

TOWN OF NORTH PROVIDENCE RHODE ISLAND

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015



MAYOR CHARLES A. LOMBARDI

Prepared by: Finance Department

TOWN OF NORTH PROVIDENCE

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2015

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2015

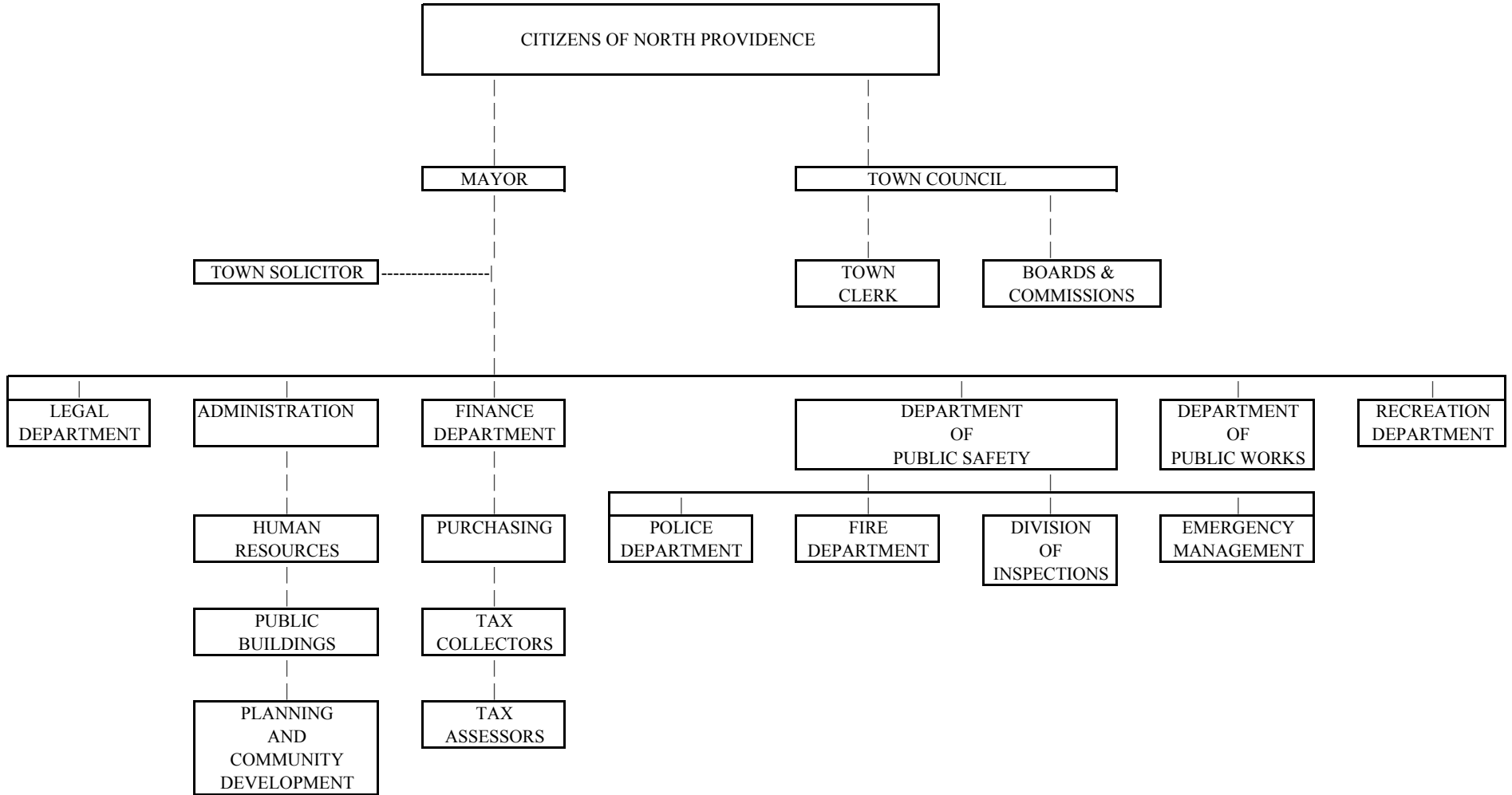
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(CONCLUDED)

TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

JUNE 30, 2015

TOWN COUNCIL

Dino P. Autiello, President
Alice C. Brady, Council at Large
Raymond DeStefanis
William F. Warren
Mansuet J. Giusti, III
Stephen L. Feola
Kristen J. Catanzaro

MAYOR

Charles A. Lombardi

FINANCE DEPARTMENT

Giustino Cambio, Finance Director
Maria G. Vallee, Town Controller
Claudette Mooney, Tax Collector
Robert Battey, Tax Assessor

TOWN OF NORTH PROVIDENCE

FINANCIAL SECTION

- INDEPENDENT AUDITOR'S REPORT
 - MANAGEMENT'S DISCUSSION AND ANALYSIS
 - BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in fiscal 2015, the Town of North Providence, Rhode Island adopted new accounting guidance, GASB Statement 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As described in Note 20, the implementation of GASB Statement 68 resulted in the restatement of net position of the Governmental Activities as of June 30, 2014. The net position was restated to include the net pension assets, net pension liabilities, deferred inflows of resources, and deferred outflows of resources related to the various pension plans maintained by the Town of North Providence, Rhode Island. The net position was decreased by \$56,633,565 as a result of the implementation of GASB 68. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the required schedules related to pension plans, and Schedule of Funding Progress for OPEB Plans on Pages 4 through 11, Pages 69 through 73, Pages 74 through 82, and Page 83, 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.

Other Information

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. The introductory section, combining and individual nonmajor fund financial statements, and other exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements, other exhibits, and 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. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other exhibits, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Providence, Rhode Island's internal control over financial reporting and compliance.

Prior Year Comparative Information

The financial statements include partial prior-year comparative information for the proprietary funds. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2014, from which the partial information was derived.

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
January 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015.

Financial Highlights

- On the Government-Wide Statements, the assets and deferred outflows of resources of the Town of North Providence exceeded its liabilities and deferred inflows of resources as of June 30, 2015 by \$17,466,439. This is a positive improvement over last year's balance, as restated, of \$13,213,096.
- As of year-end June 30, 2015, the Town's General Fund had a total fund balance of \$6,358,896. This is an increase of \$184,673 over last year's total fund balance of \$6,174,223.
- As of June 30, 2015 the School Unrestricted Fund had a deficit fund balance of \$673,645.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2015, this fund had an overall net asset overage of \$27,816.
- 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 \$184,673. The School Unrestricted Fund reported an excess of expenditures and other financing uses over revenues and other financing sources of (\$685,381).
- During fiscal year 2015 the Town continued its fiscal stewardship by reducing its outstanding long-term debt by approximately \$5,540,000 (bonds, notes, and lease obligations). In addition, the Town did not need to borrow on a short-term basis to fund its current operations.
- The Town has ended fiscal year 2015 with its sixth consecutive operating surplus.

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 basis 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 Position* presents information on all of the Town of North Providence's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 12 through 13.

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.

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 14 through 17.

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 which services all students including those students that qualify for "free or reduced" meals 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 18 through 20.

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 21 through 22.

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 23 through 68.

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 69 through 83.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on Pages 84 through 91.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Providence, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by approximately \$17,439,000 as of June 30, 2015.

The largest portions of the Town of North Providence's net position 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 and net position restricted for use by the U.S. Department of Justice. 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 POSITION

June 30, 2015 and 2014 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
		Restated (1)				Restated (1)
Current and Other Assets	\$ 61,348	\$ 60,682	\$ 218	\$ 189	\$ 61,566	\$ 60,871
Capital Assets	48,327	49,120	44	61	48,371	49,181
Total Assets	109,675	109,802	262	250	109,937	110,052
Deferred outflows of resources	7,317	3,799	0	0	7,317	3,799
Long-Term Liabilities	78,477	84,319	0	0	78,477	84,319
Other Liabilities	13,842	16,101	234	218	14,076	16,319
Total Liabilities	92,319	100,420	234	218	92,553	100,638
Deferred inflows of resources	7,234	0	0	0	7,234	0
Invested in capital assets, net of related debt	\$ 34,122	\$ 31,374	\$ 44	\$ 61	\$34,166	\$31,435
Restricted	38,539	38,532			38,539	38,532
Unrestricted	(55,222)	(56,725)	(16)	(29)	(55,238)	(56,754)
Total Net Position	\$ 17,439	\$ 13,181	\$ 28	\$ 32	\$17,467	\$13,213

(1) The net position as of June 30, 2014 has been restated to reflect the cumulative adjustment resulting from the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. See Footnote 20 to the accompanying financial statements at June 30, 2015 for further information.

As of June 30, 2015 the Town of North Providence reports a positive (surplus) balance of approximately \$28,000 in business-type activities (School Cafeteria Fund) while the governmental activities have total net position of approximately \$17,439,000.

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, 2015 and 2014.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2015 and 2014 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Restated (1)				Restated (1)	
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,269	\$ 3,825	\$ 355	\$ 359	\$4,624	\$ 4,184
Operating Grants and Contributions	20,622	19,622	818	810	21,440	20,432
Capital Grants and Contributions	979	754			979	754
General Revenues:						
Property taxes	68,937	67,459			68,937	67,459
Motor vehicle phase-out taxes	394	349			394	349
Telephone and State PILOT	1,111	1,067			1,111	1,067
Grants and aid not restricted for a specific program	2,338	2,398			2,338	2,398
Gain on sale of surplus equipment	42	4			42	4
Unrestricted investment earnings	12	9			12	9
Transfer in (out)	0	(18)		18	0	0
Total Revenues	98,704	95,469	1,173	1,187	99,877	96,656
Expenses:						
Legislative, judicial, and administrative	14,673	14,223			14,673	14,223
Department of Finance	849	959			849	959
Public Safety	18,453	19,886			18,453	19,886
Public Services/works	4,831	4,584			4,831	4,584
Grants and contributions	1,388	1,336			1,388	1,336
Education	53,735	52,857			53,735	52,857
Interest on long-term debt	517	1,060			517	1,060
School Cafeteria			1,177	1,137	1,177	1,137
Total Expenses	94,446	94,905	1,177	1,137	95,623	96,042
Increase (decrease) in net position	4,258	564	(4)	50	4,254	614
Net position beginning of year	13,181	69,250	32	(18)	13,213	69,232
Cumulative effect to implement GASB 68	0	(56,633)	0	0	0	(56,633)
Net position (deficit) end of year	\$17,439	\$13,181	\$ 28	\$32	\$17,467	\$13,213

(1) The net position as of June 30, 2014 has been restated to reflect the cumulative adjustment resulting from the implementation of GASB Statement 68, *Accounting and Financial Reporting for Pensions*. See Footnote 20 to the accompanying financial statements at June 30, 2015 for further information.

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 a combined ending fund balance of \$9,233,875. Unassigned fund balance amounted to \$2,112,352 with non-spendable fund balance of \$1,115,751, committed fund balance of \$2,358,992, and restricted fund balance of \$3,646,780.

The General Fund is the operating fund of the Town of North Providence. At the end of the current fiscal year, the Town's general fund ended with an increase in fund balance of \$184,673. This resulted in a cumulative surplus fund balance in the General Fund of \$6,358,896 at June 30, 2015. The unassigned portion of the fund balance/cumulative surplus was \$3,760,721.

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. Total net position of the proprietary fund is \$27,816 at June 30, 2015.

General Fund Budgetary Highlights

Total actual revenues exceeded budgeted revenues by \$898,675. The most significant favorable revenue variances were in the collection of property taxes, payments in lieu of property taxes and State Aid to Education. Overall, actual expenditures were over budget by \$396,198. The most significant unfavorable expenditure variances were in Public Safety and the Department of Public Works. The combined favorable variance in both revenue accounts and expense accounts amounted to \$502,477. The budgetary excess after Other Financing Uses was \$184,673 (budgetary basis surplus).

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 \$48,371,016 net of accumulated depreciation at June 30, 2015. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure. Information on the capital assets can be found in Note 6, Page 39.

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
	Land	\$16,184	\$ 16,184			\$16,184
Construction in progress	590	0			590	0
Buildings and improvements	22,793	23,029			22,793	23,029
Equipment, furn. & fixtures	3,183	3,567	\$ 44	\$ 61	3,227	3,628
Vehicles	1,803	2,046			1,803	2,046
Infrastructure	3,258	3,470			3,258	3,470
Land improvements	516	545			516	545
Total	<u>\$48,327</u>	<u>\$48,841</u>	<u>\$ 44</u>	<u>\$ 61</u>	<u>\$48,371</u>	<u>\$ 48,902</u>

The Town is currently planning the construction of a new Public Safety Complex. The cost of this project is estimated at \$24 million and will be funded with federal forfeiture funds.

The School Department has completed a needs assessment of its school facilities. A number of projects including health and safety improvements have been identified. The total cost of these improvements are currently being finalized. The cost of any improvements, which includes debt service, will qualify for approximately 56% reimbursement from the State through Housing Aid.

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 \$15,055,000. 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	
	2015	2014	2015	2014	2015	2014
	General Obligation Bonds	\$15,055	\$20,220	\$ 0	\$0	\$15,055
Bond premium	488	554	0	0	488	554
Notes & Lease purchase obligations	898	1,273	0	0	898	1,273
Total obligations	<u>\$16,441</u>	<u>\$22,047</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$16,441</u>	<u>\$22,047</u>

There were no outstanding short-term obligations at June 30, 2015.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the full assessed value of all taxable property within the Town. The Town of North Providence's limit is \$64,806,660 at year-end based on the December 31, 2013 assessed value of property. The Town of North Providence's outstanding general obligation debt is \$15,055,000 at year-end, which is \$49,751,660 under the State imposed limitation.

As of June 30, 2015, the Town of North Providence's bonds are insured and hold an A3 credit rating from Moody's and an A rating from Standard & Poor's.

Additional information of the Town of North Providence's debt administration can be found in Note 9 on Pages 41 through 43 of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- The Town of North Providence has budgeted \$93,889,000 for fiscal 2016, an increase of \$1,205,036 over fiscal 2015. The net increase was principally for an increased education appropriation in the amount of \$1,753,319 and a \$548,283 decrease for the Town. The total increase of \$1,753,319 for education was derived from additional State Aid to Education.
- Budgeted educational expenses are \$51,344,334 or 54.7% of total appropriations; leaving \$42,544,666 or 45.3% budgeted for the remaining Town appropriations.
- State Aid to Education is budgeted at \$18,044,074 which is an increase of \$1,753,319 over fiscal 2015. State Aid to Education represents 35.1% of the education budget.
- The locally-administered Police Pension Fund's funded ratio is currently at approximately 91% at June 30, 2015. This has resulted in a significant reduction to the Town's annual Police Pension Fund contribution.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2015: Residential Real Estate \$27.94; Commercial Real Estate \$34.68; Tangible Property \$69.91 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 questions concerning this report or for additional financial information, please contact the Town of North Providence, Finance Department, 2000 Smith Street, North Providence, Rhode Island 02911.

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TOWN OF NORTH PROVIDENCE

BASIC FINANCIAL STATEMENTS



TOWN OF NORTH PROVIDENCE RHODE ISLAND**Statement of Net Position
June 30, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 12,921,436	\$ 104,461	\$ 13,025,897
Accounts receivable, net	5,894,076		5,894,076
Other receivables	-	33,057	33,057
Internal balances	(2,037)	2,037	-
Due from federal and state governments	40,086,125	78,502	40,164,627
Prepays	628,389		628,389
Total Current Assets	59,527,989	218,057	59,746,046
Noncurrent Assets:			
Net Pension Asset	1,819,882		1,819,882
Capital assets not being depreciated	16,774,483		16,774,483
Capital assets, net of accumulated depreciation	31,552,635	43,898	31,596,533
Total Noncurrent Assets	50,147,000	43,898	50,190,898
TOTAL ASSETS	109,674,989	261,955	109,936,944
DEFERRED OUTFLOWS OF RESOURCES:			
Difference between projected & actual earnings	2,209,269		2,209,269
Pension contributions after measurement date	5,107,749		5,107,749
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,317,018	-	7,317,018
LIABILITIES:			
Current Liabilities:			
Accounts payable	3,473,595	234,139	3,707,734
Accrued liabilities	4,929,477		4,929,477
Unearned revenue	251,206		251,206
Current portion of compensated absences	800,000		800,000
Current portion of IBNR claims	667,555		667,555
Current portion of bonds and notes	3,720,652		3,720,652
Total Current Liabilities	13,842,485	234,139	14,076,624
Noncurrent Liabilities:			
Compensated absences	7,180,613		7,180,613
Net OPEB obligation	15,233,980		15,233,980
Net pension liability	43,342,895		43,342,895
Bond and note obligations, net	12,719,828		12,719,828
Total Noncurrent Liabilities	78,477,316	-	78,477,316
TOTAL LIABILITIES	92,319,801	234,139	92,553,940
DEFERRED INFLOWS OF RESOURCES:			
Difference between actual & expected experience	115,865		115,865
Difference between projected & actual earnings	5,734,329		5,734,329
Changes in pension assumptions	1,383,389		1,383,389
TOTAL DEFERRED INFLOWS OF RESOURCES	7,233,583	-	7,233,583
NET POSITION:			
Net investment in capital assets	34,121,638	43,898	34,165,536
Restricted	38,539,424	-	38,539,424
Unrestricted	(55,222,439)	(16,082)	(55,238,521)
TOTAL NET POSITION	\$ 17,438,623	\$ 27,816	\$ 17,466,439

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, 2015

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and administrative	\$ 14,672,592	\$ 1,106,438	\$ 123,576	\$ -	\$ (13,442,578)		\$ (13,442,578)
Department of finance	849,096	104,335			(744,761)		(744,761)
Public safety	18,453,494	1,741,468	122,371	184,091	(16,405,564)		(16,405,564)
Public services	4,830,651	254,130	-	472,917	(4,103,604)		(4,103,604)
Grants and contributions	1,388,518	-	176,242	-	(1,212,276)		(1,212,276)
Education	53,735,239	1,062,578	20,199,558	322,066	(32,151,037)		(32,151,037)
Interest on long-term debt	517,073				(517,073)		(517,073)
Total governmental activities	94,446,663	4,268,949	20,621,747	979,074	(68,576,893)		(68,576,893)
Business-type activities:							
School Cafeteria	1,177,040	354,826	817,601			\$ (4,613)	(4,613)
Total business-type activities	1,177,040	354,826	817,601	-	-	(4,613)	(4,613)
Total	\$ 95,623,703	\$ 4,623,775	\$ 21,439,348	\$ 979,074	(68,576,893)	(4,613)	(68,581,506)
General revenues:							
Property taxes					68,937,213		68,937,213
Motor vehicle phase-out taxes					393,578		393,578
Telephone and State PILOT payments					1,111,381		1,111,381
Grants and aid not restricted for a specific program					2,338,408		2,338,408
Gain on sale of surplus equipment					41,955		41,955
Unrestricted investment earnings					12,314		12,314
Total general revenues and transfers					72,834,849	-	72,834,849
Change in Net Position					4,257,956	(4,613)	4,253,343
Net Position - beginning of year (As Restated)					13,180,667	32,429	13,213,096
Net Position - ending of year					\$ 17,438,623	\$ 27,816	\$ 17,466,439

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, 2015*

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 9,034,498	\$ 236,211	\$ 1,696,912	\$ 1,191,545	\$ 762,270	\$ 12,921,436
Accounts and other receivable, net	5,601,032	44,072			248,972	5,894,076
Due from federal and state governments	1,154,404	150,689		37,451,024	1,330,008	40,086,125
Prepaid expenditures	610,389	-			18,000	628,389
Due from other funds	2,628,263	2,728,731		-	702,787	6,059,781
TOTAL ASSETS	\$ 19,028,586	\$ 3,159,703	\$ 1,696,912	\$ 38,642,569	\$ 3,062,037	\$ 65,589,807
LIABILITIES:						
Accounts payable	\$ 2,246,534	\$ 840,530	\$ -	\$ 66,690	\$ 319,841	\$ 3,473,595
Accrued liabilities	1,993,297	2,804,439			3,741	4,801,477
Due to other funds	4,113,047	188,379		36,455	1,723,937	6,061,818
Unearned revenue - other					251,206	251,206
TOTAL LIABILITIES	8,352,878	3,833,348	-	103,145	2,298,725	14,588,096
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes, EMS, Fines etc.	4,316,812	-	-	37,451,024		41,767,836
FUND BALANCES:						
Nonspendable	610,389	487,362	-	-	18,000	1,115,751
Restricted	-	-	1,696,912	1,088,400	861,468	3,646,780
Committed	1,987,786	-	-	-	371,206	2,358,992
Unassigned	3,760,721	(1,161,007)	-	-	(487,362)	2,112,352
TOTAL FUND BALANCES	6,358,896	(673,645)	1,696,912	1,088,400	763,312	9,233,875
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 19,028,586	\$ 3,159,703	\$ 1,696,912	\$ 38,642,569	\$ 3,062,037	\$ 65,589,807

(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, 2015**

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

Total Fund Balance reported in Exhibit B-1	\$ 9,233,875
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, 2015	48,327,118
Net Pension Assets and related Deferred Outflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	9,136,900
Long-term debt obligations including OPEB and compensated absences are not due and payable in the current period and therefore are no reported in the funds. These liabilities are reported in the Statement of Net Position.	(40,322,628)
Net Pension Liability and related Deferred Inflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	(50,576,478)
Unearned 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 Position.	41,767,836
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 Position and not the Governmental Fund Balance Sheet at June 30, 2015.	(128,000)
Total Net Position reported in Exhibit A-1	<u>\$ 17,438,623</u>

(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, 2015**

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 69,072,191	\$ -	\$ -	\$ -	\$ -	\$ 69,072,191
Intergovernmental	4,019,609	16,480,742		241,276	2,990,948	23,732,575
Private grants					177,521	177,521
Licenses and fees	410,168				182,997	593,165
Investment income	4,490	68	93	1,981	5,750	12,382
Departmental	1,054,978					1,054,978
Contributions					64,704	64,704
State on behalf pension contribution		2,157,900				2,157,900
Medicaid reimbursement		909,736				909,736
Miscellaneous	1,531,893	98,763		23,067	35,361	1,689,084
TOTAL REVENUES	76,093,329	19,647,209	93	266,324	3,457,281	99,464,236
EXPENDITURES:						
Current:						
Legislative, judicial, and administrative	2,235,636					2,235,636
Department of finance	857,745					857,745
Public safety	16,683,501			77,525	128,040	16,889,066
Public services/works	4,558,838					4,558,838
Grants and contributions	1,378,847					1,378,847
Education		51,852,290			1,977,063	53,829,353
Other	11,766,968				469,126	12,236,094
Debt Service:						
Principal	3,163,760	216,503	2,160,000		-	5,540,263
Interest and other costs	530,383		113,419		-	643,802
Capital:						
Capital expenditures	-	614,057		100,632	1,464,110	2,178,799
TOTAL EXPENDITURES	41,175,678	52,682,850	2,273,419	178,157	4,038,339	100,348,443
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	34,917,651	(33,035,641)	(2,273,326)	88,167	(581,058)	(884,207)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt obligations	-				-	-
Transfers in		32,350,260	2,313,469		69,249	34,732,978
Transfers out	(34,732,978)	-	-		-	(34,732,978)
TOTAL OTHER FINANCING SOURCES (USES)	(34,732,978)	32,350,260	2,313,469	-	69,249	-
NET CHANGE IN FUND BALANCES	184,673	(685,381)	40,143	88,167	(511,809)	(884,207)
FUND BALANCE BEGINNING OF YEAR	6,174,223	11,736	1,656,769	1,000,233	1,275,121	10,118,082
FUND BALANCE AT END OF YEAR	\$ 6,358,896	\$ (673,645)	\$ 1,696,912	\$ 1,088,400	\$ 763,312	\$ 9,233,875

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, 2015**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ (884,207)
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.	(513,300)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	5,540,263
Changes in the Net Pension Asset, Deferred Outflows of Resources related to pension plans, Net Pension Liability, and Deferred Inflows of Resources related to pension plans results in an increase or decrease to the pension expense reported in the Statement of Activities. For fiscal 2015 the effect of these adjustments resulted in an increase in the pension expense reported in the Statement of Activities as compared to Fund Statements.	1,116,585
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, 2014.	75,253
Revenues, net of an allowance, in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unearned tax and other revenue decreased from fiscal 2014.	(117,110)
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, 2015 versus June 30, 2014.	60,400
Net OPEB obligation is a long-term liability 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 this obligation is reported as an expenditure in the government-wide statement of activities. The net OPEB obligation increased in fiscal 2015.	(1,734,007)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount bond premium amortized and which is recorded as a reduction of interest expense in the government-wide statement of activities.	66,329
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 position.	647,750
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	\$ 4,257,956

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Net Position
Proprietary Funds
June 30, 2015
(With Comparative Totals for June 30, 2014)

	<u>Enterprise Funds</u>	
	<u>School Cafeteria</u> <u>(current year)</u>	<u>School Cafeteria</u> <u>(prior year)</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 104,461	\$ 53,458
Other receivables	33,057	
Due from other funds	2,037	88,969
Due from federal and state governments	78,502	46,687
Total Current Assets	<u>218,057</u>	<u>189,114</u>
Noncurrent Assets:		
Equipment	181,144	181,144
Less accumulated depreciation	(137,246)	(119,776)
Total Noncurrent Assets	<u>43,898</u>	<u>61,368</u>
TOTAL ASSETS	<u>261,955</u>	<u>250,482</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	234,139	218,053
TOTAL LIABILITIES	<u>234,139</u>	<u>218,053</u>
NET POSITION:		
Net investment in capital assets	43,898	61,368
Unrestricted	(16,082)	(28,939)
TOTAL NET POSITION	<u>\$ 27,816</u>	<u>\$ 32,429</u>

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 Net Position
Proprietary Funds
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
Operating revenues:		
Federal & State Grants for free and reduced lunch	\$ 817,601	\$ 810,113
Charges for usage and service	354,826	358,953
Total Operating Revenues	<u>1,172,427</u>	<u>1,169,066</u>
Operating expenses:		
Management operations costs	1,159,415	1,121,818
Maintenance and other costs	155	11
Depreciation expense	17,470	14,484
Total Operating Expenses	<u>1,177,040</u>	<u>1,136,313</u>
Operating income (loss) before other financing sources	(4,613)	32,753
Other financing sources:		
Transfers in	-	17,500
Change in Net Position	(4,613)	50,253
Net Position at beginning of year	<u>32,429</u>	<u>(17,824)</u>
Net Position at end of year	<u>\$ 27,816</u>	<u>\$ 32,429</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 354,826	\$ 358,953
Cash received from State and Federal Grants	785,786	807,073
Cash paid to suppliers for goods and services and other operating payments	(1,176,542)	(1,210,434)
Net cash used by operating activities	(35,930)	(44,408)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
(Increase) decrease in amounts due from other funds	86,933	914
Net cash provided by noncapital financing activities	86,933	914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer in from Kids Club Special Revenue Fund	-	17,500
Acquisition of capital assets	-	(29,863)
Net cash used by capital and related financing activities	-	(12,363)
Net increase (decrease) in cash and cash equivalents	51,003	(55,857)
Cash and cash equivalents, beginning of year	53,458	109,315
Cash and cash equivalents, end of year	\$ 104,461	\$ 53,458
Reconciliation of operating income to net cash used for operating activities:		
Operating income (loss)	\$ (4,613)	\$ 32,753
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	17,470	14,484
(Increase) decrease in:		
Intergovernmental receivables	(31,815)	(3,040)
Other receivables	(33,057)	-
Increase (decrease) in:		
Accounts payable	16,085	(88,605)
Net cash used by operating activities	\$ (35,930)	\$ (44,408)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Police Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,449,233	\$ 1,000	\$ 480,396
Investments	36,213,149	249,000	-
Receivables	43,024	250,000	22,112
TOTAL ASSETS	<u>37,705,406</u>	<u>500,000</u>	<u>502,508</u>
LIABILITIES			
Accrued expenses	183,690		
Deposits held in custody for others			502,508
TOTAL LIABILITIES	<u>183,690</u>	<u>-</u>	<u>502,508</u>
NET POSITION			
Held in trust for OPEB benefits		500,000	
Held in trust for pension benefits	37,521,716		-
TOTAL NET POSITION	<u>\$ 37,521,716</u>	<u>\$ 500,000</u>	<u>\$ -</u>

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 Position
Fiduciary Funds
For the year ended June 30, 2015**

	Police Pension <u>Trust Fund</u>	OPEB <u>Trust Fund</u>
ADDITIONS:		
Contributions - employer	\$ 849,111	\$ 500,000
Contributions - plan members	369,520	
Investment interest and dividends	1,091,822	-
Realized and unrealized gains and (losses)	<u>(1,099,449)</u>	<u>-</u>
TOTAL ADDITIONS	<u>1,211,004</u>	<u>500,000</u>
DEDUCTIONS:		
Benefits paid	1,936,364	
Investment expense	179,160	
TOTAL DEDUCTIONS	<u>2,115,524</u>	<u>-</u>
CHANGE IN NET POSITION	(904,520)	500,000
NET POSITION - BEGINNING OF YEAR	38,426,236	-
NET POSITION - END OF YEAR	<u>\$ 37,521,716</u>	<u>\$ 500,000</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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. 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. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

- a. The primary government is legally entitled to or can otherwise access the organization's resources.
- b. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
- c. The primary government is obligated in some manner for the debt of the organization.

The financial statements do not include any component units.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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 and deferred outflow of resources, liabilities and deferred inflow of resources, 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 and deferred outflow of resources, liabilities and deferred inflow of resources, 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.

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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

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 eight agency funds at June 30, 2015. Agency funds are custodial in nature (i.e. assets equal liabilities), and do not involve the measurement of results of operations. The agency funds are as follows:

- Seized Property
- Animal Care Donations
- Food Pantry Fund
- Realty Tax Transfer Account
- Student Activities Fund (comprised of numerous Student Activity accounts)
- Low Cost Spay/Neuter
- Animal Care Adoptions
- Performance Bond Fund

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 and Other Post Employment Benefit Trust Funds (OPEB)

Pension and Other Post Employment Benefit (OPEB) Trust Funds are used to account for resources legally held in trust for use for payment of pension and OPEB benefits, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has two such trust funds, Police Pension Trust Fund, and OPEB Trust Fund. These funds are used to account for the activity and balances of funds restricted for the future retirement benefits of public safety personnel and OPEB benefits for all Town personnel.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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>
Major:	
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 Funds: 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.
Federal Forfeiture Fund	This fund is used to report all financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department.
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>
Non-Major:	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-eight (38) Special Revenue Funds which are considered to be non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains three (3) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

On the government-wide Statement of Net Position 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 and the modified accrual basis of accounting. Only current financial assets, deferred outflow of resources, liabilities, and deferred inflow of resources are generally included on their balance sheets. 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 and OPEB 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, deferred outflow of resources, liabilities (whether current or noncurrent), and deferred inflow of resources associated with their activities are reported. Fund equity is classified as net position.
- (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 Position 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, deferred outflow of resources, liabilities, and deferred inflow of resources 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, pension and OPEB 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 is used.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance

Cash and Cash Equivalents

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 based on quoted market prices.

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 approximately \$5,222,000 at June 30, 2015. The allowance for uncollectible accounts includes approximately \$3,700,000 for property taxes, \$579,000 for tax lien property, \$150,000 for municipal court fines, \$788,000 for EMS rescue billings, and \$5,000 for first time home buyer loans offered through the CDBG program. Major receivable balances for the governmental activities include property taxes (approximately 76% of the net receivable balance at June 30, 2015).

In the fund financial statements, 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 reported as unearned revenue in the fund financial statements in accordance with modified accrual, but not reported as unearned 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, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance (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 through 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.

Prepaids

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

Capital Assets

The accounting treatment over 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, all capital assets are valued at historical cost, or estimated historical cost if actual cost 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 Position. 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, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance (Continued)

Capital Assets (Continued)

Government-Wide Statements (Continued)

The 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 Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2015 the Town of North Providence, Rhode Island had two items qualifying as deferred outflow of resources in the government-wide statement of net position. These deferred outflow of resources included: difference between projected and actual earnings for pension plan and pension contributions after the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2015 the Town of North Providence, Rhode Island had one item qualifying as a deferred inflow of resources in the governmental funds balance sheet and three items reported in the government-wide statement of net position. Unavailable revenue – property taxes, EMS, Fines etc. reported in the fund statements represents property taxes receivables which are assessed on December 31, 2013 and prior and is not collected within 60 days of June 30, 2015 as well as fees for rescue services and fines billed but deemed unavailable at year end. The deferred inflows of resources reported on the government-wide financial statements are related to pension plan reporting requirements in accordance with GASB Statement #68. These deferred inflows consisted of the difference between actual and expected experience; difference between projected & actual earnings; and changes in pension assumptions.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance (Continued)

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.

- 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.

Net Position

Net position is classified in three components:

- (a) Net investment in capital assets - 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 position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

- (c) Unrestricted net position – All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets". A deficit would require future funding.

Fund Balance

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance (Continued)

Fund Balance (Continued)

- (a) Non-spendable Fund Balance – Amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- (b) Restricted Fund Balance – Amounts that are restricted to specific purposes. Amounts are reported as restricted when constraints placed on 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 – 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 – 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. The Town currently does not have a policy defining who has the ability to assign fund balance.
- (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 should report 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.

Application of Funds

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

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. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$40,322,628 are as follows:

Bonds payable, including bond premium	\$15,542,812
Note and lease purchase obligations	897,668
Accrued IBNR claims.....	667,555
Net OPEB Obligation.....	15,233,980
Compensated absences.....	<u>7,980,613</u>
Total	<u>\$40,322,628</u>

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 position 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 (\$513,300) difference are as follows:

Capital outlays capitalized Government-wide	\$1,416,785
Depreciation expense.....	<u>(1,930,085)</u>
Net adjustment – decrease net position	<u>(\$ 513,300)</u>

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 (\$117,110) difference are as follows (before affect of allowance):

Unavailable revenue - ending.....	\$ 41,767,836
Unavailable revenue – beginning.....	<u>(41,884,946)</u>
Net adjustment –decrease net position	<u>(\$ 117,110)</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of that reconciliation states that, "Changes in Net Pension Asset, Deferred Outflow of Resources related to pension plans, Net Pension Liabilities, and Deferred Inflows of Resources related to pension plans results in an increase or decrease in the pension expense reported in the Statement of Activities." The details of this \$1,116,585 difference are as follows:

Increase in Net Pension Asset for fiscal 2015.....	\$ 1,541,129
Increase in Deferred Outflows for pension plans	3,517,565
Decrease in Net Pension Liability for fiscal 2015	3,291,474
Increase in Deferred Inflows for pension plans	<u>(7,233,583)</u>
Net adjustment (increase net position).....	<u>\$ 1,116,585</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2015 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.
- GASB Statement No. 69 – Government Combinations and Disposals of Government Operations.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.

The following are recently issued governmental accounting standards which will be applicable in future years:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the fiscal year ending June 30, 2016.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the fiscal year ending June 30, 2016.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the fiscal year ending June 30, 2016.

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

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of North Providence, Rhode Island's various pension plans (described in more detail in Note 12) and additions to/deductions from the pension plans fiduciary net position have been determined on the same basis as they have been reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2015 from which the partial information was derived

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.

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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2015 was \$14,956,526 (including Fiduciary Funds of \$1,930,629) while the bank balance was approximately \$18,695,000. Of the bank balance, approximately \$775,000 was covered by federal depository insurance and the remaining amount was collateralized.

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, 2015 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund and the OPEB Trust Fund totaled \$36,213,149 and \$249,000, respectively. These investments consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 16,232,124	n/a	n/a	not rated
Common Stock - Equities	9,682,373	n/a	n/a	not rated
Corporate Bonds	1,288,865	0.85% - 8.50%	12/2015 - 2/2045	A2
Corporate Bonds	302,676	2.20% - 3.20%	8/2016 - 6/2025	AA2
Corporate Bonds	295,883	5.25% - 7.63%	1/2018 - 10/2018	AA3
Corporate Bonds	712,368	5.50% - 7.90%	4/2018 - 2/2039	A1
Corporate Bonds	38,076	floating	5/3/2018	AA1
Corporate Bonds	193,921	4.95%	3/3/2019	AA1
Corporate Bonds	351,958	2.40 - 8.63%	5/2021 - 9/2029	AAA
Corporate Bonds	494,489	4.10% - 5.5%	1/2020 - 6/2026	A3
Corporate Bonds	248,075	4.00% - 5.63%	4/2024 - 5/2041	BAA1
Government Bonds	3,004,357	.375% - 4.625%	1/2016 - 8/2044	AAA
Government Asset Back/CMO	2,017,421	2.50% - 6.50%	4/2018 - 3/2044	not rated
Corporate Mortgage/Asset Backed	562,350	.640% - 5.558%	1/2018 - 8/2045	AAA
Foreign Bonds	26,039	floating	9/30/2016	A1
Foreign Bonds	79,339	5.65%	10/15/2016	A1
Foreign Bonds	176,815	1.80%	11/23/2016	AA2
Foreign Bonds	377,689	1.674% - 5.90%	8/2015 - 3/2025	A2
Foreign Bonds	377,331	4.125% -6.375%	1/2021 - 12/2038	AA1
Total	<u>\$ 36,462,149</u>			

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. CASH AND INVESTMENTS (Continued)

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, 2015 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. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that all uninsured deposits greater than \$250,000 are collateralized.

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation and the Town will not be able to recover the value of its investment or collateral securities possessed by another party. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2015 the Town's investments included investments in corporate and foreign bonds totaling \$6,980,945 which are subject to credit risk of the issuing entity.

4. PROPERTY TAXES

During the year ended June 30, 2015, the Town received \$393,578 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 3rd and 4th 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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

4. PROPERTY TAXES (Continued)

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 2015 were based on a net assessed value of approximately \$2,160,222,000 at December 31, 2013 and amounted to approximately \$68,704,000. Collections on this assessment through June 30, 2015 amounted to approximately \$65,826,000, which represents approximately 96% of the total tax levy.

The Town recognizes property tax revenues in accordance with generally accepted accounting principles on the Fund statements. Unpaid property taxes as of June 30, 2015 (\$4,470,261) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,700,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2015 are recorded as unavailable revenue and amounted to \$3,456,528 at June 30, 2015. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2015 (due to their collection within the 60 days immediately following June 30, 2015) amounted to \$1,013,733.

5. ACCOUNTS RECEIVABLE

At June 30, 2015 General Fund accounts receivable on the fund statements consisted of the following:

	<u>Receivable Balance</u>	<u>Allowance</u>	<u>Net Receivable</u>
Property taxes	\$ 8,170,261	(\$3,700,000)	\$4,470,261
Tax lien property	579,100	(579,100)	0
Municipal Court fees.....	222,487	(150,209)	72,278
EMS Rescue billings	1,576,007	(788,000)	788,007
Other receivables	270,486	(0)	270,486
Total	<u>\$10,818,341</u>	<u>(\$5,217,309)</u>	<u>\$5,601,032</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balances <u>7/1/14</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/15</u>
Governmental Activities:				
Nondepreciable Assets:				
Land	\$ 16,184,150			\$ 16,184,150
Construction in progress	-	\$ 590,333	\$ -	590,333
Total nondepreciable assets	<u>16,184,150</u>	<u>590,333</u>	<u>-</u>	<u>16,774,483</u>
Depreciable Assets:				
Buildings and improvements	45,752,624	590,040		46,342,664
Land improvements	791,180	-		791,180
Vehicles	7,107,122	106,234		7,213,356
Equipment, furniture and fixtures	5,921,789	25,000		5,946,789
Infrastructure	7,608,924	105,178		7,714,102
Total depreciable assets	<u>67,181,639</u>	<u>826,452</u>	<u>-</u>	<u>68,008,091</u>
Total cost	<u>83,365,789</u>	<u>1,416,785</u>	<u>-</u>	<u>84,782,574</u>
Accumulated Depreciation:				
Building and improvements	(22,723,806)	(826,502)		(23,550,308)
Land improvements	(246,070)	(28,930)		(275,000)
Vehicles	(5,061,512)	(348,277)		(5,409,789)
Equipment, furnitures and fixtures	(2,355,459)	(409,301)		(2,764,760)
Infrastructure	(4,138,524)	(317,075)		(4,455,599)
Total acumulated depreciation	<u>(34,525,371)</u>	<u>(1,930,085)</u>	<u>-</u>	<u>(36,455,456)</u>
Net capital assets	<u>\$ 48,840,418</u>	<u>\$ (513,300)</u>	<u>\$ -</u>	<u>\$ 48,327,118</u>
Business-type Activities:				
Machinery, equipment and furniture	\$ 181,144			\$ 181,144
Accumulated Depreciation:				
Machinery, equipment and furniture	(119,776)	\$ (17,470)	\$ -	(137,246)
Net capital assets	<u>\$ 61,368</u>	<u>\$ (17,470)</u>	<u>\$ -</u>	<u>\$ 43,898</u>

Depreciation expense for the year ended June 30, 2015 was charged to the following functions/programs of the Town:

Governmental Activities:	
Legislative, judicial and administrative	\$ 90,220
Public safety	633,839
Public services/works	270,731
Grants and Contributions	191,053
Education	744,242
Total	<u>\$ 1,930,085</u>
Business-type Activities:	
School Cafeteria Fund	<u>\$ 17,470</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

7. 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, 2015:

General Fund:	
State of Rhode Island	\$ 1,154,404
School Unrestricted Fund:	
State of Rhode Island – EDS – Medicaid Funding	150,689
Federal Forfeiture Fund:	
U.S. Department of Justice	37,451,024
Non-Major Governmental Funds:	
State of Rhode Island (RIDE)	664,526
State of Rhode Island DEM, RIEMA and others	665,482
School Cafeteria Fund:	
State of Rhode Island	<u>78,502</u>
Total all fund types	<u>\$40,164,627</u>

The receivable from the U. S. Department of Justice represents amounts awarded to the Town of North Providence through federal forfeiture. As of June 30, 2015 this amount was considered earned by the Town but is reported as unavailable for revenue recognition in the fund financial statements.

8. 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, 2015 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$2,628,263	\$4,113,047
School Unrestricted Fund	2,728,731	188,379
Federal Forfeiture Fund	<u>0</u>	<u>36,455</u>
Total Major Governmental Funds	<u>5,356,994</u>	<u>4,337,881</u>
Non-major Governmental Funds:		
Special Revenue Funds	702,787	804,442
Capital Project Funds	<u>0</u>	<u>919,495</u>
Total Non-Major Governmental Funds	<u>702,787</u>	<u>1,723,937</u>
Proprietary Funds:		
School Cafeteria Fund	<u>2,037</u>	<u>0</u>
Total Interfund Balances	<u>\$6,061,818</u>	<u>\$6,061,818</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. LONG-TERM DEBT

(a) At June 30, 2015, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2014	Additions	Retirements	Outstanding June 30, 2015	Due Within One Year
Governmental activities:									
General obligation bonds:									
Rhode Island Clean Water	06/01/94	1,597,000	09/01/14	4.03%	\$ 79,850		\$ 79,850	\$ 0	\$ 0
General Obligation Refunding	06/29/01	17,165,000	09/15/14	2.7-4.7%	1,670,000		1,670,000	0	0
General Obligation Bond	02/15/07	3,500,000	6/12 & 6/27	4.0-5.375%	2,275,000		175,000	2,100,000	175,000
Premium on deficit reduction bond	07/15/10	60,632			12,128		12,128	0	0
Deficit Funding Bond.....	07/15/10	10,500,000	07/15/15	2.8-4.12%	4,395,000		2,160,000	2,235,000	2,235,000
RIHEBC Refunding Bond	12/19/13	9,635,000	11/15/23	1.0% - 5.0%	9,635,000		795,000	8,840,000	820,000
General Obligation Refunding	2/27/14	2,165,000	9/15/23	.63% - 3.77%	2,165,000		285,000	1,880,000	280,000
Premium on Refunding Bond.....	12/19/13	542,013			542,013		54,201	487,812	0
Total general obligation bonds		<u>\$45,164,645</u>			<u>20,773,991</u>	\$ 0	5,231,179	15,542,812	3,510,000
Notes and lease purchase obligations:									
Back Hoe Loader.....	09/10/11	84,300	09/10/15	2.70%	34,151		16,848	17,303	17,303
2012 Ladder Truck	09/09/11	667,854	09/09/21	2.90%	474,534		62,117	412,417	63,919
2014 Pumper Truck	03/14/14	407,695	03/14/23	3.75%	358,695		34,243	324,452	35,527
2014 Appraisal Equipment	01/10/14	142,100	02/15/16	4.32%	93,378		45,702	47,676	47,676
Laptops (School)	10/01/13	356,273	11/01/14	6.34%	173,415		173,415	0	0
Server and equipment (School)	11/01/13	192,114	11/01/16	7.05%	138,908		43,088	95,820	46,327
Total lease purchase obligations ..		<u>\$ 1,850,336</u>			<u>1,273,081</u>	0	375,413	897,668	210,652
Compensated absences					8,628,363	0	647,750	7,980,613	800,000
Net OPEB obligation.....					13,499,973	1,734,007	0	15,233,980	0
IBNR claims					742,808	667,555	742,808	667,555	667,555
					<u>22,871,144</u>	<u>2,401,562</u>	<u>1,390,558</u>	<u>23,882,148</u>	<u>1,467,555</u>
Governmental activities long-term liabilities					<u>\$44,918,216</u>	<u>\$2,401,562</u>	<u>\$6,997,150</u>	<u>\$40,322,628</u>	<u>\$5,188,207</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. 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 \$64,806,660 which is 3% of the assessed value of property at December 31, 2013 (\$2,160,222,000). The Town's total bonded debt at June 30, 2015 was \$15,055,000 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 (\$40,322,628) represents approximately 1.8% of the assessed value of the taxable property of the Town at June 30, 2015.

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 \$128,000 at June 30, 2015.

Compensated absences of \$7,980,613 at June 30, 2015 represent vested sick, personal, and vacation time earned by employees as of June 30, 2015 in accordance with their applicable employment contracts. This balance is comprised of \$5,360,307 for Town personnel and \$2,620,306 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. The future maturities presented below does not include the amortization of the bond premium.

Governmental Activities

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016.....	\$ 3,720,652	\$ 536,961	\$ 4,257,613
2017.....	1,442,225	452,937	1,895,162
2018.....	1,430,921	403,602	1,834,523
2019.....	1,474,319	352,629	1,826,948
2020.....	1,512,825	296,852	1,809,677
2021 – 2025.....	6,021,726	601,740	6,623,466
2026 – 2027.....	350,000	22,312	372,312
Total.....	<u>\$15,952,668</u>	<u>\$2,667,033</u>	<u>\$18,619,701</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. 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, 2015.

(e) Schedule of long-term debt by purpose at June 30, 2015 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds and premium	\$13,307,812	33%
Deficit reduction bond and bond premium.....	2,235,000	5%
Lease purchase obligations	897,668	2%
Net OPEB obligation.....	15,233,980	38%
IBNR claims	667,555	2%
Compensated absences.....	7,980,613	20%
Total	<u>\$40,322,628</u>	<u>100%</u>

10. FUND 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. The detail of the composition of Nonspendable, Restricted, and Committed Fund Balance is as follows:

At June 30, 2015 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepaid expenditures – health care deposits	\$ 549,500
Miscellaneous prepaid expenditures	<u>60,889</u>
Total General Fund	<u>610,389</u>

School Unrestricted Fund:

Interfund receivable due from Capital Fund not expected to be collected within one year	<u>487,362</u>
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NON-MAJOR GOVERNMENTAL FUNDS:

School Restricted Funds:

Summer camp tuition.....	<u>18,000</u>
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Total Nonspendable Fund Balance \$1,115,751

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. FUND BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

At June 30, 2015 **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.....	\$1,696,912
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Federal Forfeiture Fund:

Restricted for law enforcement expenditures.....	<u>1,088,400</u>
Total Major Governmental Funds	<u>2,785,312</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Community development programs	96,416
Police/Public safety programs	244,419
Preservation of records and technology.....	304,489
Educational programs.....	182,986
Roadway projects.....	27,485
Community events.....	4,955
Youth commission project	<u>718</u>
Total NonMajor Governmental Fund	<u>861,468</u>

Total Restricted Fund Balance..... \$3,646,780

At June 30, 2015 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Town Council contingency fund	\$ 125,000
Budgetary reserve in accordance with Resolution R15-008.....	<u>1,862,786</u>
Total General Fund Commitment	<u>1,987,786</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Land acquisition and preservation.....	146,232
Recycling program.....	169,543

Capital Projects Funds:

Elementary School improvements.....	<u>55,431</u>
Total NonMajor Governmental Fund	<u>371,206</u>

Total Committed Fund Balance

\$2,358,992

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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had negative unassigned fund balance at June 30, 2015:

Major Governmental Fund:

School Unrestricted Fund..... \$1,161,007

The cumulative fund deficit of the School Unrestricted Fund at June 30, 2015 was \$673,645.

Nonmajor Governmental Fund:

School Capital Reserve Fund..... \$487,362

The deficit fund balance in the School Unrestricted Fund is expected to be cleared through additional appropriations from the Town's General Fund and potential future cost savings in the education budget. The School Capital Reserve Fund deficit is expected to be cleared through future bonding of major capital improvements.

The following individual funds had operating deficits for the fiscal year ending June 30, 2015:

Major Governmental Funds

School Unrestricted Fund..... \$ 685,381

Nonmajor Governmental Funds:

Special Revenue Funds

Police Grants	\$ 3,339
State Drug Forfeiture	5,853
Treasury Forfeiture Fund.....	7,570
Fire Alarm Tie-in	8,798
Fire Prevention Fund	5,755
Recording Fees Fund	12,257
Youth Commission Fund	1,362
OPEB Reserve Fund	250,000

Capital Project Funds

School Capital Reserve	499,045
Capital Project Fund	<u>70,932</u>

Total deficits non-major governmental funds..... \$864,911

11. 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, 2015 is as follows:

<u>Transfer Out</u>	<u>School Unrestricted Fund</u>	<u>Proprietary Funds</u>	<u>Non-major Governmental Funds</u>	<u>Debt Service Fund</u>	<u>Total Transfer Out</u>
General Fund	\$32,350,260	\$ 0	\$69,249	\$2,313,469	\$34,732,978
Total transfer in	<u>\$32,350,260</u>	<u>\$ 0</u>	<u>\$69,249</u>	<u>\$2,313,469</u>	<u>\$34,732,978</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island's (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org.

Benefits provided – For general employees prior to June 30, 2012 the plan provided retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Benefits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act until it is exceeded by the member's full years of service credit, including service after June 30, 2012, multiplied by the average of five consecutive years of compensation. Effective July 1, 2012 the retirement age will mirror the Social Security Normal Retirement Age not to exceed age 67. Members will receive a benefit accrual of 1.0% per year based on the five-year average compensation.

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 (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefit payable at age sixty-two (62).

Prior to June 30, 2012 police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An option may be elected to provide a 20 year service pension with a benefit equal to 2.5% for each year of service up to a maximum of 75% for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The new retirement age will be 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Police officers or firefighters, that are at least 45 years old, have 10 or more years of contributing service and are eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Benefit provided (Continued) - As of June 30, 2012 members will continue to have a frozen benefit accrual of 2.0% per year for a standard 25 year with any age and out plan; 2.5% for a standard 20 year with any age and out plan. Effective July 1, 2012 the optional 20 and 25 year with retirement at any age plans have been eliminated. The benefit accrual for all plans will be 2.0% per year based on the five-year average compensation, exclusive of overtime. Police and fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit will be calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act.

The plan also provides survivor's benefits; and certain lump sum death benefits.

Plan members are vested after five years of service.

An optional cost-of-living provision may be elected for police and fire personnel and general employees. The Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80% funded eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. For police and fire units, COLA will be delayed until the later of age 55 or three years after retirement. For general employee units, COLA will be delayed until the later of the Social Security Normal Retirement Age or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

The plan also provides nonservice-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement.

The Town of North Providence's Fire Plan under MERS adopted the 20-year option described above.

Employees covered by benefit terms.

At the June 30, 2013 valuation date, the following employees were covered by the benefit terms:

	General Employees MERS Plan	Fire Employees MERS Plan
Retirees and Beneficiaries	168	67
Inactive, Nonretired Members	101	11
Active Members	229	93
Total	498	171

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees under the COLA plan are required to contribute 2% while General employees under the non COLA plan contribute 1% of their salaries. Public safety employees are required to contribute 8% of their salaries. The Town of North Providence, Rhode Island contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The contribution rates for fiscal 2015 were determined by the actuarial valuation dated June 30, 2012.

The contribution information for the fiscal year ended June 30, 2015 for the MERS Plans is as follows:

	General Employees MERS Plan	Fire Employees MERS Plan
Employer Contributions (rounded)	\$ 482,000	\$ 912,000
Covered Payroll (rounded)	\$ 6,803,000	\$ 5,206,000
Percentage of annual covered payroll	7.09%	17.53%

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability (Asset) at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	21 years at June 30, 2014
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 3.5% to 7.5% <u>Police & Fire Employees</u> 4% to 14%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS Police & Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS Police & Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments (COLA)	COLA is equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after January 1, 2014.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

Asset Class	Target Allocation	Medium-Term Expected Real Rate of Return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge Funds	8%	4.75%
Asbsolute Return Hedge	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
Total	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Changes in the Net Pension Liability (Asset)			
General Employees MERS Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2013	\$ 26,006,440	\$ 26,285,193	\$ (278,753)
Changes for the Year:			
Service Cost	589,114	-	589,114
Interest on the total pension liability	1,913,568	-	1,913,568
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(159,026)	-	(159,026)
Employer contributions	-	482,264	(482,264)
Employee contributions	-	79,175	(79,175)
Net investment income	-	3,808,732	(3,808,732)
Benefit payments, including employee refunds	(1,573,501)	(1,573,501)	-
Administrative expense	-	(23,850)	23,850
Other changes	-	(461,536)	461,536
Net Changes	770,155	2,311,284	(1,541,129)
Balances as of June 30, 2014	\$ 26,776,595	\$ 28,596,477	\$ (1,819,882)

Changes in the Net Pension Liability (Asset)			
Fire Employees MERS Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2013	\$ 39,379,956	\$ 27,609,082	\$ 11,770,874
Changes for the Year:			
Service Cost	860,112	-	860,112
Interest on the total pension liability	2,907,446	-	2,907,446
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	(239,140)	-	(239,140)
Employer contributions	-	912,444	(912,444)
Employee contributions	-	364,178	(364,178)
Net investment income	-	4,114,352	(4,114,352)
Benefit payments, including employee refunds	(2,088,125)	(2,088,125)	-
Administrative expense	-	(25,764)	25,764
Other changes	-	4,947	(4,947)
Net Changes	1,440,293	3,282,032	(1,841,739)
Balances as of June 30, 2014	\$ 40,820,249	\$ 30,891,114	\$ 9,929,135

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Ending Net Pension Liability (Asset)		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
General Employees MERS Plan	\$ 1,021,028	\$ (1,819,882)	\$ (4,660,793)
Fire Employees MERS Plan	\$ 14,227,803	\$ 9,929,135	\$ 5,630,468

MERS pension plan fiduciary net position - detailed information about the MERS pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense

For the year ended June 30, 2015 the Town of North Providence recognized pension expense of:

General Employees MERS Plan	\$ 579,215
Fire Employees MERS Plan	\$ 937,808

(b) Teacher's Pension Plan – Employees' Retirement System (ERS)

General Information about the Pension Plan

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teacher's Pension Plan – Employees' Retirement System (ERS) (Continued)

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

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

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, the Town of North Providence's School Department teachers were required to contribute 3.75% of their annual covered salary. The State and the Town of North Providence are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town of North Providence; the rates were 9.19% and 13.41% of annual covered payroll for the fiscal year ended June 30, 2015 for the State and Town of North Providence, respectively. The Town of North Providence's School Department contributed approximately \$3,290,000, \$2,785,000, and \$2,470,000 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit plan for the fiscal year ended June 30, 2015 was approximately \$2,059,500. This amount has been included in the Fund Statements as revenue and educational expenditures for fiscal 2015.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)

Pension Liabilities and Pension Expense

At June 30, 2015, the Town of North Providence reported a liability of \$29,724,825 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Town of North Providence as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Town of North Providence were as follows:

Town of North Providence's proportionate share of the net pension liability.....	\$29,724,825
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	<u>20,383,682</u>
Total net pension liability.....	<u>\$50,108,507</u>

The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Town of North Providence's proportion of the net pension liability was based on a projection of the Town of North Providence's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2014 the Town of North Providence's proportion was 1.22123336%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for teachers (determined on a funding basis) decreased from 59.6% to 58.2%

For the year ended June 30, 2015 the Town of North Providence recognized gross pension expense in the Government-wide financial statements of \$3,483,346 and operating grants and contributions for education of \$1,416,993 for support provided by the State.

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

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

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

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

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

(c) Police Pension Plan – Trust Fund

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, 2015. The covered payroll for employees covered by the plan for the year ended June 30, 2015 was approximately \$4,576,000.

Plan Description

The plan became effective July 1, 1978. All police officers working 1,000 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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan – Trust Fund (Continued)

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 18th birthday. The benefit is payable immediately following the death of the participant. 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 1st. 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, 2007, with 20 years of service, a lump sum payment will be made on each January 1st beginning January 1, 2008. 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, 2007 shall receive the COLA set forth above until January 1, 2008 at which time the 3% COLA will commence. Those participants retiring after July 1, 2007, with 20 years of service will receive a lump sum payment on each January 1st following the date of retirement and each January 1st 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. The plan actuarial valuation dated July 1, 2012 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2015. The Town's actuarially determined contribution for the fiscal year ended June 30, 2015 as \$849,111. The Town contributed 100% of the required contribution for fiscal 2015.

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, 2012 which was used to determine the fiscal 2015 annual required contribution and July 1, 2014 which is the most recent report available. There were no changes to the actuarial methods and assumptions between the July 1, 2012 and the July 1, 2014 valuations.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan – Trust Fund (Continued)

Actuarial Methods and Assumptions (Continued):

Entry Age Normal Method
Investment Return – 7.25%
Inflation – 2.75%
Amortization Period – Open 10 year period

Salary Increases –	Age	Rate
	25	4.50%
	30	4.00
	35	3.75
	40+	3.50

Payroll Growth Rate – 3.50%

Healthy Mortality – RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Disabled Mortality – RP – 2000 Disabled Table with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

Retirements –	Service	Rate
	20	40%
	21-22	30
	23-25	40
	26-27	5
	28	100

Turnover –	Age	Rate
	20-30	2.90%
	35	1.90
	40	1.70
	45	0.00

Disability – 50% of the 1985 Pension Disability table (DP-85) Class 4. 50% of disabilities are assumed to be duty related.

Survivors – 70% of active members are assumed to be married, with wives one year younger than husbands. 100% of active members are assumed to have one dependent child.

Plan Expenses – None

A complete copy of the Town of North Providence, Rhode Island Police Pension Plan Annual Actuarial Valuation as of July 1, 2014 (latest available) can be obtained by contacting the Finance Department, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

Plan Administration

The Town is charged by law with the responsibility for the management of the assets of the Trust Fund. The Town has engaged an investment advisor to help oversee the management of the Fund in accordance with the Statement of Investment Policy, Objectives, and Guidelines of the Town of North Providence, Rhode Island Police Pension Plan. Although the Town is not subject to the Employment Retirement Income Security Act of 1974 (ERISA), it shall conduct its pension activities in accordance with the spirit of ERISA.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan – Trust Fund (Continued)

Investment Policy

The Town's investment policy provides guidance over the types of investments which are allowed to be held in the plan and stipulates to ensure marketability and liquidity all equity transactions will be made through the New York Stock Exchange; American Stock Exchange; and/or the NASDAQ over the counter market. In addition, the following asset allocation guidelines (at market value) should be followed by the Fund.

Asset Class:	Minimum	Maximum	Preferred
Equities	35%	75%	60%
Fixed Income	35%	70%	37%
Cash and Equivalents	0%	10%	3%

Concentrations

At June 30, 2015 the Town's Police Pension Trust Fund investments were diversified in such a manner where no one investment accounted for 5% or more of the of the pension plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2015 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was -.02%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

Estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions noted below were determined by the investment consulting practice of the Town's actuary as of June 30, 2014. The long-term expected rate of return was determined to be 7.25%. Long-term expected Geometric Real Rate of Return for each major asset class as of June 30, 2015 are summarized in the following table.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan – Trust Fund (Continued)

Rate of Return (Continued)

Asset Class:	Long-Term Expected Rate of Return
Cash	.49%
Intermediate Term Bonds	1.37%
High Yield Bonds	3.42%
Large Cap U.S. Equities	4.15%
Mid Cap U.S. Equities	4.24%
Small Cap U.S. Equities	4.39%
Developed Foreign Equities	4.15%
Emerging Market Equities	4.88%
Real Estate (REITS)	3.90%
Assumed Inflation - Mean	2.75%
Assumed Inflation – Standard Deviation	2.00%
Portfolio Real Mean Return	3.82%
Portfolio Nominal Mean Return	6.75%
Portfolio Standard Deviation	11.59%

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2015:

Component:	Police Pension Plan Trust Fund
Total pension liability	\$41,210,651
Plan fiduciary net position	\$37,521,716
Net pension liability	\$3,688,935
Plan fiduciary net position as a percentage of the total pension liability	91.05%

Discount Rate

The blended discount rate used to measure the total pension liability was 7.25%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability was set equal to the long-term expected rate of return.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(c) Police Pension Plan – Trust Fund (Continued)

Police Pension Plan - Trust Fund	Changes in the Net Pension Liability (Asset)		
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2014	\$ 39,613,979	\$ 38,426,236	\$ 1,187,743
Changes for the Year:			
Service Cost	828,290	-	828,290
Interest on the total pension liability	2,853,715	-	2,853,715
Changes in benefits	-	-	-
Effect of economic/demographic gains and losses	(148,969)	-	(148,969)
Changes in assumptions	-	-	-
Employer contributions	-	849,111	(849,111)
Employee contributions	-	369,520	(369,520)
Net investment income	-	(7,627)	7,627
Benefit payments, including employee refunds	(1,936,364)	(1,936,364)	-
Administrative expense	-	(179,160)	179,160
Other changes	-	-	-
Net Changes	<u>1,596,672</u>	<u>(904,520)</u>	<u>2,501,192</u>
Balances as of June 30, 2015	<u>\$ 41,210,651</u>	<u>\$ 37,521,716</u>	<u>\$ 3,688,935</u>

For the year ended June 30, 2015 the Town of North Providence recognized pension expense of \$1,256,899 in the Government-wide financial statements for the Police Pension Plan administered by the Town.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability, calculated using the applicable discount rate as noted above, as well as what the plans net pension liability would be if it were calculated using a discount rate that was 1% point lower or 1% point higher than the current rate.

<i>Police Pension Trust Fund:</i>	<i>1% Decrease (6.25%)</i>	<i>Current Discount Rate (7.25%)</i>	<i>1% Increase (8.25%)</i>
Net Pension Liability (asset)	\$9,308,113	\$3,688,935	(\$877,374)

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Deferred Outflows of Resources and Deferred Inflows of Resources Related to all Pension Plans

The Town of North Providence, Rhode Island reported deferred outflows of resources and deferred inflows of resources related to its' various pension plans from the following sources:

	General Employees MERS Plan	Fire Employees MERS Plan	Teacher's ERS Plan	Police Pension Plan	Total All Plans
Deferred Outflows of Resources:					
Contributions subsequent to measurement date	\$ 518,854	\$ 1,299,361	\$ 3,289,534	\$ -	\$ 5,107,749
Difference between projected and actual earnings	-	-	-	2,209,269	2,209,269
Deferred Inflows of Resources:					
Difference between actual and expected experience	-	-	-	115,865	115,865
Difference between projected and actual earnings	1,514,798	1,659,906	2,559,625	-	5,734,329
Changes in assumptions	123,282	207,197	1,052,910	-	1,383,389
Net Deferred Outflows (Inflows)	\$ (1,119,226)	\$ (567,742)	\$ (323,001)	\$ 2,093,404	\$ 83,435

Deferred outflows of resources related to 2015 contributions to pension plans subsequent to the measurement date (June 30, 2014 where applicable) will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

Other amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2015 will be recognized as a component of pension expense over the following periods of time:

- Closed 5 year period beginning in the current period for the deferred outflows or inflows of resources related to projected and actual earnings on pension plan investments.
- All other deferred outflows and inflows of resources related to pension plans as described above are amortized over a closed period of time equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (includes active and inactive employees) determined as of the beginning of the measurement period.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Deferred Outflows of Resources and Deferred Inflows of Resources Related to all Pension Plans (Continued)

Based on the above, the other amounts of deferred outflows and inflows of resources related to the Town of North Providence, Rhode Island's pension plans will be recognized as a component of pension expense as follows for the years ended June 30:

	Net Deferred Outflows (Inflows) of Resources
2016.....	\$ (1,131,130)
2017.....	(1,131,130)
2018.....	(1,131,130)
2019.....	(1,094,884)
2020.....	(181,017)
Thereafter.....	(355,023)
Total.....	\$ (5,024,314)

13. DEFINED CONTRIBUTION PENSION PLAN

Plan Description:

General municipal, certified School, and noncertified school employees participating in the defined benefit plans (of the System), as described in Note 12, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF and the Employees' Retirement System of Rhode Island (the System). Employees may choose among various investment options available to plan participants.

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed approximately \$1,520,000 and \$304,000, respectively, during the fiscal year ended June 30, 2015. The employer contribution of \$304,000 consisted of approximately \$41,000 for general municipal employees, \$28,000 for noncertified school employees, and \$235,000 for certified teachers.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

13. DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Funding Policy:

Although the Town (School Department) is required to contribute 1% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2015 amounted to approximately \$98,000.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. The reports can be obtained at www.ersri.org.

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 and dental services plus a fee to the provider for the administration of the program. The Town is a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health and dental insurance 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, 2015 the stop loss insurance contract covered all claims exceeding \$160,000 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, 2015**

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, 2015 the Town has estimated a liability for incurred but not reported claims (IBNR) based on an estimate of actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2015. Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2015 were as follows:

Incurred but not reported claims (IBNR), June 30, 2014.....	\$ 742,808
Approximate amount of incurred claims	11,399,607
Paid claims including amount in accounts payable at June 30, 2015	<u>(11,474,860)</u>
Estimated IBNR Claims outstanding at June 30, 2015	<u>\$ 667,555</u>

Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2014 were as follows:

Incurred but not reported claims (IBNR), June 30, 2013.....	\$ 498,416
Approximate amount of incurred claims	10,581,331
Paid claims including amount in accounts payable at June 30, 2014	<u>(10,336,939)</u>
Estimated IBNR Claims outstanding at June 30, 2014	<u>\$ 742,808</u>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2015 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 Position as they are not expected to be paid with current measurable and available resources at June 30, 2015. The IBNR claims outstanding at June 30, 2015 are comprised of \$356,517 and \$311,038 related to Town and School employees, respectively.

At June 30, 2015 the Town of North Providence has a deposit with the Plan Administrator totaling \$549,500. 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 nonspendable 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 Position at June 30, 2015.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

17. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 12 and 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 coverage is pre-65 only. Members eligible for retirement after July 1, 2012, with at least five years of service as of June 30, 2012 are eligible for Normal Retirement at an individually determined age. This age is based on the members' social security retirement age with a proportional downward adjustment based on years of service prior to July 1, 2012. The minimum retirement age is 59 with 5 years of service.

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. Upon retiree reaching age 65, under age 65 spouse and dependents can elect COBRA for 36 months.

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 for all members eligible to retire prior to July 1, 2012. For all members eligible to retire on or after July 1, 2012 eligibility for retirement is age 55 with 25 years of service. Cost Sharing: 100% Town paid up to age 65. Upon retiree reaching age 65, under age 65 spouse and dependents can elect COBRA for 36 months.

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.

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, 2014 Valuation*. This report dated October 20, 2014 can be obtained by contacting the Town's Finance Department.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

17. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy:

The Annual Required Contribution (ARC) for OPEB consists of two components: 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 (starting in fiscal 2009) period for past service costs, the maximum period allowed by GASB.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
ARC	\$5,561,000	\$5,332,000	\$4,955,000
Net OPEB Cost.....	\$5,573,007	\$5,286,743	\$4,955,000

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. The post-retirement benefits incurred were paid on-behalf of approximately 100 Town retirees and/or spouses, and approximately 75 School retirees and/or spouses. Current year estimated expenditures represent approximately 68% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2015 which was determined by the actuarial valuation report with a valuation date of July 1, 2012. As a result, the government-wide financial statements include a long-term liability of \$15,233,980 and an expense for this Net OPEB Obligation (NOO) of \$1,734,007. The NOO at June 30, 2015 was calculated as follows:

Annual Required Contribution.....	\$ 5,651,000
Interest on the NOO.....	539,999
Adjustment to ARC.....	<u>(617,992)</u>
Annual OPEB Cost.....	5,573,007
Contributions made during fiscal 2015.....	<u>(3,839,000)</u>
Increase in NOO	1,734,007
NOO at June 30, 2014	<u>13,499,973</u>
NOO at June 30, 2015	<u>\$ 15,233,980</u>

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, 2014 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) - \$63,164,000
- Unfunded actuarial accrued liability (UAAL) - \$63,164,000
- Funded ratio – 0.00%
- Annual covered payroll – \$37,460,000
- UAAL as percent of payroll – 169%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2014
- 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: 3.5%
- d. Amortization Period: 30 year closed (24 years remaining at July 1, 2014)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 4.0% reflects Town had not established an OPEB Trust
- g. Medical Inflation: Derived from the "Getzen Model." Inflation rate of 5.65%-4.4% over 83 years (Prior valuation 7/1/2012 - Inflation rate pre age 65 was 7.3% adjusted down to 4.7% over 70 years for pre-65 and 69 years for post 65).
- h. Mortality tables: Teachers: 97% and 92% of rates for male and female, respectively, of GRS table projected with Scale AA from 2000. Police – RP-2000 Combined Healthy Table with generational projection per Scale AA. All others – 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA. 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA.

Number of Participants:

At July 1, 2014 the total number of participants under the plan was 933. The plan participants include 250 current retirees and spouses of retirees (175 Town and 75 School) and 683 active employees (267 Town and 416 School).

18. FEDERAL FORFEITURE FUND

The Federal Forfeiture Fund includes \$37,451,024 due from federal and state governments. This amount has also been reported as unavailable revenue at June 30, 2015 for the fund financial statements. This receivable and deferred inflow of resources represents the remaining proceeds from the Google settlement to be drawn down and utilized in future periods in accordance with the provisions stipulated by the Department of Justice.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

19. SUBSEQUENT EVENTS

In July 2015 the Town of North Providence acquired real estate for which the Town had entered into a purchase and sales agreement in May 2015. The gross purchase price of the property was \$1,245,000. The Town applied for and was approved to utilize federal forfeiture funds to finance the acquisition of this real estate.

In July 2015 the Town of North Providence entered into a lease purchase agreement for the acquisition of fire/rescue apparatus. The lease purchase agreement is in the amount of \$196,499 and is payable annually for five years commencing in August 2015. The annual payments under this lease purchase obligation are \$40,866 including interest at 2.1%.

20. RESTATEMENT

The net position at June 30, 2014 has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #68 – *Accounting and Financial Reporting For Pensions*. The following reflects the effect of implementation of this new standard.

Net Position, Governmental Activities June 30, 2014	
as originally reported	\$69,814,232
Increase in Deferred Outflows of Resources:	
Pension contributions after the measurement date.....	3,799,453
Record Net Pension Asset at beginning of year.....	278,753
Record Net Pension Liability at beginning of year.....	(46,634,369)
Remove Net Pension Obligation asset as recorded	
at the beginning of the year	<u>(14,077,402)</u>
Net Position, Governmental Activities, June 30, 2014	
As restated	<u>\$13,180,667</u>
Total Net Position June 30, 2014 as originally stated.	\$69,846,661
Net decrease in net position as noted above	<u>(56,633,565)</u>
Net Position, June 30, 2014, as restated	<u>\$13,213,096</u>

(CONCLUDED)

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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, 2015

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes:			
Current taxes	\$ 65,982,070	\$ 65,795,636	\$ (186,434)
Prior taxes	2,500,000	2,722,774	222,774
Total taxes current and prior	68,482,070	68,518,410	36,340
Interest on delinquent accounts	500,000	553,781	53,781
Total property taxes	68,982,070	69,072,191	90,121
State & Federal Aid:			
School construction aid	888,350	910,169	21,819
Meal Tax	375,812	327,104	(48,708)
State motor vehicle phase-out	375,931	393,578	17,647
Telephone tax	402,567	397,667	(4,900)
Library aid	176,242	176,242	-
In lieu of property taxes	544,065	713,714	169,649
State aid to education	16,290,755	16,480,742	189,987
Medicaid reimbursement (Education Department)	850,000	909,736	59,736
School miscellaneous receipts	100,000	98,832	(1,168)
State municipal incentive aid	-	152,463	152,463
State community relief fund	948,672	948,672	-
Total state aid - Town	20,952,394	21,508,919	556,525
Licenses, fees and rents:			
Pool & fitness center	220,000	160,485	(59,515)
Notte Park	-	38,331	38,331
Data processing services	14,000	14,000	-
Rental of Town properties	190,000	197,352	7,352
Total licenses, fees and rents	424,000	410,168	(13,832)
Investment income - short term			
	-	4,490	4,490
Departmental revenues:			
Building inspection revenue	260,000	290,986	30,986
Town clerk receipts	620,000	708,483	88,483
Municipal court revenue	85,000	55,509	(29,491)
Total departmental revenues	965,000	1,054,978	89,978
Miscellaneous revenues:			
Housing authority - in lieu of taxes	25,500	76,456	50,956
Miscellaneous Receipts	50,000	95,306	45,306
Fines and Penalties	-	27,334	27,334
Tax collector costs	60,000	104,335	44,335
Fire reports	-	-	-
Sale of surplus equipment	10,000	41,955	31,955
EMS rescue services	1,090,000	1,186,507	96,507
Total miscellaneous revenues	1,235,500	1,531,893	296,393
Total Revenues	92,558,964	93,582,639	1,023,675
Other Financing Sources:			
Use of Surplus Fund Balance	125,000	-	(125,000)
Total Revenues and Other Financing Sources	92,683,964	93,582,639	898,675

(CONTINUED)

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

For the Year Ended June 30, 2015

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:			
Legislative, judicial and general administrative:			
Administration	215,284	200,492	14,792
Town council	257,296	118,945	138,351
Town clerk	217,116	172,061	45,055
Legal department	341,834	398,493	(56,659)
Public Buildings	941,601	854,868	86,733
Board of canvassers	155,373	154,684	689
Human resources	45,881	32,715	13,166
Zoning board of review	37,750	28,374	9,376
Planning department /economic developement	204,955	186,332	18,623
Other (departments)	88,000	88,672	(672)
Total general government	2,505,090	2,235,636	269,454
Department of Finance:			
Finance Director/Town Treasurer	321,942	292,088	29,854
Tax collector	369,009	345,310	23,699
Tax assessor	216,519	175,401	41,118
Purchasing	66,755	61,802	4,953
Auditing financial records	35,000	28,846	6,154
Total department of finance	1,009,225	903,447	105,778
Public Safety:			
Fire Department	8,570,946	8,981,660	(410,714)
Police Department	6,050,327	6,290,948	(240,621)
Communication Division	470,736	557,288	(86,552)
Division of inspections	244,880	209,715	35,165
Division of automotive repair	517,208	516,204	1,004
Civil Defense	6,803	15,128	(8,325)
Fire hydrants	223,000	208,918	14,082
Total public safety	16,083,900	16,779,861	(695,961)
Public Services/Works:			
Street lights	525,000	575,273	(50,273)
Beautification	3,000	935	2,065
Department of public works	1,595,933	1,838,012	(242,079)
Recreation department	405,160	385,731	19,429
Environmental protection	1,861,942	1,766,124	95,818
Local welfare	10,574	9,611	963
Total public services/works	4,401,609	4,575,686	(174,077)
Grants & Contributions:			
Grants to organizations	16,800	17,255	(455)
Grant to senior center	539,485	539,485	-
Grant to library	822,047	822,107	(60)
Total grants and contributions	1,378,332	1,378,847	(515)

(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, 2015

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other expenditures:			
Insurance	800,000	743,392	56,608
Employee fringe benefits and unemployment compensation	10,900,111	10,719,553	180,558
Contingent - Deficit Reduction Plan	2,313,469	2,313,469	-
Contingent - Consultant	90,000	65,161	24,839
Contingent - Miscellaneous	50,000	238,862	(188,862)
Total other expenditures	14,153,580	14,080,437	73,143
Debt Service:			
Bond and note principal	3,002,030	3,004,850	(2,820)
Bond and note interest	559,183	530,383	28,800
Total debt service	3,561,213	3,535,233	25,980
Total expenditures	43,092,949	43,489,147	(396,198)
Excess of revenues and other financing sources over expenditures	49,591,015	50,093,492	502,477
Other financing uses:			
Transfer to School - Town Appropriation	(32,350,260)	(32,350,260)	-
Transfer to School - State Aid for Education	(16,290,755)	(16,480,742)	(189,987)
Transfer to Town Capital Projects Fund	-	(69,249)	(69,249)
Transfer to School - Medicaid Receipts	(850,000)	(909,736)	(59,736)
Transfer to School - Miscellaneous Receipts	(100,000)	(98,832)	1,168
Total other financing uses	(49,591,015)	(49,908,819)	(317,804)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 184,673	\$ 184,673

(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, 2015

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
State Aid	\$ 16,480,741	\$ 16,480,742	\$ 1
Medicaid Reimbursement	900,000	909,736	9,736
Miscellaneous Revenue	150,000	98,831	(51,169)
Total revenues	<u>17,530,741</u>	<u>17,489,309</u>	<u>(41,432)</u>
Expenditures:			
Salaries	26,498,470	26,936,382	(437,912)
Employee benefits	11,152,397	11,275,631	(123,234)
Purchased services	9,252,723	9,642,691	(389,968)
Supplies and materials	1,834,203	1,774,384	59,819
Capital outlay	1,298,500	830,560	467,940
Other	74,708	65,302	9,406
Total expenditures	<u>50,111,001</u>	<u>50,524,950</u>	<u>(413,949)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(32,580,260)</u>	<u>(33,035,641)</u>	<u>(455,381)</u>
Other financing sources (uses):			
Operating transfer from the Town	32,350,260	32,350,260	-
Capital budget funding from Capital Reserve Fund	230,000	-	(230,000)
Total other financing sources (uses)	<u>32,580,260</u>	<u>32,350,260</u>	<u>(230,000)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ (685,381)</u>	<u>\$ (685,381)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Notes to Required Supplementary Information
Reconciliation of GAAP to Budgetary Basis - General Fund and School Unrestricted Fund**

For the Year Ended June 30, 2015

	<u>Revenues & Other Financing Sources</u>	<u>Expenditures & Other Financing Uses</u>
Town General Fund:		
Total per budgetary basis of accounting - RSI-1	\$ 93,582,639	\$ 93,397,966
State Aid, Medicaid, and Miscellaneous receipts for Education included as part of the General Fund for budget purposes but for GAAP basis is reported directly in the School Unrestricted Fund in accordance with GASB Statement #54. Budget purposes include these amounts as appropriations to the School Department.	(17,489,310)	(17,489,310)
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 76,093,329</u>	<u>\$ 75,908,656</u>
School Unrestricted Fund:		
Total per budgetary basis of accounting - RSI-2	\$ 49,839,569	\$ 50,524,950
State on-behalf pension contribution which is recorded for GAAP purposes but which is not included in the budgetary basis of accounting. This on-behalf contribution includes both the contribution towards the defined benefit plan and defined contribution plans administered by the State of Rhode Island.	2,157,900	2,157,900
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 51,997,469</u>	<u>\$ 52,682,850</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
General Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED

	<u>June 30,</u> <u>2014</u>
Total pension liability:	
Service cost	\$ 589,114
Interest on the Total Pension Liability	1,913,568
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(159,026)
Benefit payments	<u>(1,573,501)</u>
Net change in total pension liability	770,155
Total pension liability - beginning of year	<u>26,006,440</u>
Total pension liability - ending of year (a)	<u><u>\$ 26,776,595</u></u>
Plan fiduciary net position:	
Contribution - employer	\$ 482,264
Contribution - employee	79,175
Net investment income	3,808,732
Benefit payments	(1,573,501)
Administrative expenses	(23,850)
Other	<u>(461,536)</u>
Net change in plan fiduciary net position	2,311,284
Plan fiduciary net position - beginning of year	<u>26,285,193</u>
Plan fiduciary net position - ending of year (b)	<u><u>\$ 28,596,477</u></u>
Plan's net pension liability (asset) - ending (a)-(b)	<u><u>\$ (1,819,882)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	106.80%
Covered-employee payroll	\$ 6,802,707
Net pension liability as a percentage of covered-employee payroll	-26.75%

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information
Schedule of Contributions
General Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED**

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2014	\$ 482,264	\$ 482,264	\$ -	\$ 6,802,707	7.09%
6/30/2015	\$ 518,854	\$ 518,854	\$ -	\$ 6,872,518	7.56%

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fire Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED

	<u>June 30,</u> <u>2014</u>
Total pension liability:	
Service cost	\$ 860,112
Interest on the Total Pension Liability	2,907,446
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(239,140)
Benefit payments	<u>(2,088,125)</u>
Net change in total pension liability	1,440,293
Total pension liability - beginning of year	<u>39,379,956</u>
Total pension liability - ending of year (a)	<u><u>\$ 40,820,249</u></u>
Plan fiduciary net position:	
Contribution - employer	\$ 912,444
Contribution - employee	364,178
Net investment income	4,114,352
Benefit payments	(2,088,125)
Administrative expenses	(25,764)
Other	<u>4,947</u>
Net change in plan fiduciary net position	3,282,032
Plan fiduciary net position - beginning of year	<u>27,609,082</u>
Plan fiduciary net position - ending of year (b)	<u><u>\$ 30,891,114</u></u>
Plan's net pension liability (asset) - ending (a)-(b)	<u><u>\$ 9,929,135</u></u>
Plan fiduciary net position as a percentage of the total pension liability	75.68%
Covered-employee payroll	\$ 5,206,491
Net pension liability as a percentage of covered-employee payroll	190.71%

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information
Schedule of Contributions
Fire Employees MERS Plan
Last 10 Fiscal Years
UNAUDITED*

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2014	\$ 912,444	\$ 912,444	\$ -	\$ 5,206,491	17.53%
6/30/2015	\$ 1,299,361	\$ 1,299,361	\$ -	\$ 5,185,000	25.06%

Notes:

Employers participating in the Municipal Employee's Retirement System are required by Rhode Island General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only two years is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

***Required Supplementary Information
Notes to Schedules
MERS Pension Plans Administered by ERSRI
UNAUDITED***

The following reflects the actuarial assumptions related to the pension plans which are administered by the Employee Retirement System of Rhode Island (ERSRI).

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	21 years as of June 30, 2014
Asset Valuation Method:	5 year smoothed market
Investment rate of return:	7.50%
Projected salary increases:	3.5% - 7.5% for general employees 4% to 14% for police and fire employees
Inflation:	2.75%
Mortality:	Male employees, MERS General and MERS Police and Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female employees, MERS General and MERS Police and Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments:	COLA is equal to the average five-year fund asset performance percent greater than 5.5% up to maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement except for MERS Police and Fire for which the COLA is delayed until the later of age 55 or 3 years after retirement. A 2 % COLA is assumed after January 1, 2014.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Teacher's Retirement Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED

	June 30, 2015
Employer's proportion of the net pension liability	1.22123336%
Employer's proportionate share of the net pension liability	\$ 29,724,825
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	\$ 20,383,682
Total net pension liability	<u>\$ 50,108,507</u>
Employer's covered payroll	\$ 23,525,000
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	126.35%
Plan fiduciary net position as a percentage of the total pension liability	61.4%

Notes:

The amounts presented for each fiscal year were determined as of a 6/30 measurement date prior to the fiscal year end.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

***Required Supplementary Information
Schedule of Contributions
Teacher's Retirement Plan - Employees' Retirement System
Last 10 Fiscal Years
UNAUDITED***

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2015	\$ 3,289,534	\$ 3,289,534	\$ -	\$ 23,525,000	13.98%

Notes:

Employers participating in the State Employee's Retirement System are required by Rhode Island General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

The information in this schedule is intended to show 10 years. However as of June 30, 2015 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Trust Fund
For the Year Ended June 30, 2015
UNAUDITED

	Police Pension Trust Fund 2015	Police Pension Trust Fund 2014
Total pension liability:		
Service cost	\$ 828,290	\$ 906,358
Interest	2,853,715	2,745,438
Effect of economic/demographic gains or (losses)	(148,969)	(115,439)
Benefit payments	<u>(1,936,364)</u>	<u>(1,737,897)</u>
Net change in total pension liability	1,596,672	1,798,460
Total pension liability - beginning	39,613,979	37,815,519
Total pension liability - ending (a)	<u><u>\$ 41,210,651</u></u>	<u><u>\$ 39,613,979</u></u>
Plan fiduciary net position:		
Contribution - employer	\$ 849,111	\$ 849,111
Contribution - employee	369,520	284,314
Net investment income	(7,627)	4,844,311
Benefit payments, including refunds of employee contributions	(1,936,364)	(1,737,897)
Administrative expenses	<u>(179,160)</u>	<u>(105,336)</u>
Net change in plan fiduciary net position	(904,520)	4,134,503
Plan fiduciary net position - beginning	38,426,236	34,291,733
Plan fiduciary net position - ending (b)	<u><u>\$ 37,521,716</u></u>	<u><u>\$ 38,426,236</u></u>
Plan's net pension liability - ending (a)-(b)	<u><u>\$ 3,688,935</u></u>	<u><u>\$ 1,187,743</u></u>
Plan fiduciary net position as a percentage of the total pension liability	91.05%	97.00%
Covered-employee payroll	\$ 3,751,058	\$ 3,751,058
Net pension liability as a percentage of covered-employee payroll	98.34%	31.66%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2015 only two years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedules of Employer Contributions, Investment Returns, and Employer's Net Pension Liability
Police Pension Trust Fund
June 30, 2015
UNAUDITED

Schedule of Employer Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
Police Pension Trust Fund	2015	\$849,111	\$849,111	\$0	\$ 3,751,058	22.64%
	2014	\$849,111	\$849,111	\$0	\$ 3,751,058	22.64%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Police Pension Trust Fund	2015	-0.02%
	2014	14.28%

Schedule of Employer's Net Pension Liability

	Year Ended June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
Police Pension Trust Fund	2015	\$41,210,651	\$37,521,716	\$3,688,935	91.05%	\$ 3,751,058	98.34%
	2014	\$39,613,979	\$38,426,236	\$1,187,743	97.00%	\$ 3,751,058	31.66%

The information in these schedules is intended to show 10 years. However as of June 30, 2015 only two years is is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information
Schedule of Funding Progress OPEB
June 30, 2015
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
General municipal employees							
OPEB.....	7/1/2010	\$ -	\$ 2,601,000	\$ (2,601,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 3,019,000	\$ (3,019,000)	0.0%	N/A	N/A
	7/1/2014	\$ -	\$ 2,738,117	\$ (2,738,117)	0.0%	N/A	N/A
Fire Department employees							
OPEB.....	7/1/2010	\$ -	\$ 29,236,000	\$ (29,236,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 29,023,000	\$ (29,023,000)	0.0%	N/A	N/A
	7/1/2014	\$ -	\$ 28,087,418	\$ (28,087,418)	0.0%	N/A	N/A
Police Department employees							
OPEB.....	7/1/2010	\$ -	\$ 18,683,000	\$ (18,683,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 24,869,000	\$ (24,869,000)	0.0%	N/A	N/A
	7/1/2014	\$ -	\$ 24,159,511	\$ (24,159,511)	0.0%	N/A	N/A
School Teachers							
OPEB.....	7/1/2010	\$ -	\$ 9,278,000	\$ (9,278,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 7,637,000	\$ (7,637,000)	0.0%	N/A	N/A
	7/1/2014	\$ -	\$ 6,618,205	\$ (6,618,205)	0.0%	N/A	N/A
Other School employees							
OPEB.....	7/1/2010	\$ -	\$ 1,480,000	\$ (1,480,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 1,679,000	\$ (1,679,000)	0.0%	N/A	N/A
	7/1/2014	\$ -	\$ 1,561,126	\$ (1,561,126)	0.0%	N/A	N/A
Total North Providence OPEB Information							
	7/1/2010	\$ -	\$ 61,278,000	\$ (61,278,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 66,227,000	\$ (66,227,000)	0.0%	\$ 41,332,000	-160.2%
	7/1/2014	\$ -	\$ 63,164,377	\$ (63,164,377)	0.0%	\$ 37,460,000	-168.6%

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

Assumption Changes in the July 1, 2014 Valuation:

The Medical age curves were updated with respect to expected claims costs, based on analysis of claims experience and premium information.
Medical cost inflation trend was revised to an initial inflation rate of 5.65%, grading down to an ultimate inflation rate of 4.4% over period of 83 years.
Prior valuation had initial rate of 7.3% grading down to ultimate inflation of 4.7% over period of 70 years for Pre-65 and over 69 years for Post-65.

The combined effect of the assumption changes and changes in demographics/participants reduced the Accrued Liability by approximately \$6.4 million and reduced the annual required contribution by about \$610,000.

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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 Fund	Community Development Block Grant
Community Fund Program	State Drug Forfeiture
Treasury Forfeiture Fund	Emergency Management
Fire Alarm Tie-in	Historical Records Trust
Fire Prevention Fund	Land Trust Reserve Fund
Recording Fees Fund	Decon Grant Fund
Substance Abuse Task Force	Fireworks Parade Fund
Recycling Fund	Youth Commission Fund
Roadway Aid Grant	OPEB Reserve Fund
School Restricted Funds	

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

Title I	Feinstein Foundation
Close Reading Grant	Project IDEA
Preschool Grant	Title III
Perkins	Perkins Marine
Perkins Technology	HEZ Grant
RTTT Summit Grant	RTTT Mini Grant
RTTT Instructional Improvement	RTTT Educator Effectiveness
RTTT Human Capital	United Way Capital
Quality Improvement	RI Foundation
Cox Mini Grant	Title II – Improving Teacher Quality State Grants

(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.

Capital Project Fund – This fund is used to account for various capital project funds of the Town including the acquisition of capital assets utilizing note obligations and lease purchase agreements.

Kids Klub School Improvement Fund – This fund was created by Town Council Ordinance #09-014. 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)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015**

	SPECIAL REVENUE FUNDS							
	<u>Police Grants</u>	<u>Community Development Block Grants</u>	<u>Community Fund Program</u>	<u>State Drug Forfeiture</u>	<u>Treasury Forfeiture Fund</u>	<u>Emergency Management</u>	<u>Fire Alarm Tie-In</u>	<u>Historical Records Trust</u>
ASSETS								
Cash and cash equivalents	\$ -	\$ 92,999	\$ -	\$ 48,674	\$ 100,163	\$ -	\$ -	\$ -
Accounts and other receivable(net)		248,972						
Due from federal & state governments	3,886	176,252				24,750		
Prepaid expenses								
Due from other funds	1,668		905			7,925	22,773	65,107
TOTAL ASSETS	<u>\$ 5,554</u>	<u>\$ 518,223</u>	<u>\$ 905</u>	<u>\$ 48,674</u>	<u>\$ 100,163</u>	<u>\$ 32,675</u>	<u>\$ 22,773</u>	<u>\$ 65,107</u>
LIABILITIES								
Accounts payable	\$ 5,554	\$ 32,912	\$ -	\$ -	6,357	\$ -	\$ 11,795	\$ 4,857
Accrued liabilities		3,741						
Due to other funds		136,182						
Unearned revenue - other		248,972						
TOTAL LIABILITIES	<u>5,554</u>	<u>421,807</u>	<u>-</u>	<u>-</u>	<u>6,357</u>	<u>-</u>	<u>11,795</u>	<u>4,857</u>
FUND BALANCES								
Non-spendable								
Restricted	-	96,416	905	48,674	93,806	32,675	10,978	60,250
Committed								
Unassigned								
TOTAL FUND BALANCES	<u>-</u>	<u>96,416</u>	<u>905</u>	<u>48,674</u>	<u>93,806</u>	<u>32,675</u>	<u>10,978</u>	<u>60,250</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,554</u>	<u>\$ 518,223</u>	<u>\$ 905</u>	<u>\$ 48,674</u>	<u>\$ 100,163</u>	<u>\$ 32,675</u>	<u>\$ 22,773</u>	<u>\$ 65,107</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 239,532	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivable(net)								
Due from federal & state governments				9,316	5,846			
Prepaid expenses								
Due from other funds	59,654	146,232	4,707		914	4,050	174,302	724
TOTAL ASSETS	<u>\$ 59,654</u>	<u>\$ 146,232</u>	<u>\$ 244,239</u>	<u>\$ 9,316</u>	<u>\$ 6,760</u>	<u>\$ 4,050</u>	<u>\$ 174,302</u>	<u>\$ 724</u>
LIABILITIES								
Accounts payable	\$ 1,368	\$ -	\$ -	\$ 281	\$ 4,526	\$ -	\$ 4,759	\$ 6
Accrued liabilities								
Due to other funds				9,035				
Unearned revenue - other					2,234			
TOTAL LIABILITIES	<u>1,368</u>	<u>-</u>	<u>-</u>	<u>9,316</u>	<u>6,760</u>	<u>-</u>	<u>4,759</u>	<u>6</u>
FUND BALANCES								
Non-spendable								
Restricted	58,286		244,239		-	4,050		718
Committed		146,232					169,543	
Unassigned				-				
TOTAL FUND BALANCES	<u>58,286</u>	<u>146,232</u>	<u>244,239</u>	<u>-</u>	<u>-</u>	<u>4,050</u>	<u>169,543</u>	<u>718</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 59,654</u>	<u>\$ 146,232</u>	<u>\$ 244,239</u>	<u>\$ 9,316</u>	<u>\$ 6,760</u>	<u>\$ 4,050</u>	<u>\$ 174,302</u>	<u>\$ 724</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>				
	Roadway Aid Grant	OPEB Reserve Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 481,368	\$ 225,471	\$ -	\$ 55,431	\$ 280,902	\$ 762,270
Accounts and other receivable(net)			-	248,972				-	248,972
Due from federal & state governments			664,526	884,576		445,432		445,432	1,330,008
Prepaid expenses			18,000	18,000					18,000
Due from other funds	27,485		186,341	702,787				-	702,787
TOTAL ASSETS	\$ 27,485	\$ -	\$ 868,867	\$ 2,335,703	\$ 225,471	\$ 445,432	\$ 55,431	\$ 726,334	\$ 3,062,037
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 8,656	\$ 81,071	\$ -	\$ 238,770	\$ -	\$ 238,770	\$ 319,841
Accrued liabilities			-	3,741				-	3,741
Due to other funds			659,225	804,442	712,833	206,662		919,495	1,723,937
Unearned revenue - other				251,206				-	251,206
TOTAL LIABILITIES	-	-	667,881	1,140,460	712,833	445,432	-	1,158,265	2,298,725
FUND BALANCES									
Non-spendable			18,000	18,000					18,000
Restricted	27,485		182,986	861,468				-	861,468
Committed		-		315,775			55,431	55,431	371,206
Unassigned				-	(487,362)	-		(487,362)	(487,362)
TOTAL FUND BALANCES	27,485	-	200,986	1,195,243	(487,362)	-	55,431	(431,931)	763,312
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,485	\$ -	\$ 868,867	\$ 2,335,703	\$ 225,471	\$ 445,432	\$ 55,431	\$ 726,334	\$ 3,062,037

(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, 2015**

	SPECIAL REVENUE FUNDS							
	Police Grants	Community Development Block Grants	Community Fund Program	State Drug Forfeiture	Treasury Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	Historical Records Trust
REVENUES:								
Intergovernmental	\$ 30,648	\$ 123,576	\$ -	\$ 13,663	\$ -	\$ 24,750	\$ -	\$ -
Prior year taxes								
Interest and investment income		4,844		201	189			
Fees and assessments						4,288	4,381	
Private grants								
Contributions			200					
Other		23,211	970					
Total revenues	30,648	151,631	1,170	13,864	189	24,750	4,288	4,381
EXPENDITURES:								
Current:								
Public safety	33,987			1,004	7,759	13,247	13,086	
Education								
Other expenses		126,427	489					306
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements				18,713				
Total expenditures	33,987	126,427	489	19,717	7,759	13,247	13,086	306
Excess (deficiency) of revenues over (under) expenditures	(3,339)	25,204	681	(5,853)	(7,570)	11,503	(8,798)	4,075
OTHER FINANCING SOURCES (USES)								
Transfers in								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(3,339)	25,204	681	(5,853)	(7,570)	11,503	(8,798)	4,075
Fund balances - beginning of year	3,339	71,212	224	54,527	101,376	21,172	19,776	56,175
Fund balances - end of year	\$ -	\$ 96,416	\$ 905	\$ 48,674	\$ 93,806	\$ 32,675	\$ 10,978	\$ 60,250

(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, 2015**

	SPECIAL REVENUE FUNDS							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ 27,791	\$ 24,569	\$ -	\$ -	\$ -
Prior year taxes								
Interest and investment income			476					
Fees and assessments	28,633	10,000	26,371				55,314	
Private grants								
Contributions								
Other								750
Total revenues	28,633	10,000	26,847	27,791	24,569	-	55,314	750
EXPENDITURES:								
Current:								
Public safety	34,388				24,569	-		
Education								
Other expenses			39,104	14,446			36,242	2,112
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements				13,259				
Total expenditures	34,388	-	39,104	27,705	24,569	-	36,242	2,112
Excess (deficiency) of revenues over (under) expenditures	(5,755)	10,000	(12,257)	86	-	-	19,072	(1,362)
OTHER FINANCING SOURCES (USES)								
Transfers in								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(5,755)	10,000	(12,257)	86	-	-	19,072	(1,362)
Fund balances - beginning of year	64,041	136,232	256,496	(86)	-	4,050	150,471	2,080
Fund balances - end of year	\$ 58,286	\$ 146,232	\$ 244,239	\$ -	\$ -	\$ 4,050	\$ 169,543	\$ 718

(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, 2015

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				Total Nonmajor Governmental Funds
	Roadway Aid Grant	OPEB Reserve Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	
REVENUES:									
Intergovernmental	\$ 17,055	\$ -	\$ 1,961,398	\$ 2,223,450	\$ 322,066	\$ 445,432	\$ -	\$ 767,498	\$ 2,990,948
Prior year taxes				-				-	-
Interest and investment income				5,710	40			40	5,750
Fees and assessments				128,987			54,010	54,010	182,997
Private grants			177,521	177,521					177,521
Contributions			64,504	64,704		-		-	64,704
Other	10,430			35,361				-	35,361
Total revenues	27,485	-	2,203,423	2,635,733	322,106	445,432	54,010	821,548	3,457,281
EXPENDITURES:									
Current:									
Public safety				128,040				-	128,040
Education			1,977,063	1,977,063				-	1,977,063
Other expenses		250,000		469,126				-	469,126
Debt Service:									
Debt service principal								-	-
Interest expense								-	-
Capital improvements			25,374	57,346	821,151	585,613	-	1,406,764	1,464,110
Total expenditures	-	250,000	2,002,437	2,631,575	821,151	585,613	-	1,406,764	4,038,339
Excess (deficiency) of revenues over (under) expenditures	27,485	(250,000)	200,986	4,158	(499,045)	(140,181)	54,010	(585,216)	(581,058)
OTHER FINANCING SOURCES (USES)									
Transfers in	-			-		69,249		69,249	69,249
Total other financing sources (uses)	-	-	-	-	-	69,249	-	69,249	69,249
Net change in fund balances	27,485	(250,000)	200,986	4,158	(499,045)	(70,932)	54,010	(515,967)	(511,809)
Fund balances - beginning of year	-	250,000	-	1,191,085	11,683	70,932	1,421	84,036	1,275,121
Fund balances - end of year	\$ 27,485	\$ -	\$ 200,986	\$ 1,195,243	\$ (487,362)	\$ -	\$ 55,431	\$ (431,931)	\$ 763,312

(CONCLUDED)

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:

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 to 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. During fiscal 2015 the North Providence School Department was administering approximately 16 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.

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Seized Property:</u>				
ASSETS:				
Cash	\$ 51,540	\$ 55,768	\$ 25,821	\$ 81,487
TOTAL ASSETS	\$ 51,540	\$ 55,768	\$ 25,821	\$ 81,487
LIABILITIES:				
Deposits held in custody for others	\$ 51,540	\$ 55,768	\$ 25,821	\$ 81,487
TOTAL LIABILITIES	\$ 51,540	\$ 55,768	\$ 25,821	\$ 81,487
<u>Low Cost Spay/Neuter:</u>				
ASSETS:				
Other receivables	\$ 1,595	\$ 580	\$ -	\$ 2,175
TOTAL ASSETS	\$ 1,595	\$ 580	\$ -	\$ 2,175
LIABILITIES:				
Deposits held in custody for others	\$ 1,595	\$ 580	\$ -	\$ 2,175
TOTAL LIABILITIES	\$ 1,595	\$ 580	\$ -	\$ 2,175
<u>Animal Care Donations:</u>				
ASSETS:				
Other receivables	8,277	6,312	2,832	\$ 11,757
TOTAL ASSETS	\$ 8,277	\$ 6,312	\$ 2,832	\$ 11,757
LIABILITIES:				
Deposits held in custody for others	\$ 8,277	\$ 6,312	\$ 2,832	\$ 11,757
TOTAL LIABILITIES	\$ 8,277	\$ 6,312	\$ 2,832	\$ 11,757
<u>Animal Care Adoptions:</u>				
ASSETS:				
Other receivables	\$ 8,325	\$ -	\$ 145	\$ 8,180
TOTAL ASSETS	\$ 8,325	\$ -	\$ 145	\$ 8,180
LIABILITIES:				
Deposits held in custody for others	\$ 8,325	\$ -	\$ 145	\$ 8,180
TOTAL LIABILITIES	\$ 8,325	\$ -	\$ 145	\$ 8,180

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Realty Tax Transfer Account:</u>				
ASSETS:				
Cash	\$ 81,064	\$ 629,861	\$ 664,626	\$ 46,299
TOTAL ASSETS	<u>\$ 81,064</u>	<u>\$ 629,861</u>	<u>\$ 664,626</u>	<u>\$ 46,299</u>
LIABILITIES:				
Deposits held in custody for others	\$ 81,064	\$ 629,861	\$ 664,626	\$ 46,299
TOTAL LIABILITIES	<u>\$ 81,064</u>	<u>\$ 629,861</u>	<u>\$ 664,626</u>	<u>\$ 46,299</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 353,960	\$ 506,113	\$ 529,182	\$ 330,891
TOTAL ASSETS	<u>\$ 353,960</u>	<u>\$ 506,113</u>	<u>\$ 529,182</u>	<u>\$ 330,891</u>
LIABILITIES:				
Deposits held in custody for others	\$ 353,960	\$ 506,113	\$ 529,182	\$ 330,891
TOTAL LIABILITIES	<u>\$ 353,960</u>	<u>\$ 506,113</u>	<u>\$ 529,182</u>	<u>\$ 330,891</u>
<u>Food Pantry Fund</u>				
ASSETS:				
Cash	\$ 50	\$ 2,576	\$ 2,000	\$ 626
TOTAL ASSETS	<u>\$ 50</u>	<u>\$ 2,576</u>	<u>\$ 2,000</u>	<u>\$ 626</u>
LIABILITIES:				
Deposits held in custody for others	\$ 50	\$ 2,576	\$ 2,000	\$ 626
TOTAL LIABILITIES	<u>\$ 50</u>	<u>\$ 2,576</u>	<u>\$ 2,000</u>	<u>\$ 626</u>
<u>Performance Bond Fund</u>				
ASSETS:				
Cash	\$ 21,051	\$ 42	\$ -	\$ 21,093
TOTAL ASSETS	<u>\$ 21,051</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 21,093</u>
LIABILITIES:				
Deposits held in custody for others	\$ 21,051	\$ 42	\$ -	\$ 21,093
TOTAL LIABILITIES	<u>\$ 21,051</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 21,093</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 507,665	\$ 1,194,360	\$ 1,221,629	\$ 480,396
Other receivables	18,197	6,892	2,977	22,112
TOTAL ASSETS	<u>\$ 525,862</u>	<u>\$ 1,201,252</u>	<u>\$ 1,224,606</u>	<u>\$ 502,508</u>
LIABILITIES:				
Deposits held in custody for others	\$ 525,862	\$ 1,201,252	\$ 1,224,606	\$ 502,508
TOTAL LIABILITIES	<u>\$ 525,862</u>	<u>\$ 1,201,252</u>	<u>\$ 1,224,606</u>	<u>\$ 502,508</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

OTHER EXHIBITS



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Year</u>	<u>Residential & Commercial Mill Rate</u>	<u>Property Taxes Receivable July 1, 2014</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2015</u>
2014	\$27.94 & \$34.68		\$ 68,703,936	\$ 136,023	\$ (90,016)	\$ 68,749,943	\$ 65,825,580	\$ 2,924,363
2013	\$24.29 & \$31.03	\$ 3,373,979		9,928	(18,279)	3,365,628	2,304,532	1,061,096
2012	\$24.29 & \$31.03	1,006,083		2,809	(731)	1,008,161	242,746	765,415
2011	\$24.15 & \$30.85	807,011			(1,149)	805,862	80,688	725,174
2010	\$24.15 & \$30.85	723,987			(9,826)	714,161	33,056	681,105
2009	\$19.65 & \$25.60	357,307			(1,183)	356,124	8,398	347,726
2008	\$19.65 & \$25.60	375,579				375,579	11,067	364,512
2007	\$16.75 & \$22.70	357,517				357,517	3,982	353,535
2006	\$16.75 & \$22.70	287,137				287,137	3,391	283,746
2005	\$16.55 & \$22.50	267,643				267,643	1,537	266,106
2004	\$16.55 & \$22.50	159,586				159,586	1,093	158,493
2003 and prior	various	544,881			(304,535)	240,346	1,356	238,990
Subtotal		8,260,710	\$ 68,703,936	\$ 148,760	\$ (425,719)	\$ 76,687,687	\$ 68,517,426	8,170,261
Less: estimated allowance for uncollectable accounts		(3,580,000)						(3,700,000)
Net property taxes receivable		\$ 4,680,710						\$ 4,470,261

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2013 (2014 tax roll)</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real Property	\$ 2,209,639,436	\$ 64,517,464	Current year collections	\$ 68,517,426
Motor Vehicles	236,634,472	9,926,816	Revenue received 60 days subsequent to fiscal year ending June 30, 2015	1,013,733
Tangible Property	58,433,154	4,085,062	Subtotal	<u>69,531,159</u>
Total assessments	<u>2,504,707,062</u>	<u>78,529,342</u>	Prior year revenue received in current year fiscal year ending June 30, 2014 - 60 day rule	<u>(1,012,749)</u>
Exemptions and adjustments	<u>(344,485,280)</u>	<u>(9,825,406.10)</u>		
<i>Net assessed value</i>	<u>\$ 2,160,221,782</u>	<u>\$ 68,703,936</u>	<i>Current year property tax revenue</i>	<u>\$ 68,518,410</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2015, 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."

Robert J. Civetti, CPA, LLC.
Accounting & Tax Preparation Services

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements, and have issued our report thereon dated January 29, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedules of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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 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 deficiency described in the accompany schedule of findings and questioned costs to be a material weakness. See finding 2015-001.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

Response to Finding

The Town of North Providence's response to the finding identified in our audit is included at the end of this reporting package. The Town of North Providence's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
January 29, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report of Compliance for Each Major Federal Program

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 a direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of North Providence, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of North Providence, Rhode Island's compliance.

Basis for Qualified Opinion on Improving Teacher Quality State Grants and the School Lunch Cluster

As described in the accompanying schedule of findings and questioned costs, the Town of North Providence, Rhode Island, did not comply with requirements regarding Improving Teacher Quality State Grants as described in finding number 2015-002 for Cash Management and Reporting and the School Lunch Cluster as described in finding numbers 2015-003 and 2015-004 for Eligibility and Special Tests and Provisions, respectively. Compliance with such requirements is necessary, in our opinion, for the Town of North Providence, Rhode Island, to comply with the requirements applicable to these programs.

Qualified Opinion on Improving Teacher Quality State Grants and the School Lunch Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Improving Teacher Quality State Grants CFDA #84.367 and the School Lunch Cluster CFDA #10.555, 10.556, 10.559, and 10.553 for the year ended June 30, 2015.

Other Matters

The Town of North Providence, Rhode Island's response to the noncompliance findings identified in our audit is included at the end of this reporting package. The Town of North Providence, Rhode Island's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of North Providence, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-005 to be a significant deficiency.

The Town of North Providence, Rhode Island's response to the internal control over compliance finding identified in our audit is included at the end of this reporting package. The Town of North Providence, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
January 29, 2016

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Expenditures
U.S. Department of Transportation		
Passed through Rhode Island Department of Transportation		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	\$ 6,893
State and community highway safety	20.600	3,961
Safety Belt Performance Grants	20.609	5,129
Child Safety and Child Booster Seats Incentive Grants	20.613	995
Total U.S. Department of Transportation		<u>16,978</u>
U.S. Department of Justice		
Equitable Sharing Program	16.922	178,157
Passed through Rhode Island Department of Justice		
Enforcing Underage Drinking Laws Program - Byrne Memorial Grant	16.727	6,303
Bulletproof Vest Partnership Program	16.607	7,452
Total U.S. Department of Justice		<u>191,912</u>
U.S. Department of Homeland Security		
Passed through Rhode Island Emergency Management Agency		
Homeland Security Grant Program	97.067	<u>27,705</u>
U.S. Department of Health and Human Services		
Passed through Rhode Island Department of Health		
State and Local Public Health Actions to Prevent Obesity etc.	93.757	21,406
Tobacco Compliance Grant	93.XXX	1,052
Total U.S. Department of Health and Human Services		<u>22,458</u>
U.S. Department of Education		
Passed through Rhode Island Department of Education		
Special Education Grants to States - Project IDEA - Part B	84.027	785,584
Special Education Preschool Grants	84.173	17,971
Special Education Cluster		<u>803,555</u>
Title I Grants to Local Educational Agencies	84.010	724,837
Race to the Top Fund - ARRA Funding	84.395	55,214
Improving Teacher Quality State Grants - Title II	84.367	194,359
English Language Acquisition State Grants - Title III	84.365	15,233
Career and Technical Education - Basic Grants to States	84.048	120,365
Total U.S. Department of Education		<u>1,913,563</u>

(Continued)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor Pass-Through Grantor <u>Program title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture		
Passed through Rhode Island Department of Education		
School Lunch Cluster:		
National School Lunch Program	10.555	628,910
Special Milk Program for Children	10.556	42
Summer Food Service Program for Children	10.559	5,296
School Breakfast Program	10.553	115,803
Total School Lunch Cluster		<u>750,051</u>
Fresh Fruit and Vegetable Program	10.582	53,373
Commodity Supplemental Food Program	10.565	55,880
Total U.S. Department of Agriculture		<u>859,304</u>
U.S. Department of Treasury		
Treasury forfeiture funds	21.000	<u>7,759</u>
U.S. Department of Housing and Urban Development		
Passed through Rhode Island Office of Housing & Community Development		
Community Development Block Grant	14.228	<u>126,427</u>
Total Federal Expenditures		<u>\$ 3,166,106</u>

(Concluded)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of North Providence, Rhode Island. 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 the amounts presented in, or used in the preparation of, the basic financial statements.

2. Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or limited as to reimbursement. The Schedule of Expenditures of Federal Awards also includes \$55,880 for the value of food commodities. These commodities have not been 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 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, 2015, the following programs were considered major programs:

Improving Teacher Quality State Grants	CFDA #84.367
School Lunch Cluster:	
National School Lunch Programs	CFDA #10.555
Special Milk Program for Children.....	CFDA #10.556
Summer Food Service Program for Children	CFDA #10.559
School Breakfast Program	CFDA #10.553

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified Opinion*

Internal control over financial reporting:

- Material Weakness identified? X yes no
- Significant Deficiency identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material Weakness identified? yes X no
- Significant Deficiency identified? X yes none reported

Type of auditor's report issued on compliance for major programs: *Qualified Opinion*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major program:

School Lunch Cluster:	
National School Lunch Program	CFDA #10.555
Special Milk Program for Children	CFDA #10.556
Summer Food Service Program for Children	CFDA #10.559
School Breakfast Program	CDFA #10.553
Improving Teacher Quality State Grants	CFDA #84.367

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II. FINANCIAL STATEMENT FINDINGS

Current Year Findings:

2015-001: Maintenance and Review of General Ledger

Criteria: Internal controls should be established and performed to ensure that financial records are complete and accurate so that the financial results and financial position of the Town are fairly presented in accordance with governing accounting standards.

Condition: During our audit of the financial records of the North Providence School Department we noted a deficiency in internal controls over the maintenance and review of the general ledger activity and balances which we believe could result in the material misstatement of the financial statements related to the School Department. Specifically, we noted an overstatement of expenditures reported in the capital projects fund totaling approximately \$400,000, an understatement of receivables related to special revenue grant funds totaling approximately \$545,000, and understatement of revenue related to various special revenue grant funds totaling approximately \$178,000.

Cause: We believe that the deficiency is the result of a lack of formal policies, procedures, and personnel to ensure that a thorough periodic review of the general ledger accounting records is completed in a timely manner.

Effect: The lack of controls over the maintenance and review of the general ledger accounting records could result in the material misstatement of the financial activity and position of the School Department which, in turn, could lead to management's inability to effectively manage the financial operations of the department. In addition, the lack of controls over the general ledger accounting records increases the risk of intentional or unintentional errors and irregularities from occurring and going undetected.

Recommendation: We recommend that management along with school officials establish formal policies and procedures related to the periodic review and maintenance of the general ledger accounting records. We further recommend that these procedures include reconciliation of account balances to applicable subsidiary records on a periodic basis (at a minimum quarterly), and that the completion of the procedures be documented and reviewed by personnel independent of the reconciliation process.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-002: Improving Teacher Quality State Grants – CFDA # 84.367

Criteria: The North Providence School Department receives federal funding for Improving Teacher Quality State Grants passed through the State of Rhode Island. Provisions of the grant agreement require that the School Department submit periodic reports requesting reimbursement for expenditures incurred and paid by the School Department which meet the requirements of the grant agreement.

Condition: During our audit of compliance with the requirements related to reporting and cash management of the Improving Teacher Quality State Grants program, we noted an instance where the requisition seeking reimbursement of expenditures exceeded the actual expenditures charged to the grant and paid by the School Department for that specific period. As a result, the North Providence School Department received approximately \$24,000 in reimbursement prior to the expenditure and payment of said amount. It should be noted that the \$24,000 was applied to future expenditures which were incurred under the provision of the Improving Teacher Quality State Grants and paid for by the School Department.

Cause: The incorrect reporting of expenditures and the resulting violation of the cash management requirement was the result of the incorrect allocation of expenditures to the Improving Teacher Quality State Grants program for the period in which the requisition was filed.

Effect: Lack of compliance with the federal requirements governing cash management and reporting of federal expenditures related to the Improving Teacher Quality State Grants program.

Recommendation: We recommend that management of the School Department develop adequate policies and procedures to monitor all activity posted to federally funded grant programs, and that the grant requisition reports be reviewed and compared to the general ledger activity by someone independent of the reporting process prior to submission. The review process should be documented and maintained by finance personnel.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2015-003: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: The North Providence School Department participates in the school lunch and breakfast program funded by the federal government by way of a pass-through the State of Rhode Island. One of the compliance requirements of the school lunch and breakfast program relates to determining the eligibility of students who may qualify for free or reduced lunch. Administrators of school lunch and breakfast programs are required to obtain and maintain documentation to substantiate a student's eligibility to receive free or reduced lunch.

Condition: During our audit of compliance with the requirements related to eligibility for free or reduced lunch/breakfast we noted three instances (out of a sample of forty) where lunches were provided to students and billed for reimbursement while documentation was not maintained to support the eligibility status. The three instances noted included two instances where the eligibility application could not be located and one instance where the application supported a reduced price meal while the reimbursement submission reflected a free meal. In addition, during the process of obtaining the sample of forty transactions we also noted instances where meals were listed as free or reduced but were not associated with a specific student. Upon inquiry of school personnel we were unable to obtain documentation to support the eligibility for those meals.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015-003: School Lunch Cluster – CFDA #10.555 and #10.553 (Continued)

Cause: The instance noted where the recipient of the meal was reported as “free” rather than “reduced” was the result of a decision made at the school where, school officials believed that changes to the student’s current family structure should result in the student being eligible for “free” status. Unfortunately the change in status was not supported by a new application or documentation of direct approval. The other two instances appear to be the result of either the lack of obtaining an application to support eligibility status of the failure to maintain the completed application.

Effect: Lack of compliance with the federal requirements governing eligibility and therefore, inappropriate submission for reimbursement of meals served to eligible “free” and “reduced” students.

Recommendation: We recommend that management of the School Department develop adequate policies and procedures for maintaining and reviewing eligibility applications. We further recommend that procedures be established whereby finance personnel periodically compare the served meal reports to eligibility information to ensure that the School Department is properly seeking reimbursement for meals served to those individuals that qualify under “free” or “reduced” status.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2015-004: School Lunch Cluster – CFDA #10.555

Criteria: One of the special tests and provisions of the compliance requirements related to the School Lunch Cluster is the requirement for “Paid Lunch Equity.” Under this provision the School Department is required to ensure that sufficient funds are provided to its school food service program from lunches served to students who are not eligible for free or reduced price meals. Essentially, the School Department is required to make sure that the fee charged to full pay students is not less than the federal reimbursement rate paid for free lunch less the subsidy paid for full pay lunches. The calculation of this requirement should be completed annually utilizing the meal activity from October of the previous fiscal year.

Condition: Upon inquiry of school personnel and their inquiry of the school food service provider it was determined that the School Department had not completed this calculation for the past two fiscal years. As a result, the School Department was unable to support compliance with this “paid lunch equity” requirement.

Cause: The administration of the North Providence School Department was unaware of this requirement and believed that such program requirements would have been handled by the food service provider.

Effect: Lack of compliance with the federal requirements governing “paid lunch equity” may have result in the loss of revenue which could have been earned and retained in the School Lunch Program.

Recommendation: We recommend that management of the School Department review all requirements of the School Lunch Program Cluster to ensure that adequate policies and procedures are in place to maintain compliance with the requirements. We also recommend that management of the School Department meet with representatives of the school food service provider and the Rhode Island Department of Education to properly complete the calculation of “paid lunch equity” and make adjustments to the current price being charged to the full pay students, as applicable.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015-005: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: Internal controls should be established and maintained to ensure compliance with federal requirements related to federally funded programs. Establishment and maintenance of sound internal controls should help to ensure that the compliance requirements over federal programs are adhered to.

Condition: During our audit of controls over compliance related to the School Lunch Program Cluster we noted that a substantial portion of the compliance requirements related to this program are handled by one individual. We consider this lack of separation of duties to be a significant deficiency. The School Department does not currently have a policy or procedures in place to review the work being completed by this individual as it directly relates to the School Lunch Program Cluster. Specifically we noted that this individual is responsible for certifying all eligibility applications and notifying data personnel of the eligibility status of the students. In addition, this individual is responsible for obtaining the meal count from the food service provider and submitting the information to the State of Rhode Island for reimbursement. We found no evidence where there is a periodic review of the documents maintained by this individual.

Cause: Lack of established policies or procedures regarding the establishment of controls over federally funded programs.

Effect: A lack of controls increases the risk of a noncompliance with federal requirements occurring and going undetected by management.

Recommendation: We recommend that management of the School Department develop adequate controls over the compliance requirements related to the school lunch program cluster. More specifically we recommend that management develop a policy requiring an internal review of the eligibility applications and submissions of the meal counts. The periodic review should be completed by someone independent of the normal procedures related to the program and documentation of the review should be maintained and approved by the School's Finance Director.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION IV. PRIOR AUDIT FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS

2014-001: Town Ordinance

Criteria: Ordinances are established to provide guidance, rules, and regulations governing the operations of the Town.

Condition: Section 7 of the fiscal 2014 Budget Ordinance #13-005 established a requirement that all capital requests or items submitted as part of the budget, the so called "capital budget" be approved by the Town Council prior to their acquisition. During our audit we noted that the Town, including the School Department, was not in compliance with the terms of this Ordinance. We noted that capital items were acquired during fiscal 2014 although we were unable to find evidence of Town Council approval prior to the acquisition.

Cause: Management currently does not have a policy or procedures in place to monitor all capital acquisitions to ensure the approval by the Town Council before incurring the expenditure.

Effect: Failure to obtain approval from the Town Council before purchasing capital items results in a violation of the Ordinance identified in the first paragraph.

Status: Although management still does not maintain a policy or procedures to monitor all capital acquisitions to ensure the approval of the Town Council prior to incurring the expenditure as noted by the applicable annual budget ordinance, it appears that provisions of the Town Charter supersede the requirements of the budget Ordinance. Sections of the Town Charter discuss the process for approving the budget and the Town Councils authority. However, once the budget is adopted and approved by the Town Council it appears that the Administration is responsible for monitoring and managing the budget.

SECTION V. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported.



GIUSTINO CAMBIO
Finance Director

DEPARTMENT OF FINANCE

CHARLES A. LOMBARDI
Mayor

**VIEW OF RESPONSIBLE OFFICIAL AND
CORRECTIVE ACTION PLAN AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

2015-001: Maintenance and Review of General Ledger – School Department

Management Response: The review of the general ledger activity for the Capital Projects fund and Special Revenue funds are reviewed annually. Procedures have been established to review such funds on a quarterly basis and to record any adjusting entries at that time. The quarterly reconciliation of these funds will be performed by the Controller and reviewed by the Director of Finance for the Schools.

2015-002: Improving Teacher Quality State Grants – CFDA # 84.367 – School Department

Management Response: All charges to federal grants will be reviewed by the Director responsible for the specific grant. In addition, those charges will be reviewed by the Director of Finance for the Schools and compared to the annual budget submitted for those grants to further validate the charges are being made in accordance with the specific grant requirements. In addition, the grant activity will be reviewed quarterly as indicated in management's response to comment 2015-001 noted above.

2015-003: School Lunch Cluster – CFDA #10.555 and #10.553

Management Response: Policies and procedures for the maintenance and eligibility requirements are stipulated by the Rhode Island Department of Education (RIDE). We believe that we comply with those policies and procedures. There are over 1,600 students that are eligible for "free or reduced" meals and although there maybe exceptions or isolated errors that may occur, we believe the procedures currently in effect are operating properly to identify those students that qualify for "free" or "reduced" status.

2015-004: School Lunch Cluster – CFDA #10.555

Management Response: The paid lunch equity computation was previously prepared by our school lunch vendor. We have had some turnover in management in our school lunch program and this calculation was not prepared over the past two years. We have contacted RIDE and had them prepare the required calculation. The required weighted average meal price requirement for School Year 2015-16 is \$2.70. The current weighted average meal price for the North Providence School Department is \$2.38, which requires an increase in our meal prices on average of \$0.32. The price increase requirement by the US Department of Agriculture (USDA) is limited to no more than \$0.10 per annum. We will be requesting the School Committee to approve an increase in the School meal price effective March 1, 2016 in order for the School Department to be in conformance with the Paid Lunch Equity requirements.

2015-005: School Lunch Cluster – CFDA # 10.555 and #10.553

Management Response: There is one person responsible for the compliance related to the School Lunch program requirements. We believe that there are mitigating controls in place that reduce the level of noncompliance risk to a relatively low level. All applications are subject to verification in accordance with procedures stipulated by RIDE. Verification selections are randomly made by our third-party school lunch management system and follow up is documented. A verification report is prepared and submitted to the USDA. The eligibility requirement is a financial one and the calculation is prepared through our third-party school lunch management program and subject to verification. Additionally, we receive direct certifications from the State as it relates to those families that are automatically eligible for the “free” lunch program. In addition, RIDE conducts audits of the School Lunch program periodically. We are scheduled to have them review the program in late January 2016. We will discuss the above comments with them during the conduct of their audit and gain their insight on changes that they believe we may need to make in the administration of the program.