lieu of taxes	16,500	16,500	25,968	9,468
Miscellaneous Receipts	428,000	428,000	199,474	(228,526)
Sale of surplus equipment	5,000	5,000	22,647	17,647
EMS rescue services	800,000	800,000	1,550,682	750,682
<b>Total miscellaneous revenues</b>	<b>1,249,500</b>	<b>1,249,500</b>	<b>1,798,771</b>	<b>549,271</b>
<b>Total Revenues</b>	<b>81,035,737</b>	<b>81,859,265</b>	<b>82,997,614</b>	<b>1,138,349</b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund - Budgetary Basis**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures:</b>				
<b>Legislative, judicial and general administrative:</b>				
Administration	237,740	237,740	184,678	53,062
Town council	78,093	78,093	85,375	(7,282)
Town clerk	199,412	199,412	215,592	(16,180)
Legal department	325,834	325,834	388,536	(62,702)
Public Buildings	1,024,849	1,024,849	883,807	141,042
Board of canvassers	145,515	145,515	165,240	(19,725)
Human resources	52,054	52,054	47,195	4,859
Zoning board of review	11,250	11,250	5,068	6,182
Computer systems	104,500	104,500	105,868	(1,368)
Planning department /economic development	253,997	253,997	247,617	6,380
Other (departments)	199,500	199,500	154,342	45,158
<b>Total general government</b>	<b>2,632,744</b>	<b>2,632,744</b>	<b>2,483,318</b>	<b>149,426</b>
<b>Department of Finance:</b>				
Finance Director/Town Treasurer	247,009	247,009	237,663	9,346
Tax collector	267,131	267,131	311,913	(44,782)
Tax assessor	247,491	247,491	205,487	42,004
Purchasing	59,889	59,889	59,674	215
Auditing financial records	28,100	28,100	25,260	2,840
<b>Total department of finance</b>	<b>849,620</b>	<b>849,620</b>	<b>839,997</b>	<b>9,623</b>
<b>Public Safety:</b>				
Fire Department	8,179,555	8,179,555	8,615,181	(435,626)
Police Department	5,751,926	5,751,926	5,515,252	236,674
Communication Division	41,955	41,955	19,886	22,069
Division of inspections	261,058	261,058	245,952	15,106
Division of automotive repair	359,115	359,115	426,555	(67,440)
Civil Defense	6,823	6,823	2,651	4,172
Fire hydrants	194,000	194,000	191,174	2,826
<b>Total public safety</b>	<b>14,794,432</b>	<b>14,794,432</b>	<b>15,016,651</b>	<b>(222,219)</b>
<b>Public Services/Works:</b>				
Street lights	420,000	420,000	607,666	(187,666)
Beautification	4,500	4,500	78	4,422
Department of public works	1,511,564	1,511,564	1,366,582	144,982
Recreation department	364,164	364,164	339,248	24,916
Environmental protection	1,878,654	1,878,654	1,772,733	105,921
Local welfare	10,574	10,574	9,795	779
<b>Total public services</b>	<b>4,189,456</b>	<b>4,189,456</b>	<b>4,096,102</b>	<b>93,354</b>
<b>Grants &amp; Contributions:</b>				
Grants to organizations	1,000	1,000	(8,739)	9,739
Grant to senior center	441,286	441,286	441,286	-
Grant to library	609,122	609,122	609,308	(186)
<b>Total grants and contributions</b>	<b>1,051,408</b>	<b>1,051,408</b>	<b>1,041,855</b>	<b>9,553</b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund - Budgetary Basis**

For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Other expenditures:</b>				
Insurance	650,000	650,000	691,830	(41,830)
Fringe benefits	9,315,000	9,315,000	8,664,329	650,671
Appropriation - deficit reduction	1,200,000	1,200,000	1,200,000	-
Appropriation deficit - Police Pension	15,000	15,000	15,000	-
Various miscellaneous - contingencies	125,000	125,000	171,726	(46,726)
<b>Total other expenditures</b>	<b>11,305,000</b>	<b>11,305,000</b>	<b>10,742,885</b>	<b>562,115</b>
<b>Debt Service:</b>				
Bond and note principal	2,859,850	2,859,850	2,859,850	-
Bond and note interest	1,464,345	1,464,345	1,410,814	53,531
<b>Total debt service</b>	<b>4,324,195</b>	<b>4,324,195</b>	<b>4,270,664</b>	<b>53,531</b>
<b>Total expenditures</b>	<b>39,146,855</b>	<b>39,146,855</b>	<b>38,491,472</b>	<b>655,383</b>
<b>Excess of revenues over expenditures</b>	<b>41,888,882</b>	<b>42,712,410</b>	<b>44,506,142</b>	<b>1,793,732</b>
<b>Other financing sources (uses):</b>				
Transfer to School - Town Appropriation	(29,957,863)	(29,957,863)	(29,957,863)	-
Transfer to School - State Aid for Education	(11,284,019)	(11,787,482)	(11,629,471)	158,011
Transfer to School - SFSF (Federal Funds)	-	(320,065)	(306,550)	13,515
Transfer to School - Miscellaneous Receipts	(647,000)	(647,000)	(564,275)	82,725
<b>Total other financing uses</b>	<b>(41,888,882)</b>	<b>(42,712,410)</b>	<b>(42,458,159)</b>	<b>254,251</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,047,983</b>	<b>\$ 2,047,983</b>
Proceeds from Bond Issuance reported as an other financing source .....			10,560,632	
Deficit reduction proceeds allocated to School Department's cumulative deficit.....			(1,403,723)	
Additional deficit reduction allocated to the School Department for fiscal 2010 deficit.....			(824,985)	
Bond issuance costs associated with deficit reduction obligation.....			(299,568)	
<b>Excess of revenues and other financing sources over expenditures and other financing uses - GAAP Basis - (See Exhibit B-2)</b>			<b>\$ 10,080,339</b>	

(CONCLUDED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
School Unrestricted Fund - Budgetary Basis**

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
State Aid	\$ 11,787,482	\$ 11,787,482	\$ 11,959,568	\$ 172,086
Medicaid Reimbursement	647,000	647,000	564,275	(82,725)
State Fiscal Stabilization Funds	320,065	320,065	306,551	(13,514)
<b>Total revenues</b>	<u>12,754,547</u>	<u>12,754,547</u>	<u>12,830,394</u>	<u>75,847</u>
<b>Expenditures:</b>				
Salaries	25,495,717	25,495,717	25,472,158	23,559
Employee benefits	9,848,852	9,848,852	9,868,151	(19,299)
Purchased services	5,390,931	5,390,931	6,368,095	(977,164)
Supplies and materials	1,826,627	1,826,627	1,387,988	438,639
Capital outlay	138,282	138,282	54,162	84,120
Other	12,001	12,001	74,201	(62,200)
<b>Total expenditures</b>	<u>42,712,410</u>	<u>42,712,410</u>	<u>43,224,755</u>	<u>(512,345)</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(29,957,863)</u>	<u>(29,957,863)</u>	<u>(30,394,361)</u>	<u>(436,498)</u>
<b>Other financing sources (uses):</b>				
Operating transfer from the Town	29,957,863	29,957,863	29,957,863	-
<b>Total other financing sources (uses)</b>	<u>29,957,863</u>	<u>29,957,863</u>	<u>29,957,863</u>	<u>-</u>
<b>Deficiency of revenues and other financing sources under expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(436,498)</u>	<u>\$ (436,498)</u>
Proceeds from deficit reduction bond transferred from Town.....			1,403,723	
Additional deficit reduction allocated to the School Department for fiscal 2010 deficit.....			824,985	
Less: Operating loss in Preschool Tuition Fund not considered part of budget process.....			(60,380)	
Add: Operating surplus in Use of Property Fund not considered part of budget process.....			7,279	
<b>Excess of revenues and other financing sources over expenditures and other financing uses - GAAP Basis - (See Exhibit B-2)</b>			<u>\$ 1,739,109</u>	

**Note: The budget and actual amount above includes the Literacy Set-Aside Fund which for GAAP purposes is reported as a separate Special Revenue Fund - School Restricted Funds. Revenue and Expenditures of this Special Revenue Fund totaled \$330,096 for fiscal 2011.**

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress For Pension Plans  
June 30, 2011  
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
<b>General municipal employees pension plan.....</b>	6/30/2008	\$ 27,486,433	\$ 22,054,179	\$ 5,432,254	124.6%	\$ 7,070,071	76.8%
	6/30/2009	\$ 27,063,016	\$ 23,197,133	\$ 3,865,883	116.7%	\$ 7,197,732	53.7%
<b>A</b>	6/30/2010	\$ 26,260,322	\$ 26,570,377	\$ (310,055)	98.8%	\$ 7,249,635	-4.3%
<b>Fire pension plan.....</b>	6/30/2008	\$ 27,521,038	\$ 28,699,306	\$ (1,178,268)	95.9%	\$ 5,636,596	-20.9%
	6/30/2009	\$ 27,898,425	\$ 30,293,297	\$ (2,394,872)	92.1%	\$ 5,251,101	-45.6%
<b>A</b>	6/30/2010	\$ 27,623,708	\$ 35,889,123	\$ (8,265,415)	77.0%	\$ 5,223,668	-158.2%

The information included above was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2010 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2011 report.

A - Subsequent to the year ended June 30, 2011 the State of Rhode Island passed legislation on Pension Reform. The changes made as a result of this Pension Reform Legislation will have an impact on the actuarial valuation results as presented above.

<b>Police pension plan.....</b>	7/1/2006	(2) \$ 18,763,757	\$ 27,794,462	\$ (9,030,705)	67.5%	\$ 3,881,749	-232.6%
	7/1/2007	(2) \$ 20,331,967	\$ 29,701,976	\$ (9,370,009)	68.5%	\$ 3,833,169	-244.4%
	7/1/2010	(2) \$ 13,748,156	\$ 30,323,300	\$ (16,575,144)	45.3%	\$ 3,583,371	-462.6%

The police pension plan noted above is a plan administered by the Town of North Providence. The Town's schedule of funding progress information was obtained from the actuarial valuation report for the periods noted. The July 1, 2010 report is the most recent available as of the date of the audited financial statements.

(2) The Entry Age Normal funding method was used for the valuation year beginning July 1, 2006.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress OPEB  
June 30, 2011  
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
<b>General municipal employees OPEB.....</b>	7/1/2008	\$ -	\$ 2,024,000	\$ (2,024,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 2,601,000	\$ (2,601,000)	0.0%	N/A	N/A
<b>Fire Department employees OPEB.....</b>	7/1/2008	\$ -	\$ 24,028,000	\$ (24,028,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 29,236,000	\$ (29,236,000)	0.0%	N/A	N/A
<b>Police Department employees OPEB.....</b>	7/1/2008	\$ -	\$ 17,363,000	\$ (17,363,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 18,683,000	\$ (18,683,000)	0.0%	N/A	N/A
<b>School Teachers OPEB.....</b>	7/1/2008	\$ -	\$ 8,105,000	\$ (8,105,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 9,278,000	\$ (9,278,000)	0.0%	N/A	N/A
<b>Other School employees OPEB.....</b>	7/1/2008	\$ -	\$ 1,238,000	\$ (1,238,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 1,480,000	\$ (1,480,000)	0.0%	N/A	N/A
<b>Total North Providence OPEB Information</b>	7/1/2008	\$ -	\$ 52,758,000	\$ (52,758,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 61,278,000	\$ (61,278,000)	0.0%	N/A	N/A

The information presented above was provided by Department to provide additional information for the user of the financial statements.

The information included in this schedule of funding progress was obtained from the actuarial valuation reported dated July 29, 2011 prepared by Milliman. The July 1, 2010 valuation is the most recent report available as of the date of the audited financial statements.

# **TOWN OF NORTH PROVIDENCE**

## **OTHER SUPPLEMENTARY INFORMATION**



# TOWN OF NORTH PROVIDENCE

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes. The following special revenue funds are reported as nonmajor governmental funds.

Police Grants  
Dare Fund Program  
Emergency Management  
Federal Drug Forfeiture  
Fire Alarm Tie-in  
Historical Records Trust  
Recording Fees Fund  
Substance Abuse Task Force  
Recycling Fund  
Stormwater Grant  
Roadway Aid Grant  
Federal Energy Grant  
School Restricted Funds

Community Development Block Grants  
Drug Free Community Grant  
EPA Grant  
State Drug Forfeiture  
Fire Prevention Fund  
Land Trust Reserve Fund  
Decon Grant  
Swat Fund  
UASI Grant  
LSTA (Library) Grant  
Comprehensive Plan Grant  
State Energy Grant

The School Restricted Funds noted above is comprised of the following restricted grant funds administered by the North Providence School Department:

Title I  
Title IV  
Preschool Grant  
Title III  
Perkins  
RI Learn & Serve Grant  
Project Vault  
Beatrice Ward Auditorium  
Education Jobs Grant  
Office Max Kids  
UASI Grant

Title I - ARRA  
Project IDEA  
Title II  
eRate  
Literacy  
Substance Abuse Task Force  
IDEA – ARRA  
ARRA Preschool  
Feinstein  
American Council  
Senate Grant

(CONTINUED)

# TOWN OF NORTH PROVIDENCE

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**School Capital Reserve** - This fund is used to account for the capital project activity maintained by the North Providence School Department.

**\$3.5M Capital Project Fund** – This fund is used to account for \$3.5 million in bond proceeds received in fiscal 2007 to be used for various capital acquisitions and improvements including public works facility, public safety facility, recreation projects, etc...

**Kids Klub School Improvement Fund** – This fund was created by Town Council Ordinance #09-014 in September 2009. The purpose of this fund is to record the revenue received from Kids Klub for the use of school facilities. The proceeds will be utilized for capital projects related to the Town's elementary schools.

(CONCLUDED)

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

SPECIAL REVENUE FUNDS

	Police Grants	Community Development Block Grants	Dare Fund Program	Drug Free Community Grant	Federal Drug Forfeiture	State Drug Forfeiture	Emergency Management	Fire Alarm Tie-In
<b>ASSETS</b>								
Cash and cash equivalents		\$ 17,536			\$ 908,522	\$ 62,675		
Accounts and other receivable(net)		193,606						
Due from federal & state governments	\$ 12,394		\$ 3,198	\$ 3,536			\$ 34,372	\$ 5,022
Due from other funds	\$ 12,394	\$ 211,142	\$ 3,198	\$ 3,536	\$ 908,522	\$ 62,675	\$ 34,372	\$ 5,022
<b>TOTAL ASSETS</b>								
	\$ 9,601	\$ 2,090			\$ 26,637	\$ 2,968	\$ 3,205	\$ 2,185
<b>LIABILITIES</b>								
Accounts payable								
Accrued liabilities					2,522			
Due to other funds	5,246	193,606		\$ 3,536				
Deferred revenue	14,847	195,696		3,536	29,159	2,968	3,205	2,185
<b>TOTAL LIABILITIES</b>								
<b>FUND BALANCES</b>								
Nonspendable								
Restricted		15,446	3,198		879,363	59,707	31,167	2,837
Committed	(2,453)							
Unassigned	(2,453)	15,446	3,198		879,363	59,707	31,167	2,837
<b>TOTAL FUND BALANCES</b>								
	\$ 12,394	\$ 211,142	\$ 3,198	\$ 3,536	\$ 908,522	\$ 62,675	\$ 34,372	\$ 5,022
<b>TOTAL LIABILITIES AND FUND BALANCES</b>								

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

SPECIAL REVENUE FUNDS

	EPA Grant	Historical Records Trust	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Swat Fund	Recycling Fund	UASI Grant	Stormwater Grant
ASSETS											
Cash and cash equivalents											
Accounts and other receivable(net)											
Due from federal & state governments											
Due from other funds											
<b>TOTAL ASSETS</b>	\$ 3,120	\$ 22,566	\$ 53,669	\$ 120,233	\$ 226,942	\$ 14	\$ 54,760	\$ -	\$ 21,605	\$ -	\$ 2,160
	\$ 3,120	\$ 22,566	\$ 53,669	\$ 120,233	\$ 226,942	\$ 14	\$ 54,760	\$ -	\$ 21,605	\$ -	\$ 2,160
LIABILITIES											
Accounts payable											
Accrued liabilities											
Due to other funds											
Deferred revenue											
<b>TOTAL LIABILITIES</b>	\$ 3,120	\$ 6,446	\$ 50	\$ -	\$ 1,291	\$ 14	\$ 15,000	\$ -	\$ 61	\$ -	\$ 2,160
	\$ 3,120	\$ 6,446	\$ 50	\$ -	\$ 1,291	\$ 14	\$ 15,000	\$ -	\$ 61	\$ -	\$ 2,160
FUND BALANCES											
Nonspendable											
Restricted											
Committed											
Unassigned											
<b>TOTAL FUND BALANCES</b>	\$ -	\$ 16,120	\$ 53,619	\$ 120,233	\$ 225,651	\$ -	\$ -	\$ -	\$ 21,544	\$ -	\$ -
	\$ -	\$ 16,120	\$ 53,619	\$ 120,233	\$ 225,651	\$ -	\$ -	\$ -	\$ 21,544	\$ -	\$ -
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 3,120	\$ 22,566	\$ 53,669	\$ 120,233	\$ 226,942	\$ 14	\$ 54,760	\$ -	\$ 21,605	\$ -	\$ 2,160
	\$ 3,120	\$ 22,566	\$ 53,669	\$ 120,233	\$ 226,942	\$ 14	\$ 54,760	\$ -	\$ 21,605	\$ -	\$ 2,160

(CONTINUED)



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2011

	SPECIAL REVENUE FUNDS						CAPITAL PROJECT FUNDS					Total Nonmajor Governmental Funds
	LSTA (Library) Grant	Roadway Aid Grant	Comprehensive Plan Grant	Federal Energy Grant	State Energy Grant	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	\$3.5M Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	
<b>ASSETS</b>												
Cash and cash equivalents						\$ 50,674	\$ 1,039,407	\$ 263,477	\$ 87,471	\$ 10,001	\$ 360,949	\$ 1,400,356
Accounts and other receivable(net)	\$ 1,276					12,000	205,606					205,606
Due from federal & state governments	2,224					931,961	933,237					933,237
Due from other funds	3,500		\$ 6,328	285	4,390	725,978	1,302,796	156,577			156,577	1,459,373
<b>TOTAL ASSETS</b>						\$ 1,720,613	\$ 3,481,046	\$ 420,054	\$ 87,471	\$ 10,001	\$ 517,526	\$ 3,998,572
<b>LIABILITIES</b>												
Accounts payable	\$ 3,500		\$ 6,328	285	4,390	28,459	117,790			\$		117,790
Accrued liabilities						17,420	17,420					17,420
Due to other funds						1,602,658	1,616,830					1,616,830
Deferred revenue							230,398					230,398
<b>TOTAL LIABILITIES</b>						\$ 1,648,437	\$ 1,982,438					\$ 1,982,438
<b>FUND BALANCES</b>												
Nonspendable												
Restricted						72,176	1,359,284	420,054	87,471	10,001	507,525	1,866,809
Committed							141,777				10,001	151,778
Unassigned							(2,453)					(2,453)
<b>TOTAL FUND BALANCES</b>						\$ 72,176	\$ 1,498,608	\$ 420,054	\$ 87,471	\$ 10,001	\$ 517,526	\$ 2,016,134
<b>TOTAL LIABILITIES AND FUND BALANCES</b>						\$ 1,720,613	\$ 3,481,046	\$ 420,054	\$ 87,471	\$ 10,001	\$ 517,526	\$ 3,998,572

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

	SPECIAL REVENUE FUNDS									
	Police Grants	Community Development Block Grants	Dare Fund Program	Drug Free Community Grant	Federal Drug Forfeiture	Slate Drug Forfeiture	Emergency Management	Fire Alarm Tie-In		
<b>REVENUES:</b>										
Interest and investment income		\$ 4,078								
Fees and assessments		60,276								
Intergovernmental Contributions	\$ 142,685			\$ 36,423	\$ 918,020	\$ 12,497	\$ 261,299		\$ 10,012	
Other										
<b>Total revenues</b>	142,685	64,354	-	36,423	918,020	12,497	261,299		10,012	
<b>EXPENDITURES:</b>										
Current:										
Public safety	144,866			36,423	66,562	9,967	237,437		22,196	
Education		7,482								
Other expenses										
<b>Debt Service:</b>										
Debt service principal					5,949					
Interest expense					126					
<b>Capital Improvements</b>					222,616					
<b>Total expenditures</b>	144,866	7,482	-	36,423	295,253	9,967	237,437		22,196	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(2,181)	56,872	-	-	622,767	2,530	23,862		(12,184)	
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	2,091	12,922								
Transfers out	(2,091)									
<b>Total other financing sources (uses)</b>	-	12,922								
<b>Net change in fund balances</b>	(2,181)	69,794			622,767	2,530	23,862		(12,184)	
<b>Fund balances - beginning of year</b>	(272)	(54,348)	3,198		256,596	57,177	7,305		15,021	
<b>Fund balances - end of year</b>	\$ (2,453)	\$ 15,446	\$ 3,198	\$ -	\$ 879,363	\$ 59,707	\$ 31,167		\$ 2,837	

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Normal Governmental Funds  
 For the Year Ended June 30, 2011

SPECIAL REVENUE FUNDS												
	EPA Grant	Historical Records Trust	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Swat Team Fund	Recycling Fund	UASI Grant	Stormwater Grant	
<b>REVENUES:</b>												
Interest and investment income												
Fees and assessments												
Intergovernmental Contributions	\$ 185,044											
Other												
<b>Total revenues</b>	\$ 185,044	\$ 26,910	\$ 19,631	\$ 4,380	\$ 27,243	\$ 26,419	\$ 30,821	\$ 123	\$ 8,633	\$ 315,552	\$ -	
	185,044	26,910	19,631	4,380	27,243	26,419	30,821	123	8,633	315,552	-	
<b>EXPENDITURES:</b>												
<b>Current:</b>												
Public safety												
Education			11,064				30,821	1,128		315,552		
Other expenses				1,250	11,134	6,384			5,610			
<b>Debt Service:</b>												
Debt service principal												
Interest expense			7,175									
Capital improvements			193									
<b>Total expenditures</b>	185,044	13,978	15,118	1,250	11,134	6,384	30,821	1,128	5,610	315,552	-	
	185,044	13,978	15,118	1,250	11,134	6,384	30,821	1,128	5,610	315,552	-	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	12,932	(13,919)	3,130	16,109	-	-	(1,005)	3,023	-	-	
	-	12,932	(13,919)	3,130	16,109	-	-	(1,005)	3,023	-	-	
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in												
Transfers out												
<b>Total other financing sources (uses)</b>												
<b>Net change in fund balances</b>	-	12,932	(13,919)	3,130	16,109	-	-	(1,005)	3,023	-	-	
<b>Fund balances - beginning of year</b>	-	3,188	67,538	117,103	209,542	-	-	1,005	18,521	-	-	
<b>Fund balances - end of year</b>	\$ -	\$ 16,120	\$ 53,619	\$ 120,233	\$ 225,651	\$ -	\$ -	\$ -	\$ 21,544	\$ -	\$ -	
	\$ -	\$ 16,120	\$ 53,619	\$ 120,233	\$ 225,651	\$ -	\$ -	\$ -	\$ 21,544	\$ -	\$ -	

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2011

	SPECIAL REVENUE FUNDS										CAPITAL PROJECT FUNDS				
	LSTA (Library) Grant	Roadway Aid Grant	Comprehensive Plan Grant	Federal Energy Grant	State Energy Grant	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	\$3.5M Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	Total Nonmajor Governmental Funds			
<b>REVENUES:</b>															
Interest and investment income							\$ 4,079				\$ 876	\$ 4,955			
Fees and assessments							157,085					157,085			
Intergovernmental	\$ 12,762	\$ 247,382	\$ 29,889	\$ 10,483	\$ 4,390	\$ 3,327,530	\$ 5,561,196	\$ 153,217			\$ 153,217	\$ 5,714,413			
Contributions															
Other							123					123			
<b>Total revenues</b>	12,762	247,382	29,889	10,483	4,390	3,327,531	5,722,483	153,217	875	1	154,093	5,876,576			
<b>EXPENDITURES:</b>															
<b>Current:</b>															
Public safety							876,016					876,016			
Education						3,165,875	3,165,875					3,165,875			
Other expenses	12,762	247,382	29,889	10,483	4,390		350,744					350,744			
<b>Debt Service:</b>															
Debt service principal							13,124					13,124			
Interest expense							319					319			
<b>Capital improvements</b>															
Total expenditures	12,762	247,382	29,889	10,483	4,390	3,300,947	4,983,963	97,397			97,397	675,282			
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-	-	26,584	738,520	55,820	875	1	56,696	795,216			
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers in						7	15,020					15,020			
Transfers out							(2,091)					(2,091)			
<b>Total other financing sources (uses)</b>						7	12,929					12,929			
<b>Net change in fund balances</b>						26,591	751,449	55,820	875	1	56,696	808,145			
<b>Fund balances - beginning of year</b>						45,585	747,159	364,234	86,596	10,000	460,890	1,207,989			
<b>Fund balances - end of year</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,176	\$ 1,498,608	\$ 420,054	\$ 87,471	\$ 10,001	\$ 517,526	\$ 2,016,134			

# TOWN OF NORTH PROVIDENCE

## AGENCY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, and other governments. The following funds are reported in this section:

**Unclaimed Estates** – To account for unclaimed estates that are in probate.

**Seized Property** – To account for property that was obtained by the Town during police investigations and is to be remitted to the State or Federal Government or returned to the original owner.

**Low Cost Spay/Neuter** – To provide assistance to low income families for pet spay or neutering.

**Animal Care Donations** – To provide financial support to low income families whose pets are in need of miscellaneous care.

**Animal Care Adoptions** – To provide financial support families seeking to adopt animals from the Town's animal shelter.

**Realty Tax Transfer** – To collect fees on real estate property transfers. This account is used to hold the portion of the fees that are due to the State of Rhode Island.

**Student Activities Fund** – To account for funds held in various school programs. At June 30, 2011 the North Providence School Department was administering approximately 31 separate accounts for student activity funds.

**Food Pantry Fund** – To account for funds received which are to be used to support low income families seeking assistance.

**Performance Bond Fund** – To account for funds received from developers as security to ensure that projects are completed in accordance with Town requirements. Bond payments are refunded to contractors/developers once the project is completed and approved by the Town.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

Statement of Changes in Assets and Liabilities  
 Agency Funds  
 Year ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Unclaimed Estates</u></b>				
ASSETS:				
Cash	\$ 83,997	\$ -	\$ 41,705	\$ 42,292
TOTAL ASSETS	<u>\$ 83,997</u>	<u>\$ -</u>	<u>\$ 41,705</u>	<u>\$ 42,292</u>
LIABILITIES:				
Deposits held in custody for others	\$ 83,997	\$ -	\$ 41,705	\$ 42,292
TOTAL LIABILITIES	<u>\$ 83,997</u>	<u>\$ -</u>	<u>\$ 41,705</u>	<u>\$ 42,292</u>
<b><u>Seized Property:</u></b>				
ASSETS:				
Cash	\$ 1,230	\$ 2,010	\$ 1,383	\$ 1,857
TOTAL ASSETS	<u>\$ 1,230</u>	<u>\$ 2,010</u>	<u>\$ 1,383</u>	<u>\$ 1,857</u>
LIABILITIES:				
Deposits held in custody for others	\$ 1,230	\$ 2,010	\$ 1,383	\$ 1,857
TOTAL LIABILITIES	<u>\$ 1,230</u>	<u>\$ 2,010</u>	<u>\$ 1,383</u>	<u>\$ 1,857</u>
<b><u>Low Cost Spay/Neuter:</u></b>				
ASSETS:				
Other receivables	\$ 815	\$ -	\$ 130	\$ 685
TOTAL ASSETS	<u>\$ 815</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 685</u>
LIABILITIES:				
Deposits held in custody for others	\$ 815	\$ -	\$ 130	\$ 685
TOTAL LIABILITIES	<u>\$ 815</u>	<u>\$ -</u>	<u>\$ 130</u>	<u>\$ 685</u>
<b><u>Animal Care Donations:</u></b>				
ASSETS:				
Other receivables	\$ 3,847	\$ 84	\$ -	\$ 3,931
TOTAL ASSETS	<u>\$ 3,847</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 3,931</u>
LIABILITIES:				
Deposits held in custody for others	\$ 3,847	\$ 84	\$ -	\$ 3,931
TOTAL LIABILITIES	<u>\$ 3,847</u>	<u>\$ 84</u>	<u>\$ -</u>	<u>\$ 3,931</u>
<b><u>Animal Care Adoptions:</u></b>				
ASSETS:				
Other receivables	\$ 2,546	\$ 1,716	\$ 938	\$ 3,324
TOTAL ASSETS	<u>\$ 2,546</u>	<u>\$ 1,716</u>	<u>\$ 938</u>	<u>\$ 3,324</u>
LIABILITIES:				
Deposits held in custody for others	\$ 2,546	\$ 1,716	\$ 938	\$ 3,324
TOTAL LIABILITIES	<u>\$ 2,546</u>	<u>\$ 1,716</u>	<u>\$ 938</u>	<u>\$ 3,324</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Realty Tax Transfer Account:</u></b>				
ASSETS:				
Cash	\$ 29,685	\$ 286,988	\$ 281,645	\$ 35,028
TOTAL ASSETS	\$ 29,685	\$ 286,988	\$ 281,645	\$ 35,028
LIABILITIES:				
Deposits held in custody for others	\$ 29,685	\$ 286,988	\$ 281,645	\$ 35,028
TOTAL LIABILITIES	\$ 29,685	\$ 286,988	\$ 281,645	\$ 35,028
<b><u>Student Activities Fund</u></b>				
ASSETS:				
Cash	\$ 387,553	\$ 466,471	\$ 502,250	\$ 351,774
Investments	-	-	-	-
TOTAL ASSETS	\$ 387,553	\$ 466,471	\$ 502,250	\$ 351,774
LIABILITIES:				
Deposits held in custody for others	\$ 387,553	\$ 466,471	\$ 502,250	\$ 351,774
TOTAL LIABILITIES	\$ 387,553	\$ 466,471	\$ 502,250	\$ 351,774
<b><u>Food Pantry Fund</u></b>				
ASSETS:				
Cash	\$ 9	\$ 2,637	\$ 2,640	\$ 6
TOTAL ASSETS	\$ 9	\$ 2,637	\$ 2,640	\$ 6
LIABILITIES:				
Deposits held in custody for others	\$ 9	\$ 2,637	\$ 2,640	\$ 6
TOTAL LIABILITIES	\$ 9	\$ 2,637	\$ 2,640	\$ 6
<b><u>Performance Bond Fund</u></b>				
ASSETS:				
Cash	\$ 20,883	\$ 42	\$ -	\$ 20,925
TOTAL ASSETS	\$ 20,883	\$ 42	\$ -	\$ 20,925
LIABILITIES:				
Deposits held in custody for others	\$ 20,883	\$ 42	\$ -	\$ 20,925
TOTAL LIABILITIES	\$ 20,883	\$ 42	\$ -	\$ 20,925
<b><u>Total - All Agency Funds</u></b>				
ASSETS:				
Cash	\$ 523,357	\$ 758,148	\$ 829,623	\$ 451,882
Investments	-	-	-	-
Other receivables	7,208	1,800	1,068	7,940
TOTAL ASSETS	\$ 530,565	\$ 759,948	\$ 830,691	\$ 459,822
LIABILITIES:				
Deposits held in custody for others	530,565	759,948	830,691	459,822
TOTAL LIABILITIES	\$ 530,565	\$ 759,948	\$ 830,691	\$ 459,822

(CONCLUDED)

# TOWN OF NORTH PROVIDENCE

## SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2011, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor Pass-Through Grantor Program title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Energy</b>		
Energy Efficiency and Conservations Block Grant (EECBG)	81.128	<u>\$ 40,087</u>
<b>U.S. Department of Administration</b>		
Passed through Rhode Island Department of Administration		
State Library Program	45.310	<u>12,762</u>
<b>U.S. Department of Transportation</b>		
Passed through Rhode Island Department of Transportation		
Highway Safety Grant	20.604	58,141
Driving Under the Influence Grant	20.608	9,448
State and community highway safety	20.600	8,356
Child Passenger Seat Incentive Grant	20.613	<u>502</u>
<b>Total U.S. Department of Transportation</b>		<u>76,447</u>
<b>U.S. Department of Justice</b>		
Passed through Rhode Island Department of Justice		
Byrne Memorial Grant	16.580	53,316
Underage Drinking and Alcohol Grant	16.727	1,191
Bulletproof Vest Grant	16.607	<u>6,410</u>
<b>Total U.S. Department of Justice</b>		<u>60,917</u>
<b>U.S. Department of Homeland Security</b>		
Passed through Rhode Island Emergency Management Agency		
Assistance to Firefighters Grant	97.044	144,000
Active Shooter Grants	97.XXX	8,747
Homeland Security Grant Program	97.067	<u>355,337</u>
<b>Total U.S. Department of Homeland Security</b>		<u>508,084</u>
<b>U.S. Department of Environmental Protection Agency</b>		
Congretonally Mandated Projects - Evergreen Project	66.202	<u>99,181</u>
<b>Total U.S. Department of Environmental Protection Agency</b>		<u>99,181</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Rhode Island Department of Health		
Tobacco Compliance Grant	93.XXX	<u>370</u>

**(Continued)**

(Continued)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor</b> <b>Pass-Through Grantor</b> <b>Program title</b>	<b>Federal</b> <b>CFDA</b> <b>Number</b>		<b>Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Passed through Rhode Island Department of Education</b>			
Title I	84.010	*	650,789
Title I - ARRA Funding	84.389	*	184,181
Title II	84.367		274,505
Title III	84.365		18,829
Title IV	84.186		3,746
State Fiscal Stabilization Funds - Education - ARRA Funding	84.394		306,550
Education Jobs Fund - ARRA Funding	84.410		554,729
Perkins	84.048		84,400
Project IDEA - Part B	84.027A	**	1,089,473
IDEA - Part B - ARRA Funding	84.391	**	2,546
Early learning (89-313) - Preschool	84.173	**	12,882
IDEA Preschool - ARRA Funding	84.392	**	36,463
<b>Total U.S. Department of Education</b>			<u>3,219,093</u>
<b>U.S. Department of Agriculture</b>			
<b>Passed through Rhode Island Department of Education</b>			
National Lunch Program	10.555	***	<u>648,733</u>
<b>Total U.S. Department of Agriculture</b>			<u>648,733</u>
<b>Total Federal Expenditures</b>			<u>\$ 4,665,674</u>

\* - Denotes program cluster which is considered to be one program for testing purposes.

\*\* - Denotes program cluster which is considered to be one program for testing purposes.

\*\*\* - Includes commodities of \$61,542 for fiscal 2011.

(Concluded)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2011**

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**1. General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of North Providence, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$61,542 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

**3. Determination of Major Programs**

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of North Providence, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2011, the following programs were considered a major program:

Title I .....	CFDA # 84.010 *
Title I - ARRA Funding .....	CFDA # 84.389 *
Project IDEA Part B.....	CFDA # 84.027 **
Project IDEA Part B - ARRA Funding.....	CFDA # 84.391 **
Early Learning (89-313) Preschool.....	CFDA # 84.173 **
IDEA Preschool – ARRA Funding .....	CFDA # 84.392 **
State Fiscal Stabilization - ARRA Funding.....	CFDA # 84.394
Education Jobs Fund - ARRA Funding .....	CFDA # 84.410
Homeland Security Grant Program (UASI) .....	CFDA # 97.067
Assistance to Firefighters Grant .....	CFDA # 97.044

\* - Denote program cluster which is considered to be one program for compliance testing purposes.

\*\* - Denotes program cluster which is considered to be one program for compliance testing purposes.

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

To the Honorable Mayor  
and Members of the Town Council  
Town of North Providence  
North Providence, Rhode Island

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2011, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements and have issued our report thereon dated January 3, 2012. 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.

**Internal Control Over Financial Reporting**

Management of the Town of North Providence, Rhode Island is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of North Providence, Rhode Island's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of North Providence's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of North Providence's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs (noted as items 2011-1 through 2011-2) to be material weaknesses.

A *significant deficiency* is a deficiency, or 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.

Needham  
Boston  
Concord  
Taunton

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the Town of North Providence, Rhode Island in a separate letter titled Communication of Matters Prescribed by Statement on Auditing Standards #115 for the fiscal year ended June 30, 2011.

The Town of North Providence, Rhode Island's responses to the findings, comments, and recommendations identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of North Providence, Rhode Island's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Town Council, School Committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Providence, Rhode Island  
January 3, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor  
and Members of the Town Council  
Town of North Providence  
North Providence, Rhode Island

### **Compliance**

We have audited the Town of North Providence, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2011. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of North Providence, Rhode Island's management. Our responsibility is to express an opinion on the Town of North Providence, Rhode Island's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of North Providence, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of North Providence, Rhode Island's compliance with those requirements.

As described in item 2011-3 in the accompanying schedule of findings and questioned costs, the Town of North Providence, Rhode Island, did not comply with requirements regarding allowable costs/cost principles that are applicable to its Title I Grant Cluster and Project IDEA Part B (Special Education) program. Compliance with such requirements is necessary, in our opinion, for the Town of North Providence, Rhode Island, to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town of North Providence, Rhode Island, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Needham

Boston

Concord

Taunton

## Internal Control Over Compliance

Management of the Town of North Providence, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of North Providence, Rhode Island's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of North Providence, Rhode Island's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Town of North Providence, Rhode Island's responses to the compliance findings identified in our audit are described in the corrective action plan in the accompanying schedule of findings and questioned costs. We did not audit the Town of North Providence, Rhode Island's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Town Council, School Committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Providence, Rhode Island  
January 3, 2012



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2011**

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditors' report expressed an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island.
2. Two deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2011-1 through 2011-2. We consider these items to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Town of North Providence, Rhode Island were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Town of North Providence, Rhode Island expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Town of North Providence are reported in Part C of this schedule.
7. The programs tested as major programs were:

Title I .....	CFDA # 84.010 *
Title I - ARRA Funding .....	CFDA # 84.389 *
Project IDEA Part B.....	CFDA # 84.027 **
Project IDEA Part B - ARRA Funding.....	CFDA # 84.391 **
Early Learning (89-313) Preschool.....	CFDA # 84.173 **
IDEA Preschool – ARRA Funding .....	CFDA # 84.392 **
State Fiscal Stabilization - ARRA Funding.....	CFDA # 84.394
Education Jobs Fund - ARRA Funding .....	CFDA # 84.410
Homeland Security Grant Program (UASI) .....	CFDA # 97.067
Assistance to Firefighters Grant .....	CFDA # 97.044

\* - Denotes program cluster which is considered to be one program for compliance testing purposes.  
 \*\* - Denotes program cluster which is considered to be one program for compliance testing purposes.

8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The Town of North Providence, Rhode Island was determined not to be a low-risk auditee.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS**

***Current Year Findings:***

- 2011-1:** The Town and School Department currently maintain approximately 60 governmental, proprietary, and fiduciary funds which are reported in the annual financial statements. At various times throughout the year these funds may conduct activity which could impact another Town or School Department Fund. As such it is imperative that all interfund transactions, activity, and balances be monitored and recorded in a timely and efficient manner. During our audit process, we noted that during the fiscal year ended June 30, 2011 there were no policies or procedures for preparing periodic reconciliations of these interfund balances or activity.
- 2011-2:** Several years ago the Town Council adopted a formal capitalization policy requiring assets with a useful life of two or more years and a cost basis of \$5,000 or more to be capitalized and depreciated over the estimated useful life of the asset. In addition, the Town utilizes the MUNIS accounting system to maintain the detailed capital asset records whereby invoices for qualifying capital assets are coded as such when the invoice is entered into accounts payable. We noted that there is a lack of procedures in place to ensure that government-wide capital asset records are fairly stated. Also, there is no policy or procedure to ensure that School Department acquisitions are reported in the capital asset listing maintained by the Town. Failure to properly record capital asset acquisitions made by all Departments and Funds of the Town may result in a material misstatement of the total assets reported by the Governmental Activities in the Government-Wide Financial Statements.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings:***

- 2010-1:** During the fiscal year ended June 30, 2010 we noted weaknesses in controls over the review and maintenance of the general ledger accounting records of the North Providence School Department. We noted that the North Providence School Department does not have formal accounting policies or procedures for reviewing and approving account reconciliations, journal entries, and trial balances on a periodic basis (preferably monthly). During our audit process we noted instances where activity was not reported in the general ledger accounting records on a periodic basis rather the activity was posted to the general ledger through year-end journal entries. In addition, account balances were not periodically reconciled to subsidiary ledgers. **Status: During fiscal 2011 the North Providence School Department implemented procedures for preparing and approving journal entries, and for completing reconciliations on a monthly basis for all significant general ledger account balances.**
- 2010-2:** During our review of the internal control policies and procedures practiced by the North Providence School Department, we noted that the during fiscal 2010 the School Department lacked adequate controls over the processing and reporting of accounts payable and accrued liabilities. The School Department did not have adequate controls in place to ensure that liabilities are properly recorded and maintained in the general ledger accounting records. We noted that the School Department did not effectively use a purchase order system to monitor expenditures. In addition, the Department does not have a policy or procedures for recording vendor invoices into the general ledger accounting system when they are received. We noted instances where invoices were distributed to various departments for approval prior to being entered into the accounting system. As a result, these invoices were not entered into the general ledger accounting records in a timely manner resulting in the understatement of expenditures and liabilities as presented in the internal financial statements. **Status: During fiscal 2011 the School Department established procedures for entering vendor invoices into the general ledger accounting system and for approving all vendor invoices prior to payment. Additionally, invoices are now tracked when provided to department directors to ensure that the invoices are returned to the finance department in a timely manner for processing.**
- 2010-3:** The Town and School Department currently maintain approximately 60 governmental, proprietary, and fiduciary funds which are reported in the annual financial statements. At various times throughout the year these funds may conduct activity which may impact another Town or School Department Fund. As such it is imperative that all interfund transactions, activity, and balances be monitored and recorded in a timely and efficient manner. During our audit process we noted that there are no policies or procedures for preparing periodic reconciliations of these interfund balances or activity. **Status: Condition still existed in fiscal 2011 but has been corrected in fiscal 2012. See current year finding 2011-1.**

(CONTINUED)

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings (Continued):***

- 2010-4:** In fiscal 2009 the Town Council adopted a formal capitalization policy requiring assets with a useful life of two or more years and a cost basis of \$5,000 or more to be capitalized and depreciated over the estimated useful life of the asset. In addition, the Town began utilizing the MUNIS accounting system to maintain the detailed capital asset records whereby invoices for qualifying capital assets are coded as such when the invoice is entered into accounts payable. We noted that the Town has implemented a procedure requiring finance personnel to review the capital asset acquisitions on a quarterly basis and update the MUNIS module as applicable. However, during our audit we noted instances where capital asset acquisitions made with grant funds and by the School Department were not properly reported in the capital asset module. Failure to properly record capital asset acquisitions made by all Departments and Funds of the Town may result in the material misstatement of the total assets reported by the Governmental Activities in the Government-Wide Financial Statements. **Status: Condition still existed during fiscal 2011. See current year finding 2011-2.**
- 2010-5:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Many of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police and Fire Department personnel). During our audit we noted deficiencies in communications between the departments in charge of the grants and finance personnel responsible for maintaining the general ledger accounting records. As a result of the deficiency in communication we noted instances where expenditures were improperly allocated to the General Fund rather than to the applicable grant fund. In addition, we noted instances where revenue was improperly recognized in the grant fund rather than being reported as deferred revenue and also instances where year-end receivable balances were not recorded resulting in the understatement of revenue and assets in the internal financial records of the grant funds. **Status: The Town's Controller developed communication protocols to ensure that communication with personnel responsible for grant funds were implemented so that associated revenues and expenditures were properly charged to the applicable funds.**
- 2010-6:** Long-term debt obligations of the governmental funds of the Town and School Department are required to be reported in the government-wide financial statements. These obligations do not have an impact on the current financial position or results of operations of the Town or School's General Fund. Town and School Department personnel currently maintain these accounting records utilizing spreadsheets outside of the normal general ledger accounting system. During our audit of the details which comprise the liability for compensated absences, we noted a deficiency in controls over the maintenance and review of these records which could result in a material misstatement of the liability reported government-wide financial statements. We noted instances where the schedules produced from the payroll system were incomplete and inaccurate. Finance personnel had to run multiple reports and review information in the computer system in an attempt to produce a report which accurately reflected the compensated absence obligation. **Status: During fiscal 2011, the School Department acquired new software for maintaining the compensated absence balances of all school personnel. In addition, during fiscal 2011 the Town Controller took a more active role in monitoring the compensated absence schedules completed by the various Town departments to ensure completeness. As a result of these actions this comment is considered cleared in fiscal 2011.**

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)**

***Prior Year Findings (Continued):***

- 2010-7:** During fiscal 2010 the Town of North Providence implemented new software for reporting and maintaining tax collections and receivables. As of the date of the 2010 report Town personnel have been unable to reconcile the tax collection reports to the detailed aged receivable listings. Reconciliations of the detailed tax receivable listings should be completed on a periodic basis (at a minimum quarterly) to ensure the completeness and accuracy of the accounts receivable balances reported in the general ledger. In addition, completing these reconciliations will help mitigate the risk of intentional or unintentional misstatement of tax receivables and the related revenue. **Status: The software update has been completed and the Town Controller and Tax Collector now reconcile receivables on a periodic basis.**
- 2010-8:** Effective July 1, 2008 (early implementation) the North Providence School Department began maintaining its general ledger accounting records in accordance with the Uniform Chart of Accounts (UCOA) as established by the Rhode Island Department of Education (RIDE) and Rhode Island General Law. We noted instances of non-compliance with the requirements governed by UCOA. Specifically we noted instances where costs were being allocated to various grant funds by making a journal entry rather than directly identifying and allocating specific vendor invoices or charges. In addition we noted that the School Department is not always allocating fringe benefits on proportionate basis to the allocation of payroll. **Status: In March 2011 the School Department engaged consultants who were responsible for allocating costs and maintaining the general ledger in accordance with the UCOA requirements. Based upon observations it appears that activity was recorded in the general ledger in accordance with UCOA requirements except for set-aside funds which were eliminated effective fiscal 2012. The majority of the fringe benefits that can be allocated through the payroll system have been allocated directly to the appropriate accounts. Management is still researching the possibility of allocating medical, dental, pension, and life insurance fringes through the MUNIS payroll system. If such is not possible, standard journal entries will be posted monthly to the appropriate general ledger accounts in compliance with UCOA policies.**
- 2010-9:** The School Department receives a number of grants which are classified as expenditure reimbursement grants. As the name implies, funding of these grants is generally paid to the School once the expenditure has been incurred and in some instances has been paid by the Department. We noted instances where the School Department was not in compliance with the cash management requirement related to these expenditure reimbursement grants. **Status: The School Department established procedures to ensure that expenditure reimbursement grants are properly accounted for. The School Department implemented procedures requiring reimbursement requests to be completed on a monthly basis. Also, associated interfund activities will be reconciled and adjusted (as necessary) on a monthly basis to ensure that expenditure reimbursement grant trial balances accurately reflect the reimbursement nature of these grants.**

(CONTINUED)

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

***Current Year Findings:***

**2011-3: Allowable Costs – Payroll Allocations**

**Title I – CFDA # 84.010; Title I - ARRA Funding – CFDA # 84.389; Project IDEA Part B – CFDA # 84.027**

**Criteria:** Federal regulations require that time and effort reports be maintained to support the allocation of payroll and related fringe benefits to federally funded programs. OMB Circular A-87 requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Condition:** The North Providence School Department does not maintain all time and effort reports in accordance with the requirements of OMB Circular A-87. The Department does maintain personnel files and attendance reports however these reports do not meet the federal requirements as outlined above and noted in OMB Circular A-87.

**Effect:** Failure to properly maintain time and effort reports could result in the disallowance of costs allocated to the federally funded program and require the payback of the grant award.

**Questioned Costs:** Questioned costs relating to the Title I Grant Cluster amounted to approximately \$13,500 while we noted Project IDEA Part B program questioned costs of approximately \$21,500.

**Recommendation:** We recommend that management review the current policies and procedures for allocating personnel costs to federally funded programs to ensure that time and effort reports are maintained in accordance with OMB Circular A-87.

**Corrective Action Plan:** The North Providence School Department has historically maintained the required time and effort reports and/or certifications when applicable. However, due to various vacancies and staff turnover the Department did not complete the reports during fiscal 2011. Beginning in fiscal 2012 the Finance Director of the North Providence School Department will implement a policy and procedures requiring all certifications to be completed and maintained in accordance with the federal requirements.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

***Prior Year Findings:***

**2010-10: Weakness in internal controls over Major Federal Program:**

**Congretionally Mandated Projects CFDA#66.202**

During our audit of the requirements related to the Congretionally Manadated Projects award we noted that the Town of North Providence does not have adequate controls in place to monitor compliance with the Davis-Bacon requirements or the requirements for maintaining detailed capital asset records of property acquired with federal funds. Federal regulations require that recipients of federal awards establish internal controls to ensure that the federal funds are utilized in accordance with the federal requirements and those records are properly maintained.

The Town hired an engineer to work as the project manager on this EPA project. The engineer was responsible for hiring the construction contractor and accordingly, hired a contractor who operated a union shop which complied with the prevailing wage requirements. Management of the Town believes that the engineer was responsible, and is monitoring the project to ensure compliance with the Davis-Bacon requirements. However, we believe that the Town is ultimately responsible for ensuring compliance with the Davis-Bacon requirements. The Town currently does not have policies or procedures for monitoring and documenting its' compliance with the Davis-Bacon requirements. We recommend that management meet with the project engineer and obtain records and documentation to ensure compliance with the Davis-Bacon requirements.

Federal regulations require that the Town maintain detailed capital asset records which clearly identify all capital acquisitions made utilizing federal funds. These regulations also require that an inventory of the federally funded assets be completed on an annual basis and that documentation be maintained to substantiate the completion of the inventory. We noted that the capital asset records maintained by the Town of North Providence do not currently identify assets purchased with federal funds.

**Status:** Per inquiry with the Town's Controller, any federal funds expended on projects/capital assets subject to Davis-Bacon requirements will be required to have policies or procedures in place for monitoring and documenting detailed capital asset records of property acquired with federal funds. Controls will also be established to ensure that the federal funds are utilized in accordance with federal requirements and those records are properly maintained.

**2010-11: Procurement**

**Congretionally Mandated Projects CFDA#66.202**

**Criteria:** Federal regulations require that construction contracts be advertised for competitive bid and that the contract be awarded to the lowest qualified bidder.

**Condition:** The Town did not issue a formal request for proposal for this project. The federal funds were utilized to correct a major issue of flooding which has plagued a specific part of the Town for number of years. At the time the federal funds became available the Town experienced additional flooding which needed immediate attention. The Town considered the project to be of an emergency nature and therefore did not secure the required bids. Rather the Town utilized an engineering company to manage the project and hire qualified subcontractors.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2011**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Prior Year Findings (Continued):***

**2010-11: Procurement (Continued)**

**Effect:** Failure to issue a request for proposal results in noncompliance with the procurement ruled mandated by federal regulations.

**Recommendation:** We recommend that controls be established to ensure that the Town complies with Federal, State, and Town Charter requirements related to the procurement of goods and services.

**Status:** Subsequent to the issuance of the fiscal 2010 audited financial statements and schedule of findings and questioned costs the Town received notification from the Federal EPA that the project in question met the requirements of an emergency purchase. Therefore, the Town was exempt from the procurement rules related to the fiscal 2010 program expenditures and this finding was deemed not applicable. Per inquiry with the Town's Controller, all future construction contracts will be advertised for competitive bid and awarded to the lowest qualified bidder. If construction contracts are funded with federal awards the Town will comply with Federal, State, and Town Charter requirements related to the procurement of goods and services.

**2010-12: Allowable Costs – Payroll Allocations**

**Title I – CFDA #84.010; Title I ARRA – CFDA #84.389; Project IDEA – CFDA #84.027; Project IDEA Part B – ARRA – CFDA #84.391; Early Learning (89-313) – Preschool – CFDA #84.173**

**Criteria:** Federal regulations require that time and effort reports be maintained to support the allocation of payroll and related fringe benefits to federally funded programs. OMB Circular A-87 requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Condition:** The North Providence School Department does not maintain all time and effort reports in accordance with the requirements of OMB Circular A-87. The Department does maintain personnel files and attendance reports however these reports do not meet the federal requirements.

**Effect:** Failure to properly maintain time and effort reports could result in the disallowance of costs allocated to the federally funded program and require the payback of the grant award.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

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**C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)**

***Prior Year Findings (Continued):***

**2010-12: Allowable Costs – Payroll Allocations**

**Recommendation:** We recommend that management review the current policies and procedures for allocating personnel costs to federally funded programs to ensure that time and effort reports are maintained in accordance with OMB Circular A-87.

**Status:** See current year finding 2011-3.

(CONCLUDED)

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