

# Town of North Providence Rhode Island



## Basic Financial Statements And Required Supplementary Information Fiscal Year Ended June 30, 2009

Including Independent Audit Report  
of Certified Public Accounts

Charles A. Lombardi  
Mayor

Maria G. Vallee  
Acting Finance Director

Prepared by Finance Department

# TOWN OF NORTH PROVIDENCE

## INTRODUCTORY SECTION

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**YEAR ENDED JUNE 30, 2009**

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**YEAR ENDED JUNE 30, 2009**

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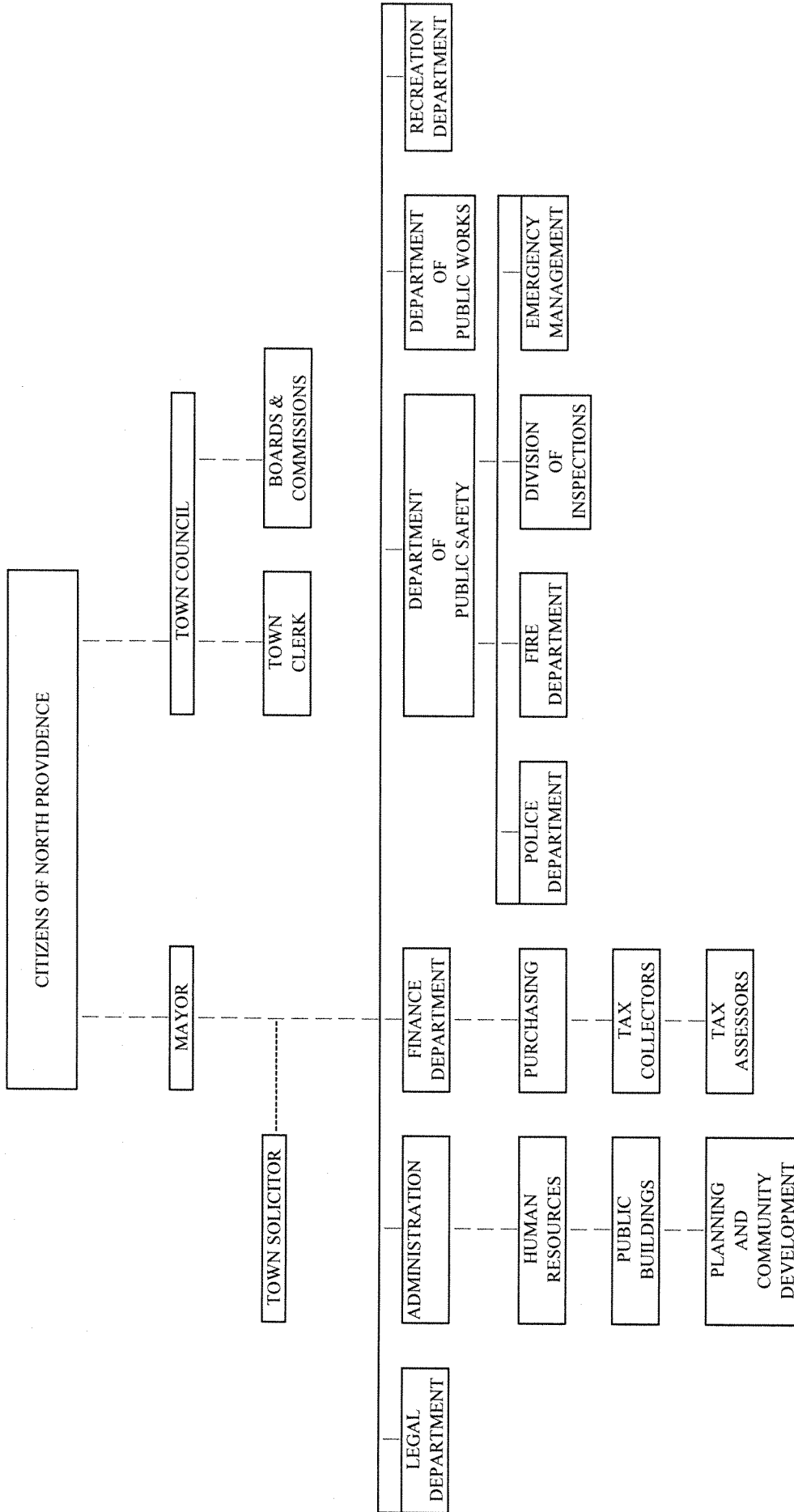
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(CONCLUDED)

# TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION

June 30, 2009



# **TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

## **TOWN COUNCIL**

Joseph S. Burchfield, President  
John A. Zambarano, President Pro Tem  
Paul F. Caranci  
Mansuet J. Giusti  
Raymond L. Douglas, III  
Frank A. Manfredi  
Joseph Giammarco

## **MAYOR**

Charles A. Lombardi

## **FINANCE DEPARTMENT**

Maria G. Vallee, Acting Director Of Finance  
Claudette Mooney, Tax Collector  
Janesse Muscatelli, Acting Tax Assessor

# **TOWN OF NORTH PROVIDENCE**

## **FINANCIAL SECTION**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of North Providence, Rhode Island's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of June 30, 2009, and the respective changes in financial position, and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2010 on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress for Pension Plans, and Schedule of Funding Progress of OPEB, on pages 3 through 10, pages 58 through 61, page 62, and page 63, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Town of North Providence, Rhode Island. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Braver PC  
Providence, RI  
January 22, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2009**

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As management of the Town of North Providence, we offer readers of the Town of North Providence's financial Statements this narrative overview and analysis of financial activities of the Town of North Providence for the fiscal year ended June 30, 2009.

### **Financial Highlights**

- On the Government-Wide Statements, the liabilities of the Town of North Providence exceeded its assets at the close of the most recent fiscal year by \$6,323,922 (net asset deficiency).
- Net assets in the Government-Wide Statement of Activities for the fiscal year ended June 30, 2009 decreased by \$5,224,338.
- The unrestricted net assets of the governmental activities at June 30, 2009 totaled (\$21,929,778).
- In accordance with the requirements of GASB #45, the Government-Wide Statement of Net Assets includes a liability for net OPEB obligation at June 30, 2009 which totaled \$2,426,000. Fiscal 2009 was the first year the Town was required to report this OPEB obligation.
- As of year-end June 30, 2009 the Town's General Fund had a deficit unreserved fund balance of (\$9,537,532).
- The Town's General Fund had a decrease in fund balance of \$3,309,605 for the fiscal year ended June 30, 2009.
- As of June 30, 2009 the School Unrestricted Fund had a deficit unreserved fund balance of (\$1,403,723).
- The School Unrestricted Fund had a decrease in fund balance of \$1,874,181 for the fiscal year ended June 30, 2009.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2009 this fund had unrestricted net asset deficiency of (\$97,202). The fund incurred a decrease in net assets (net loss) of (\$52,450) for the fiscal year ended June 30, 2009.
- RSI-3 and RSI-4 disclose the funding status of the Town's pension plan and OPEB obligation.

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

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

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

## **Government-wide financial statements**

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

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

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

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

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

## **Fund financial statements**

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

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

The Town of North Providence maintains governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund and school special revenue unrestricted fund, which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

### *Proprietary Funds*

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

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

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

### *Fiduciary Funds*

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

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

### *Notes to Financial Statements*

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

The notes to the financial statements are presented on pages 22 through 57.

### *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 58 through 63.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented on pages 64 through 71.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the Town of North Providence, liabilities exceeded assets by \$6,323,922 as of June 30, 2009.

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

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

**June 30, 2009 and 2008 (in 000’s)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 14,663	\$ 11,052	\$189	\$242	\$ 14,852	\$ 11,294
Capital Assets	46,159	46,502	0	0	46,159	46,502
<b>Total Assets</b>	<b>60,822</b>	<b>57,554</b>	<b>189</b>	<b>242</b>	<b>61,011</b>	<b>57,796</b>
Long-Term Liabilities	42,305	43,303	0	0	42,305	48,174
Other Liabilities	24,743	15,306	286	287	25,029	10,722
<b>Total Liabilities</b>	<b>67,048</b>	<b>58,609</b>	<b>286</b>	<b>287</b>	<b>67,334</b>	<b>58,896</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	15,703	13,110	0	0	15,703	13,110
Unrestricted	(21,930)	(14,165)	(97)	(45)	(22,027)	(14,210)
<b>Total Net Assets</b>	<b>(\$6,227)</b>	<b>(\$1,055)</b>	<b>(\$97)</b>	<b>(\$45)</b>	<b>(\$6,324)</b>	<b>(\$1,100)</b>

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

As of June 30, 2009 the Town of North Providence reports negative (deficit) balances in all three categories of net assets, government as a whole, as well as separately for the governmental activities and business-type activities in the Government-wide statements.

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

The following analysis provides a summary of the Town of North Providence's operations for the year ended June 30, 2009.

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

**For the Fiscal Years ending June 30, 2009 and 2008 (in 000's)**

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,230	\$ 3,751	\$ 423	\$ 512	\$ 4,653	\$ 4,263
Operating Grants and Contributions	17,348	18,154	509	453	17,857	18,607
Capital Grants and Contributions	2,753	822			2,753	882
General Revenues:						
Property taxes	53,415	52,413			53,415	52,413
Motor vehicle phase-out taxes	4,901	4,979			4,901	4,979
Telephone and State PILOT	774	798			774	798
Grants and aid not restricted for a specific program	3,298	4,749			3,298	4,749
Unrestricted investment earnings	44	189			44	189
<b>Total Revenues</b>	<b>86,763</b>	<b>85,915</b>	<b>932</b>	<b>965</b>	<b>87,695</b>	<b>86,880</b>
Expenses:						
Legislative, judicial, and administrative	13,366	11,418			13,366	11,418
Department of Finance	966	782			966	782
Public Safety	19,663	16,894			19,663	16,894
Public Services/works	4,311	4,995			4,311	4,995
Grants and contributions	1,341	1,284			1,341	1,284
Education	50,759	48,341			50,759	48,341
Interest on long-term debt	1,529	1,581			1,529	1,581
School Cafeteria			985	1,060	985	1,060
<b>Total Expenses</b>	<b>91,935</b>	<b>85,295</b>	<b>985</b>	<b>1,060</b>	<b>92,920</b>	<b>86,355</b>
Increase (decrease) in net assets	(5,172)	620	( 52)	(95)	(5,224)	525
Net assets beginning of year	(1,055)	(1,675)	( 45)	50	(1,100)	(1,625)
<b>Net assets (deficit) end of year</b>	<b>(\$6,227)</b>	<b>(\$ 1,055)</b>	<b>(\$97)</b>	<b>(\$ 45)</b>	<b>(\$6,324)</b>	<b>(\$1,100)</b>

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

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

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

At the end of the current fiscal year, the Town of North Providence's governmental funds reported combined ending fund balances (fund deficit) of (\$8,010,826). Unreserved fund balance deficit amounted to (\$8,604,026) with reserved fund balance of \$593,200 for prepaid expenses.

The General Fund is the primary operating fund of the Town of North Providence. At the end of the current fiscal year the Town of North Providence ended with a decrease in fund balance of (\$3,309,605). In addition, the cumulative fund deficit of the General Fund was (\$8,944,332) at June 30, 2009 while the unreserved deficit was (\$9,537,532).

The School Unrestricted Fund is the primary operating fund of the North Providence School Department. At the end of the current fiscal year the School Department ended with a cumulative fund deficit of (\$1,403,723).

### **Proprietary Funds**

The Town of North Providence's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Unrestricted net assets (cumulative deficit) of the School Cafeteria Fund, an Enterprise Fund, was (\$97,202) at June 30, 2009.

### **General Fund Budgetary Highlights**

Differences between the original budget and the actual revenues were due to over budgeted line items and State reducing the Town's state aid. The differences between the original budget and actual expenses were due to fire department personnel call back cost and an unfavorable healthcare costs.

### **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 \$46,159,004 net of accumulated depreciation at June 30, 2009. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure.

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

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

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 15,498	\$ 15,498			\$ 15,498	\$ 15,498
Construction in progress	211	0			211	0
Buildings and improvements	25,136	25,446			25,136	25,446
Equipment, furn. & fixtures	982	792			982	792
Vehicles	1,347	1,471			1,347	1,471
Infrastructure	2,954	3,200			2,954	3,200
Land improvements	31	95			31	95
<b>Total</b>	<b>\$ 46,159</b>	<b>\$46,502</b>	<b>\$ - 0-</b>	<b>\$ - 0-</b>	<b>\$ 46,159</b>	<b>\$ 46,502</b>

**Long Term Debt**

At the end of the current fiscal year, the Town of North Providence had a total bonded debt of \$30,159,100. 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  
(in 000's)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$30,159	\$32,939	\$ 0	\$0	\$30,159	\$32,939
Lease Purchase Obligations	297	453	0	0	297	453
<b>Total obligations</b>	<b>\$30,456</b>	<b>\$33,392</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$30,456</b>	<b>\$33,392</b>



### **Long Term Debt (Continued)**

Short-term obligations consisted of a Tax Anticipation Note Obligation at June 30, 2009. The balance outstanding on the note obligation was \$7,459,000. This note matured on August 27, 2009.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the fair value of all taxable Town of North Providence property on the general obligation debt that a municipality can issue. The Town of North Providence's limit is \$80,642,300 at year-end. The Town of North Providence's outstanding general obligation debt (including lease purchase agreements) is \$30,455,946 at year-end, which is \$50,186,354 under the State imposed limitation.

The Town of North Providence's bonds are insured and hold a Baa3 credit rating from Moody's and a BBB+ from Standard & Poor's.

The Town of North Providence issued short term tax anticipation notes in the amount of \$7,500,000 on August 28, 2009 which matures on August 27, 2010 with an interest rate of 2.790%. The proceeds were deposited into the General Fund's cash account.

Additional information of the Town of North Providence's debt administration can be found in footnote 10 on pages 39 through 41 of this report.

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

- The Town of North Providence has budgeted \$82,617,065 for fiscal 2010, an increase of \$1,143,256 over fiscal 2009. \$42,846,875 or 52% is budgeted for educational purposes and \$39,770,190 or 48% is budgeted for other purposes.
- State aid to education is budgeted at \$11,790,087, a decrease of (\$1,592,785) over fiscal 2009. This represents 27% of the education budget.
- The Town of North Providence has a five tier tax base which was revised in fiscal year 2010. This base is comprised of the following: Residential Real Estate \$19.65; Commercial Real Estate \$25.60; Tangible Property \$63.75 and Motor Vehicle \$41.95.

### **Request for Information**

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

# **TOWN OF NORTH PROVIDENCE**

## **BASIC FINANCIAL STATEMENTS**



TOWN OF NORTH PROVIDENCE RHODE ISLAND**Statement of Net Assets  
June 30, 2009**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 5,859,785	\$ 152,427	\$ 6,012,212
Accounts receivable, net	3,995,769		3,995,769
Internal balances	(6,069)	6,069	-
Due from federal and state governments	4,220,063	30,294	4,250,357
Prepays	593,200		593,200
<b>Total Current Assets</b>	<b>14,662,747</b>	<b>188,790</b>	<b>14,851,537</b>
<b>Noncurrent Assets:</b>			
Capital assets not being depreciated	15,709,160		15,709,160
Capital assets, net of accumulated depreciation	30,449,844		30,449,844
<b>Total Noncurrent Assets</b>	<b>46,159,004</b>	<b>-</b>	<b>46,159,004</b>
<b>TOTAL ASSETS</b>	<b>60,821,751</b>	<b>188,790</b>	<b>61,010,541</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	9,161,129	285,992	9,447,121
Tax anticipation note payable	7,459,000		7,459,000
Accrued liabilities	3,045,488		3,045,488
Unearned revenue	386,458		386,458
Current portion of compensated absences	1,200,000		1,200,000
Current portion of IBNR claims	418,839		418,839
Current portion of bonds and notes	3,072,128		3,072,128
<b>Total Current Liabilities</b>	<b>24,743,042</b>	<b>285,992</b>	<b>25,029,034</b>
<b>Noncurrent Liabilities:</b>			
Compensated absences	8,273,829		8,273,829
Net pension obligation	4,221,783		4,221,783
Net OPEB obligation	2,426,000		2,426,000
Bond and note obligations, net	27,383,818		27,383,818
<b>Total Noncurrent Liabilities</b>	<b>42,305,430</b>	<b>-</b>	<b>42,305,430</b>
<b>TOTAL LIABILITIES</b>	<b>67,048,472</b>	<b>285,992</b>	<b>67,334,464</b>
<b>NET ASSETS:</b>			
Invested in capital assets net of related debt	15,703,058	-	15,703,058
Unrestricted	(21,929,778)	(97,202)	(22,026,980)
<b>TOTAL NET ASSETS</b>	<b>\$ (6,226,720)</b>	<b>\$ (97,202)</b>	<b>\$ (6,323,922)</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Legislative, judicial, and administrative	\$ 13,365,273	\$ 1,445,185	\$ 68,386	\$ -	\$ (11,851,702)		\$ (11,851,702)
Department of finance	966,199				(966,199)		(966,199)
Public safety	19,663,499	1,805,648	697,049	2,386,304	(14,774,498)		(14,774,498)
Public services	4,311,117	232,707	-	116,751	(3,961,659)		(3,961,659)
Grants and contributions	1,341,365	-	178,999	-	(1,162,366)		(1,162,366)
Education	50,758,548	746,459	16,403,857	249,539	(33,358,693)		(33,358,693)
Interest on long-term debt	1,528,998				(1,528,998)		(1,528,998)
<b>Total governmental activities</b>	<b>91,934,999</b>	<b>4,230,000</b>	<b>17,348,291</b>	<b>2,752,594</b>	<b>(67,604,115)</b>		<b>(67,604,115)</b>
<b>Business-type activities:</b>							
School Cafeteria	984,994	423,454	509,090		(52,450)		(52,450)
<b>Total business-type activities</b>	<b>984,994</b>	<b>423,454</b>	<b>509,090</b>	<b>-</b>	<b>(52,450)</b>		<b>(52,450)</b>
<b>Total</b>	<b>\$ 92,919,993</b>	<b>\$ 4,653,454</b>	<b>\$ 17,857,381</b>	<b>\$ 2,752,594</b>	<b>\$ (67,604,115)</b>		<b>(67,656,565)</b>
<b>General revenues:</b>							
Property taxes					53,415,378		53,415,378
Motor vehicle phase-out taxes					4,901,389		4,901,389
Telephone and State PILOT payments					773,568		773,568
Grants and aid not restricted for a specific program					3,297,917		3,297,917
Unrestricted investment earnings					43,975		43,975
<b>Total general revenues and transfers</b>					<b>62,432,227</b>		<b>62,432,227</b>
<b>Change in Net assets</b>					<b>(5,171,888)</b>	<b>(52,450)</b>	<b>(5,224,338)</b>
<b>Net assets - beginning of year</b>					<b>(1,054,832)</b>	<b>(44,752)</b>	<b>(1,099,584)</b>
<b>Net assets - ending of year</b>					<b>\$ (6,226,720)</b>	<b>\$ (97,202)</b>	<b>\$ (6,323,922)</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 3,283,573		\$ 2,576,212	\$ 5,859,785
Accounts and other receivable, net	3,704,521		291,248	3,995,769
Due from federal and state governments	2,832,415		1,387,648	4,220,063
Prepaid expenditures	593,200		-	593,200
Due from other funds	1,632,024	\$ 6,852,665	1,152,440	9,637,129
<b>TOTAL ASSETS</b>	<b>\$ 12,045,733</b>	<b>\$ 6,852,665</b>	<b>\$ 5,407,548</b>	<b>\$ 24,305,946</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,870,417	\$ 5,926,217	\$ 364,495	\$ 9,161,129
Tax anticipation notes	7,459,000			7,459,000
Accrued liabilities	512,549	1,925,109	93,530	2,531,188
Due to other funds	7,012,300	405,062	2,225,836	9,643,198
Deferred revenues	3,135,799		386,458	3,522,257
<b>TOTAL LIABILITIES</b>	<b>20,990,065</b>	<b>8,256,388</b>	<b>3,070,319</b>	<b>32,316,772</b>
<b>FUND BALANCES:</b>				
Reserved for prepaid expenditures	593,200	-	-	593,200
Unreserved:				
General fund	(9,537,532)			(9,537,532)
Special revenue funds		(1,403,723)	1,868,814	465,091
Capital project funds			468,415	468,415
<b>TOTAL FUND BALANCES</b>	<b>(8,944,332)</b>	<b>(1,403,723)</b>	<b>2,337,229</b>	<b>(8,010,826)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,045,733</b>	<b>\$ 6,852,665</b>	<b>\$ 5,407,548</b>	<b>\$ 24,305,946</b>

(CONTINUED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

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

<b>Total Fund Balance reported in Exhibit B-1</b>	\$ (8,010,826)
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, 2009	46,159,004
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Assets.	(46,996,397)
Deferred tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Assets.	3,135,799
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net assets and not the Governmental Fund Balance Sheet at June 30, 2009.	(514,300)
	\$ (6,226,720)
<b>Total Net Assets reported in Exhibit A-1</b>	

(CONCLUDED)

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

## TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year the Ended June 30, 2009**

	General Fund	School Unrestricted Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
General property taxes	\$ 53,355,500			\$ 53,355,500
Intergovernmental	22,174,814		\$ 5,318,509	27,493,323
Licenses and fees	409,067		136,045	545,112
Investment income	13,118		30,857	43,975
Departmental	1,365,552			1,365,552
Contributions			-	-
State on behalf pension contribution		\$ 2,044,722		2,044,722
Miscellaneous	1,268,872	60,761	176,305	1,505,938
<b>TOTAL REVENUES</b>	<b>78,586,923</b>	<b>2,105,483</b>	<b>5,661,716</b>	<b>86,354,122</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Legislative, judicial, and administrative	2,548,709			2,548,709
Department of finance	923,684			923,684
Public safety	14,915,860		3,079,137	17,994,997
Public services/works	4,293,691			4,293,691
Grants and contributions	1,341,365			1,341,365
Education		47,182,689	2,377,492	49,560,181
Other	9,826,352		312,598	10,138,950
<b>Debt Service:</b>				
Principal	2,951,172		44,302	2,995,474
Interest and other costs	1,495,422		7,376	1,502,798
<b>Capital:</b>				
Capital expenditures	59,437	275,621	1,167,997	1,503,055
<b>TOTAL EXPENDITURES</b>	<b>38,355,692</b>	<b>47,458,310</b>	<b>6,988,902</b>	<b>92,802,904</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>40,231,231</b>	<b>(45,352,827)</b>	<b>(1,327,186)</b>	<b>(6,448,782)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from lease purchase obligation	59,437			59,437
Transfers in	-	43,487,753	251,402	43,739,155
Transfers out	(43,600,273)	(9,107)	(129,775)	(43,739,155)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(43,540,836)</b>	<b>43,478,646</b>	<b>121,627</b>	<b>59,437</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,309,605)</b>	<b>(1,874,181)</b>	<b>(1,205,559)</b>	<b>(6,389,345)</b>
<b>FUND BALANCE (DEFICIT) BEGINNING OF YEAR</b>	<b>(5,634,727)</b>	<b>470,458</b>	<b>3,542,788</b>	<b>(1,621,481)</b>
<b>FUND BALANCE (DEFICIT) AT END OF YEAR</b>	<b>\$ (8,944,332)</b>	<b>\$ (1,403,723)</b>	<b>\$ 2,337,229</b>	<b>\$ (8,010,826)</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)  
Year Ended June 30, 2009**

<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):</b>	\$ (6,389,345)
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.	(342,879)
Governmental funds report the issuance of debt obligations as other financing sources whereas the issuance of new debt would have no effect on the net assets.	(59,437)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net assets.	2,995,474
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 increase in the estimate from the amount reported at June 30, 2008.	(40,839)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred tax and other revenue increased from fiscal 2008.	884,763
Allowance for doubtful accounts on tax & other receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both receivables and deferred revenue. The increase in the allowance provision is recorded against revenue in the statement of activities.	(475,774)
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 increase in the accrual for the year ended June 30, 2009 versus June 30, 2008.	(26,200)
Net pension & OPEB obligations are long-term liabilities reported in the government-wide financial statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources. Accordingly, the increase in these obligations is reported as an expenditure in the government-wide statement of activities. The net obligations increased in fiscal 2009.	(3,080,260)
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net assets.	<u>1,362,609</u>
<b>Change in Net Assets of Governmental Activities in the Statement of Activities (Exhibit A-2)</b>	<u>\$ (5,171,888)</u>



TOWN OF NORTH PROVIDENCE RHODE ISLAND

**Statement of Net Assets  
Proprietary Funds  
June 30, 2009**

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 152,427	\$ 173,760
Due from other funds	6,069	35,471
Due from federal and state governments	30,294	32,627
<b>Total Current Assets</b>	<u>188,790</u>	<u>241,858</u>
<b>TOTAL ASSETS</b>	<u>188,790</u>	<u>241,858</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable	285,992	286,610
<b>Total Current Liabilities</b>	<u>285,992</u>	<u>286,610</u>
<b>TOTAL LIABILITIES</b>	<u>285,992</u>	<u>286,610</u>
<b>NET ASSETS:</b>		
Unrestricted	(97,202)	(44,752)
<b>TOTAL NET ASSETS</b>	<u>\$ (97,202)</u>	<u>\$ (44,752)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
<b>OPERATING REVENUES:</b>		
Charges for usage and service	\$ 423,454	\$ 511,512
<b>Total Operating Revenues</b>	<u>423,454</u>	<u>511,512</u>
<b>OPERATING EXPENSES:</b>		
Cafeteria management and operations	984,994	1,059,941
Depreciation and amortization	-	-
<b>Total Operating Expenses</b>	<u>984,994</u>	<u>1,059,941</u>
<b>OPERATING LOSS</b>	<u>(561,540)</u>	<u>(548,429)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Investment income	-	178
State and federal grants	509,090	453,285
<b>Net Nonoperating Revenues</b>	<u>509,090</u>	<u>453,463</u>
<b>CHANGE IN NET ASSETS</b>	(52,450)	(94,966)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>(44,752)</u>	<u>50,214</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u>\$ (97,202)</u>	<u>\$ (44,752)</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

	Enterprise Fund School Cafeteria
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 423,454
Cash paid to suppliers for goods and services and other operating payments	(985,612)
<b>Net cash provided (used ) by operating activities</b>	<b>(562,158)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Decrease in amounts due from other funds	29,402
Nonoperating grants received	511,423
<b>Net cash provided by noncapital financing activities</b>	<b>540,825</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Investment income	-
<b>Net cash provided by investing activities</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	(21,333)
<b>Cash and cash equivalents, beginning of year</b>	173,760
<b>Cash and cash equivalents, end of year</b>	<b>\$ 152,427</b>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (561,540)
Increase (decrease) in:	
Accounts payable	(618)
<b>Net cash used for operating activities</b>	<b>\$ (562,158)</b>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

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	Police Pension Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,120,346	\$ 374,232
Investments	12,588,013	100,000
Receivables	173,123	4,014
<b>TOTAL ASSETS</b>	<u>16,881,482</u>	<u>478,246</u>
<b>LIABILITIES</b>		
Accrued expenses	8,745	
Deposits held in custody for others		478,246
<b>TOTAL LIABILITIES</b>	<u>8,745</u>	<u>478,246</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 16,872,737</u>	<u>\$ -</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the year ended June 30, 2009**

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	Police Pension <u>Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions - employer	\$ 820,963
Contributions - plan members	312,744
Investment income (loss) - includes realized and unrealized gains and losses	<u>(3,119,144)</u>
<b>TOTAL ADDITIONS</b>	<u>(1,985,437)</u>
<b>DEDUCTIONS:</b>	
Benefits paid	1,597,475
Investment expense	<u>151,527</u>
<b>TOTAL DEDUCTIONS</b>	<u>1,749,002</u>
<b>CHANGE IN NET ASSETS</b>	(3,734,439)
NET ASSETS - BEGINNING OF YEAR	20,607,176
NET ASSETS - END OF YEAR	<u>\$ 16,872,737</u>

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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, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***Reporting Entity***

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

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

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

The following entities were considered for classification as component units for fiscal year 2009.

- North Providence School Department

Although this entity meets certain criteria of the tests listed above, it is not deemed to have a separate legal status apart from the Town. As a result, the financial data for the North Providence School Department has been included in the Governmental Funds within the Town's financial statements. There are no component units included in the financial statements of the Town of North Providence as of and for the year ended June 30, 2009.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

---

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

***Basis of Presentation***

***Government-Wide Financial Statements***

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

***Fund Financial Statements***

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

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

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

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

***Governmental Funds (Continued)***

**Capital Project Funds**

The Capital Project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

**Permanent Funds**

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

**Proprietary Funds**

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

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

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes nine agency funds at June 30, 2009. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

- Unclaimed Estates
- Animal Care Donations
- Food Pantry
- Student Activities Fund (represents combination of approximately 32 funds)
- Seized Property
- Animal Care Adoptions
- Performance Bond Fund
- Low Cost Spay/Neuter
- Realty Tax Transfer

**Private-Purpose Trust Funds**

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

**Pension Trust Funds**

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

(CONTINUED)



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Major and Non-Major Funds**

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description
Special Revenue Fund: School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Proprietary Funds:	
School Cafeteria	Accounts for the operations of the school breakfast and lunch program of the North Providence School Department. <b>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.</b>
<b>Non-Major:</b>	
Special Revenue Funds:	Police Grants, Community Development Block Grants, Dare Fund Program, Drug Free Community, Federal Drug Forfeiture, State Drug Forfeiture, Emergency Management, Fire Alarm Tie-in, Historical Records Trust, Fire Prevention Fund, Land Trust Reserve Fund, Recording Fees Fund, Decon Grant, Substance Abuse Task Force, Swat Fund, Recycling Fund, UASI Grant, and School Restricted Funds.
Capital Project Funds:	School Capital Reserve, and \$3.5M Capital Project Fund.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

***Measurement Focus***

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

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

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

***Basis of Accounting***

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

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

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

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

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

**Cash**

Cash and cash equivalents are carried at cost. Cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased. Substantially, all of the Town's cash and cash equivalents are held in public deposit institutions. Pursuant to Section 35-10-1 of the Rhode Island General Laws, as of October 1, 1991, public deposit institutions are required to insure accounts which hold public funds in excess of the \$250,000 which is guaranteed by FDIC. At times, the Town pools cash resources of its various funds to facilitate the management of cash and maximize investment returns.

State statutes and the Town charter authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

**Investments**

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

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$4,280,210 at June 30, 2009. The allowance for uncollectible accounts includes \$3,435,027 for property taxes, \$254,325 for tax lien property, \$96,623 for municipal court fines, \$441,000 for EMS rescue billings, \$10,000 for police details, and \$43,235 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 gross receivable balance at June 30, 2009).

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Property Taxes**

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

**Prepays**

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

**Property, Plant and Equipment**

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

**Government-Wide Statements**

In the government-wide financial statements, long-lived assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

During fiscal 2009 the Town adopted a formal capitalization policy which defined capital assets as assets with an estimated useful life in excess of one year and a cost basis of \$5,000 or more, except for land acquisitions which are recorded as capital assets regardless of the cost.

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

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

**Government-Wide Statements (Continued)**

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

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

**Fund Financial Statements**

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

**Deferred Revenues**

In the government-wide financial statements, deferred revenues represent funds received in advance of being earned/owed or receivables which will be collected and included in revenues of future fiscal years. In the General Fund, (of the fund financial statements), deferred revenues include property tax receivables which were assessed on December 31, 2007 and prior and are not collected within 60 days of June 30, 2009. Net deferred taxes included in the fund financial statements were \$2,387,024 at June 30, 2009. In addition, net deferred revenue in the fund financial statements includes EMS billings and Municipal Court fines receivable which were not considered available at June 30, 2009 totaling \$687,925 and \$60,850, respectively.

**Interfund Transactions**

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Interfund Transactions (Continued)**

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

***Equity Classifications***

**Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

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

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**Compensated Absences**

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$46,996,397 are as follows:

Bonds payable .....	\$30,159,100
Lease purchase obligations .....	296,846
Accrued IBNR claims .....	418,839
Net Pension Obligation .....	4,221,783
Net OPEB Obligation .....	2,426,000
Compensated absences .....	<u>9,473,829</u>
<b>Total</b> .....	<b><u>\$46,996,397</u></b>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this (\$342,879) difference are as follows:

Capital outlays .....	\$1,347,147
Depreciation expense .....	<u>( 1,690,026)</u>
<b>Net adjustment</b> .....	<b><u>(\$ 342,879)</u></b>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this \$884,763 difference are as follows (before affect of allowance):

Deferred revenue - ending .....	\$7,108,449
Deferred revenue – beginning .....	<u>(6,223,686)</u>
<b>Net adjustment – increase net asset</b> .....	<b><u>\$ 884,763</u></b>

Another element of that reconciliation states that, “Net pension and OPEB obligations are long-term liabilities reported in the government-wide statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources.” The details of this (\$3,080,260) difference are as follows:

Increase in net OPEB Obligation .....	(\$2,426,000)
Increase in Net Pension Obligation .....	<u>( 654,260)</u>
<b>Net adjustment – decrease net assets</b> .....	<b><u>(\$3,080,260)</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Recently Issued Accounting Standards**

The following are recently issued governmental accounting standards which will be implemented by the Town in future years.

- ✓ GASB Statement No. 51 – Accounting and Financial Reporting for Intangible Assets, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments, effective for the Town's fiscal year ending June 30, 2010.
- ✓ GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, effective for the Town's fiscal year ending June 30, 2011.

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

During the fiscal year ended June 30, 2009 the Town implemented the following standards.

- ✓ GASB Statement No. 45 – Accounting and Financial Reporting by Employees for Post-employment Benefits Other Than Pensions.

**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.

**(b) General Fund**

The following General Fund departmental expenditures exceeded appropriations: Legislative, judicial, and general government - \$663,397; Department of Finance - \$107,398; and Public Safety - \$1,122,274. These over expenditures were partly offset by positive variances of \$138,098 in Grants and Contributions; and \$346,812 in other expenditures. Overall total expenditures of the General Fund (excluding transfers to School Unrestricted Fund) exceeded the amount budgeted by \$1,315,402 while actual revenue received was under the amount budgeted by \$3,065,885.

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**2. BUDGETARY PROCESS (Continued)**

**(b) General Fund (Continued)**

For the fiscal year ended June 30, 2009 the only difference between the revenue and expenditures and other financing sources and uses recorded on a GAAP basis (Exhibit B-2) to those recorded on a budgetary basis (RSI-1) was the reporting of other financing sources and capital expenditures of \$59,437. This amount was reported in accordance with GAAP but is not considered a budgetary line item. In addition, library grant aid (\$178,999) is reported as revenue for GAAP purposes but netted against the grant to library expenditure for budget purposes. The reporting does not impact the deficiency of revenues and other financing sources under expenditures and other financing uses of (\$3,309,605) which is the same for GAAP and Budgetary purposes.

**(c) Special Revenue Funds**

As stated above the School Unrestricted Fund is the only other major governmental fund that has a formally adopted budget. The actual revenues and expenditures of Special Revenue Funds included in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – School Unrestricted Fund – (RSI - 2) are presented on the budgetary basis of accounting which differs from actual revenues and expenditures recognized for the School Unrestricted Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (Exhibit B-2). GAAP purposes require the on behalf pension contributions by the State of Rhode Island to be reported as both revenue and expenditures in the funds statements.

A reconciliation of the School Unrestricted Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI - 2, is presented below:

**REVENUES AND OTHER FINANCING SOURCES**

<b>Total School Unrestricted revenues and other financing sources from Exhibit B-2</b> .....	\$45,593,236
<b>Adjustments:</b>	
State on behalf pension contribution not budgeted.....	<u>(2,044,722)</u>
<b>Total budgetary basis revenues and other financing sources from RSI -2</b> .....	<u>\$43,548,514</u>

**EXPENDITURES AND OTHER FINANCING USES**

<b>Total School Unrestricted expenditures and other financing sources from Exhibit B-2</b> .....	\$47,467,417
<b>Adjustments:</b>	
State on behalf pension contribution not budgeted.....	<u>(2,044,722)</u>
<b>Total budgetary basis expenditures and other financing uses from RSI - 2</b> .....	<u>\$45,422,695</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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, 2009 was \$10,506,790 (including Fiduciary Funds) while the bank balance was \$11,567,053. Of the bank balance, \$6,710,120 was covered by federal depository insurance and \$4,856,933 was uninsured. Approximately \$372,000 and \$177,400 of the uninsured balance was held in money market accounts and accounts backed by federal securities, respectively. The Town has entered into certain collateralization agreements and as such the remaining uninsured balance is covered under collateralization agreements.

**Investments**

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

At June 30, 2009 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund totaled \$12,588,013 while the Agency Fund investments totaled \$100,000. These investments consisted of the following:

	<u>Fair</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Rating</u>
Certificate of Deposit .....	\$ 100,000	2.3%	8/8/2009	not rated
Common Stock - Equities .....	6,411,453	n/a	n/a	not rated
Insurance contracts – John Hancock .....	<u>6,176,560</u>	n/a	n/a	not rated
<b>Total</b> .....	<b><u>\$12,688,013</u></b>			

**Interest Rate Risk**

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

**Concentration of Credit Risk**

At June 30, 2009 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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

***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.

**4. PROPERTY TAXES**

During the year ended June 30, 2009, the Town received \$4,901,389 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 and 2008-2009 fiscal years.

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 2009 were based on a net assessed value of approximately \$2,688,000,000 at December 31, 2007 and amounted to approximately \$53,303,300. Collections on this assessment recognized as revenue for the year ended June 30, 2009 amounted to approximately \$51,863,000 which represents approximately 97% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2009 (\$2,849,901) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,435,027. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2009 are recorded as deferred revenue and amounted to \$2,387,024 at June 30, 2009. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2009 (due to their collection within the 60 days immediately following June 30, 2009) amounted to \$462,877.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**5. ACCOUNTS RECEIVABLE**

At June 30, 2009 General Fund accounts receivable on the fund statements consisted of the following:

	<u>Receivable Balance</u>	<u>Allowance</u>	<u>Net Receivable</u>	<u>Recognized 60 Day Rule Collections</u>	<u>Fund Statement Deferred Revenue</u>
Property taxes .....	\$6,284,928	(\$3,435,027)	\$2,849,901	\$462,877	\$2,387,024
Tax lien property .....	254,325	(254,325)	0	0	0
Municipal Court fees .....	157,473	(96,623)	60,850	0	60,850
EMS Rescue billings .....	1,128,925	(441,000)	687,925	0	687,925
Other receivables .....	115,845	(10,000)	105,845	95,845	0
<b>Total</b> .....	<b>\$7,941,496</b>	<b>(\$4,236,975)</b>	<b>\$3,704,521</b>	<b>\$558,722</b>	<b>\$3,135,799</b>

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Balances 7/1/08</u>	<u>Additions</u>	<u>Retirements &amp; Disposals</u>	<u>Balances 6/30/09</u>
<b>Governmental Activity:</b>				
<b>Nondepreciable Assets:</b>				
Land .....	\$15,498,250			\$15,498,250
Construction in progress .....		\$ 210,910		210,910
<b>Total nondepreciable assets</b> .....	<b>15,498,250</b>	<b>210,910</b>		<b>15,709,160</b>
<b>Depreciable Assets:</b>				
Buildings and improvements .....	41,788,718	548,072		42,336,790
Land improvements .....	217,500			217,500
Vehicles .....	6,491,901	204,726		6,696,627
Equipment, furniture and fixtures .....	1,575,132	383,439		1,958,571
Infrastructure .....	5,596,893			5,596,893
<b>Total depreciable assets</b> .....	<b>55,670,144</b>	<b>1,136,237</b>		<b>56,806,381</b>
<b>Total cost</b> .....	<b>71,168,394</b>	<b>1,347,147</b>		<b>72,515,541</b>
<b>Accumulated Depreciation:</b>				
Buildings and improvements .....	(16,343,478)	(857,514)		(17,200,992)
Land improvements .....	(122,113)	(64,171)		(186,284)
Vehicles .....	(5,021,003)	(328,469)		(5,349,472)
Equipment, furniture and fixtures .....	(783,404)	(193,015)		(976,419)
Infrastructure .....	(2,396,513)	(246,857)		(2,643,370)
<b>Total accumulated depreciation</b> .....	<b>(24,666,511)</b>	<b>(1,690,026)</b>		<b>(26,356,537)</b>
<b>Net capital assets</b> .....	<b>\$46,501,883</b>	<b>(\$ 342,879)</b>	<b>\$ 0</b>	<b>\$46,159,004</b>

Certain balances at July 1, 2008 have been reclassified to agree to the June 30, 2009 presentation.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**6. CAPITAL ASSETS (Continued)**

	<u>Balances</u> <u>7/1/08</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Disposals</u>	<u>Balances</u> <u>6/30/09</u>
<b>Business-type Activities:</b>				
Machinery, equipment and furniture .....	\$ 93,795			\$93,795
<b>Accumulated Depreciation:</b>				
Machinery, equipment and furniture .....	<u>(93,795)</u>			<u>(93,795)</u>
<b>Net capital assets</b> .....	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Depreciation expense for the year ended June 30, 2009 was charged to the following functions/programs of the Town:

**Governmental Activities:**

Legislative, judicial, and administrative.....	\$ 89,231
Public safety.....	432,972
Public services/works.....	274,746
Grants and Contributions.....	163,429
Education.....	<u>729,648</u>
<b>Total</b> .....	<u>\$1,690,026</u>

**7. TAX ANTICIPATION NOTE PAYABLE**

At June 30, 2009 the Town had tax anticipation notes payable dated September 4, 2008 and February 18, 2009 in the amount of \$2,300,000 and \$5,159,000, respectively (aggregate total of \$7,459,000). The notes are due on August 27, 2009 with interest at an annual rate of 3.4% and 4.72%, respectively. The accrued interest on this obligation is included in accrued liabilities in the government-wide Statements of Net Assets and Activities. Interest is not accrued or expensed in the governmental funds until it is paid with current measurable and available resources.

<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2009</u>
<u>\$2,500,000</u>	<u>\$7,459,000</u>	<u>\$2,500,000</u>	<u>\$7,459,000</u>

Subsequent to June 30, 2009 the \$7,459,000 tax anticipation notes matured and a new obligation was executed in the amount of \$7,500,000 which is scheduled to mature on August 27, 2010 and bears an interest rate of 3.25%.

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

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2009:

	<u>Due From</u>
<b>General Fund:</b>	
State of Rhode Island .....	\$2,832,415
<b>Other Governmental Funds:</b>	
State of Rhode Island .....	1,387,648
<b>School Cafeteria Fund:</b>	
State of Rhode Island .....	<u>30,294</u>
<b>Total all fund types</b> .....	<u>\$4,250,357</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**9. INTERFUND BALANCES**

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2009 is as follows:

<b><u>Governmental Funds:</u></b>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<b>Major Governmental Funds:</b>		
General Fund .....	\$ 1,632,024	\$ 7,012,300
School Unrestricted Fund .....	6,852,665	405,062
<b>Non-major Governmental Funds:</b>		
Police Grants .....	0	27,302
Community Development Block Grants .....	0	130,043
Dare Fund Program .....	3,289	0
Drug Free Community Grant .....	0	3,727
Federal Drug Forfeiture Fund .....	203,754	0
Emergency Management .....	3,725	0
Fire Alarm Tie-in .....	10,798	0
Fire Prevention Fund .....	0	864
Historical Records Trust .....	25,054	0
Land Trust Reserve Fund .....	200,000	0
Recording Fees Fund .....	185,634	0
Decon Grant .....	0	9,705
Substance Abuse Task Force .....	51,093	19,863
Swat Fund .....	694	0
Recycling Fund .....	9,369	0
UASI Grant .....	0	1,157,455
School Restricted Fund .....	290,877	875,662
\$3.5M Capital Project Fund .....	0	1,215
School Capital Reserve Fund .....	168,153	0
<b>Total governmental funds</b> .....	<u>9,637,129</u>	<u>9,643,198</u>
<b>Proprietary Funds:</b>		
<b>Major Proprietary Funds:</b>		
School Cafeteria Fund .....	<u>6,069</u>	<u>0</u>
<b>Total Interfund Balances</b> .....	<u>\$ 9,643,198</u>	<u>\$9,643,198</u>

Generally Accepted Accounting Principles (GAAP) requires that fund balance be reserved for the amount due from other funds which is not expected to be collected within one year. As of June 30, 2009 management has not reported a reservation of fund balance due to the belief that all interfund receivable balances will be collected during the fiscal year ended June 30, 2010.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**10. LONG-TERM DEBT**

(a) At June 30, 2009, 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, 2008	Additions	Retirements	Outstanding June 30, 2009	Due Within One Year
<b>Governmental Activities:</b>									
<b>General obligation bonds:</b>									
General Obligation Bonds	10/15/03	\$16,500,000	10/15/23	2.0% - 4.55%	\$14,345,000		\$ 605,000	\$13,740,000	\$ 635,000
Capital Project Bonds	10/01/94	1,800,000	10/01/09	5.75% - 6.0%	240,000		120,000	120,000	120,000
Rhode Island Clean Water	06/01/94	1,597,000	09/01/14	4.03%	558,950		79,850	479,100	79,850
General Obligation Refunding	06/29/01	17,165,000	09/15/14	2.7-4.7%	10,255,000		1,280,000	8,975,000	1,335,000
Various Purpose Bond	07/15/99	1,500,000	07/15/11	5.75%	600,000		150,000	450,000	150,000
Public Improvement Bond	06/29/01	1,300,000	03/15/11	3.34-6.54%	465,000		145,000	320,000	155,000
General Obligation Bonds	10/01/01	4,500,000	09/15/21	4.52-4.56%	3,150,000		225,000	2,925,000	225,000
General Obligation Bond	02/15/07	3,500,000	6/12 & 6/27	4.0-5.375%	3,325,000		175,000	3,150,000	175,000
<b>Total general obligation bonds</b>		<b>\$47,862,000</b>			<b>32,938,950</b>	<b>\$ 0</b>	<b>2,779,850</b>	<b>30,159,100</b>	<b>2,874,850</b>
<b>Lease purchase obligations:</b>									
EMS Vehicle	03/07/05	\$ 133,100	12/01/08	4.45%	35,479		35,479	0	0
DPW Vehicle	04/28/05	335,000	03/31/10	4.5%	143,001		69,913	73,088	73,088
Fire Department – turn out gear equip	03/22/06	186,345	07/15/10	5.17%	114,527		36,386	78,141	38,147
3 Dodge Charges – Popular Leasing	12/01/06	82,872	07/30/09	6.57%	55,825		27,024	28,801	28,801
Police Cruisers (4)	01/14/08	90,068	01/14/10	5.68%	58,372		28,380	29,992	29,992
Police – 2008 Tahoe	02/28/08	25,200	02/28/11	5.28%	22,593		8,103	14,490	8,541
Telephone Lease (Town)	04/01/09	59,437	04/01/14	7.00%	0	59,437	2,520	56,917	10,467
Fire – 2008 Tahoe	04/16/08	24,500	04/16/11	5.28%	23,236		7,819	15,417	8,242
<b>Total lease purchase obligations</b>		<b>\$936,522</b>			<b>453,033</b>	<b>59,437</b>	<b>215,624</b>	<b>296,846</b>	<b>197,278</b>
Compensated absences					10,836,441	0	1,362,612	9,473,829	1,200,000
Net pension obligation					3,567,523	654,260	0	4,221,783	0
Net OPEB obligation					0	2,426,000	0	2,426,000	0
IBNR claims					377,995	418,839	377,995	418,839	418,839
					14,781,959	3,499,099	1,740,607	16,540,451	1,618,839
<b>Governmental activities long-term liabilities</b>					<b>\$48,173,942</b>	<b>\$3,558,536</b>	<b>\$4,736,081</b>	<b>\$46,996,397</b>	<b>\$4,690,967</b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**(b) Additional Debt Information**

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap can not exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$80,642,300 which is 3% of the assessed value of property at December 31, 2007 (\$2,688,076,000). The Town's total bonded debt at June 30, 2009 was \$30,159,100 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 (\$46,996,397) represents approximately 1.7% of the assessed value of the taxable property of the Town at June 30, 2009.

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 \$514,300 at June 30, 2009.

Compensated absences of \$9,473,829 at June 30, 2009 represent vested sick, personal, and vacation time earned by employees as of June 30, 2009 in accordance with their applicable employment contracts. This balance is comprised of \$6,706,229 for Town personnel and \$2,767,600 for School Department personnel.

**(c) Debt Service Requirements**

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

**Governmental Activities**

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010 .....	\$ 3,072,128	\$ 1,265,398	\$ 4,337,526
2011 .....	2,924,191	1,129,592	4,053,783
2012 .....	2,796,885	1,000,500	3,797,385
2013 .....	2,752,755	884,635	3,637,390
2014 .....	2,860,137	767,524	3,627,661
2015 – 2019 .....	8,244,850	2,345,393	10,590,243
2020 – 2024 .....	7,280,000	870,869	8,150,869
2025 – 2029 .....	525,000	44,537	569,537
Total .....	<u>\$30,455,946</u>	<u>\$8,308,448</u>	<u>\$38,764,394</u>

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

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

The Town does not have any defeased bonds outstanding at June 30, 2009.

**(e) Schedule of long-term debt by purpose at June 30, 2009 is as follows:**

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds.....	\$30,159,100	64%
Lease purchase obligations – Public Safety.....	296,846	1%
Net pension obligation – Public Safety – Police Plan.....	4,221,783	9%
Net OPEB obligation.....	2,426,000	5%
IBNR claims.....	418,839	1%
Compensated absences.....	9,473,829	20%
<b>Total</b> .....	<u>\$46,996,397</u>	<u>100%</u>

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

The fund equity balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

**(a) Fund Balances**

Reservations of fund balances at June 30, 2009 were as follows:

**MAJOR GOVERNMENTAL FUNDS:**

**General fund:**

Reserved for prepaids..... \$593,200

At June 30, 2009 the General Fund reserve for prepaid expenditures represents deposits paid to the health insurer and dental insurance company that administer the Town's self-insured health and dental plans.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**(b) Fund Deficits**

The following individual funds had unreserved fund equity deficit balances at June 30, 2009:

**Major Governmental Activities:**

General Fund .....	\$ 9,537,532
School Unrestricted Fund .....	<u>1,403,723</u>
<b>Fund Balance Deficits Major Governmental Funds</b>	<b><u>\$10,941,255</u></b>

Management is in the process of developing a deficit reduction plan to eliminate the deficits in the General Fund and School Unrestricted Fund. It is anticipated that the deficits will be eliminated through issuance of a deficit reduction bond, through future tax increases, and various cost saving strategies.

The following individual funds had deficit net assets at June 30, 2009:

**Non-Major Governmental Funds:**

Police Grants .....	<u>\$ 9,377</u>
---------------------	-----------------

**Business-Type Activities:**

School Cafeteria .....	<u>\$97,202</u>
------------------------	-----------------

Management will be conducting a review of these funds to determine ways to increase profitability through an increase in user fees and/or cost saving strategies, and through future grant contracts.

The following individual funds had operating deficits for the fiscal year ending June 30, 2009:

**Major Governmental Activities:**

General Fund .....	<u>\$3,309,605</u>
School Unrestricted Fund .....	<u>\$1,874,181</u>

**Business-Type Activities:**

School Cafeteria .....	<u>\$52,450</u>
------------------------	-----------------

**Non-major Governmental Activities:**

**Special Revenue Funds**

Police Grants .....	\$ 9,377
Community Development Block Grants.....	101,639
Dare Grant .....	1,738
Federal Drug Forfeiture .....	254,992
Emergency Management .....	32,978
Fire Prevention Fund .....	3,875
Historical Records Trust .....	8,914
Recording Fees.....	17,793
Recycling Grant .....	505
School Restricted Funds .....	57,690

**Capital Project Funds:**

School Capital Reserve .....	72,009
\$3.5M Capital Project Fund .....	<u>656,582</u>

**Total deficits non-major governmental activities..** **\$1,218,092**

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**12. INTERFUND TRANSFERS**

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer Out</u>	School Unrestricted <u>Fund</u>	Non-major Governmental <u>Funds</u>	Total <u>Transfer Out</u>
General Fund .....	\$43,367,978	\$232,295	\$43,600,273
School Unrestricted Fund.....	0	9,107	9,107
Non-major Governmental Funds.	119,775	10,000	129,775
<b>Total transfer in .....</b>	<u>\$43,487,753</u>	<u>\$251,402</u>	<u>\$43,739,155</u>

**13. DEFINED BENEFIT PENSION PLANS**

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

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

The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$7,283,300 and the Town wide payroll was approximately \$46,312,000.

**Plan Description**

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Contributions Required and Contributions Made**

Town of North Providence general employees are required by State Statute to contribute 6 percent of their annual earnings until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2006.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2009 was \$184,393 for general employees. This contribution represents 2.53% of covered payroll. General municipal employees were required to contribute approximately \$437,000. This contribution represents 6% of covered payroll for the period July 1, 2008 to June 30, 2009.

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirement. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

**Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$0	100%	\$0
2008	\$0	100%	\$0
2009	\$184,393	100%	\$0

Trend information showing the System's progress (See RSI - 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2008 which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$27,486,433
- Actuarial accrued liability - \$22,054,179
- Funding Excess - \$5,432,254
- Funded Ratio - 124.6%
- Annual covered payroll - \$7,070,071
- Funding Excess as percentage of covered payroll - 76.8%

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**(b) Municipal Fire Pension Plan**

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

The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$5,445,000 and the Town wide payroll was approximately \$46,312,000.

**Plan Description**

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

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

**Contributions Required and Contributions Made**

Fire personnel are required by State Statute to contribute 8 percent until the maximum benefit (75 percent of final average salary) is accrued. The Town is required to contribute based on an actuarially computed amount and as provided by State Statute for each participating municipality. The actuarial method used is the entry age normal cost with part of each municipality's unfunded actuarial liability funded over a fixed amortization period and the balance funded over the projected future payroll of active members. Due to large fluctuations in the contribution rates of certain municipalities, the plan has adopted a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2 percent or one eighth of the increase in contribution rate plus the cost of any benefit improvements. The actuarially determined contribution amount for the Town was determined as described above and was based on an actuarial valuation as of June 30, 2006.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Contributions Required and Contributions Made (Continued)**

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2009 was approximately \$620,000. This contribution represents 11.38% of covered payroll for the fiscal year ended June 30, 2009. Employees were required to contribute approximately \$435,600 or 8% of the covered payroll for the fiscal year ended June 30, 2009.

There were no current year changes in actuarial assumptions, benefit provisions, or actuarial funding method that would significantly affect the contribution requirements. Significant actuarial assumptions and other actuarial information are presented in the following required supplemental information.

**Trend Information**

**Municipal Fire Pension Plan:**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$523,000	100%	\$0
2008	\$630,000	100%	\$0
2009	\$620,000	100%	\$0

Trend information showing the System's progress (see RSI – 3) in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan.

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Municipal Fire Pension Plans with a valuation date of June 30, 2008, which is the most recent report available from the State who administers this plan.

- Actuarial value of assets - \$27,521,038
- Actuarial accrued liability - \$28,699,306
- Unfunded actuarial accrued liability (UAAL) - \$1,178,268
- Funded Ratio – 95.9%
- Annual covered payroll - \$5,636,596
- UAAL as percentage of payroll – 20.9%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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

	General Municipal Employees <u>Pension Plan</u>	Municipal Fire <u>Pension Plan</u>
Valuation Date .....	6/30/07	6/30/07
Actuarial Cost Method .....	Entry Age Normal Cost	Entry Age Normal Cost
Amortization Method .....	Level Percent Closed – 30 year from June 30, 1999	Level Percent Closed –30 year from 6/30/99
Remaining Amortization Period .....	22 years	22 years
Asset Valuation Method .....	5-year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial assumptions:		
Investment rate of return .....	8.25%, compounded annually	8.25%, compounded annually
Projected Salary Increases .....	4.5% to 8.5%, compounded annually	4.75% to 14.75%, compounded annually
Inflation Adjustment .....	3%	3%
Cost-of-living Adjustments .....	3%, not compounded, beginning on the January 1 following participant's retirement	3%, not compounded, beginning on the January 1 following participant's retirement
Participant Information ( <b>June 30, 2008</b> ) .	Active Employees 250 Retirees and beneficiaries <u>155</u> 405	Active Employees 104 Retirees and beneficiaries <u>45</u> 149

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

All North Providence School Department certified school personnel participate in the Employees' Retirement System (ERS) of the State of Rhode Island ("System"), a cost-sharing multiple-employer public employee retirement system. In addition to classified employees, the System covers substantially all employees of the State of Rhode Island. The payroll for employees covered by the System for the year ended June 30, 2009 was approximately \$24,465,000, which consisted of \$628,600 for employees charged to federal programs and \$23,836,400 for all other certified employees. The School Department's total payroll was approximately \$27,320,000. The Town wide payroll for the year ended June 30, 2009 was approximately \$46,312,000.

**Plan Description**

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

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

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

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Plan Description (Continued)**

The ERS plan also provides a survivor benefit to public school teachers via a "Teachers Survivor Benefits Fund" in lieu of Social Security. The details of the survivor death benefits and other death benefits are provided in the financial section of the Annual Financial Report of the Employees' Retirement System of Rhode Island for the fiscal year ending June 30, 2008 which can be found at [www.ersri.org](http://www.ersri.org).

**Funding Policy**

Rhode Island general laws set the contribution rates for participating plan employees at 9.5% of salary. Annual contributions by both employers and the State on behalf of those employees are determined by actuaries and assessed as a percentage of participants' payroll. The School Department was required to contribute 11.886%, 13.04%, and 11.62% for all full-time employees for fiscal years 2009, 2008, and 2007, respectively. The required contributions include (a) normal costs; (b) payments to amortize the unfunded frozen actuarial accrued liability as of June 30, 1999 over 30 years; and (c) interest on the unfunded frozen actuarial liability. Normal cost is determined using the entry age normal cost method with frozen initial liability. A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 1994 Group Annuity Mortality Tables
- (b) **Investment return** – 8.25 percent, compounded annually.
- (c) **Salary increase** - Salaries will increase at a rate of 4.5 – 13.25 percent, compounded annually.
- (d) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009, the retirement assumption was modified for members not eligible for retirement by October 1, 2009. Members who would have been assumed to retire prior to age 62 under the rules in effect before the enactment of Article 7 are assumed to retire when first eligible for an unreduced benefit under Article 7.
- (e) **Cost of living adjustments** – Schedule A Members - 3.0 percent compounded annually. Schedule B Members – 2.5%.

As prescribed by Rhode Island general law, the State pays the entire portion of the annual required contribution attributable to the costs of contributions deferred by the State in prior years plus 40% of contributions assessed to employers on payroll not reimbursable through Federal programs. For fiscal year 2009, actuarial required contributions were 20.07% of the participant's salary. This resulted in contribution rates paid by the State on behalf of the School Department of 8.18% of non-federally reimbursable payrolls totaling \$2,044,722 for the fiscal year ended June 30, 2009. The School Department contributed the remaining 11.89% of the required 20.07%.

The School Department does not have any investments or related party investments with the State Plan. The School Department's contributions for the year ended June 30, 2008 represented approximately 1.1% percent of total contributions required of all participating entities for the fiscal year ended June 30, 2006 (latest available information).

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

The amounts contributed to the plan were as follows:

<u>Years Ending June 30,</u>	<u>Employee (approximate)</u>	<u>Town's Portion of Annual Required Contributions</u>	<u>Percentage Contributed</u>
2009	\$2,265,000	\$2,835,000	100%
2008	\$2,136,500	\$2,854,900	100%
2007	\$2,047,245	\$2,555,654	100%

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

Trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the State of Rhode Island's Employee Retirement System's June 30, 2008 annual financial report, which may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 40 Fountain Street, Providence, Rhode Island. This report is the most recent report available from the State, who administers the Plan. The report can also be found at [www.ersri.org](http://www.ersri.org).

**(d) Police Pension Plan**

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2009. The payroll for employees covered by the plan for the year ended June 30, 2009 was approximately \$3,910,000 while the Town wide payroll for the year ended June 30, 2009 was approximately \$46,312,000.

**Plan Description**

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

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Plan Description (Continued)**

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

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

**Contributions Required and Contributions Made**

Under the provisions of the plan, employees are required to contribute 8% of their compensation effective January 1, 2007. Prior to January 1, 2007 the employee's contributions were 7% of their compensation. The plan actuarial valuation dated July 1, 2007 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2009. The Town's annual required contribution for the fiscal year ended June 30, 2009 was \$1,529,633 while actual contributions made were \$820,963. This employer required contribution represents 39.3% of the covered payroll.

The Town's annual pension cost (APC) and net pension benefit obligation (NPO) for the Police Pension Fund for the year ended June 30, 2009 was as follows:

Annual required contribution (ARC).....	\$ 1,529,633
Interest on net pension obligation.....	258,645
Adjustment to ARC .....	<u>(313,056)</u>
Annual pension cost (APC).....	1,475,222
Town contributions made.....	<u>820,962</u>
Increase in net pension obligation .....	654,260
Net pension benefit obligation, June 30, 2008 .....	<u>3,567,523</u>
<b>Net pension benefit obligation, June 30, 2009.....</b>	<b><u>\$ 4,221,783</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Town Contribution</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 820,962	\$1,475,222	55.65%	\$4,221,783
6/30/2008	\$ 840,985	\$1,455,018	57.8%	\$3,567,523
6/30/2007	\$ 967,426	\$1,153,098	83.9%	\$2,953,490

The net pension obligation of \$4,221,783 at June 30, 2009 is included as a long-term obligation in the government-wide statement of net assets.

**Actuarial Methods and Assumptions:**

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2007 dated April 14, 2008 (latest available). There have been no significant changes in the actuarial assumptions from the previous valuation. The schedule of funding progress is presented in the Required Supplementary Information Section of these financial statements as RSI-3. The unfunded actuarial accrued liability at July 1, 2007 has been calculated at approximately \$9,370,000.

**Entry Age Normal Method**

**Investment Return** – 7.25%

**Amortization Period** – Level dollar amount over 25 years (20 years used in 2006)

**Salary Increases** – 4.0% annually

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

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

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

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

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

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

**Plan Expenses** - Administrative expenses are estimated using prior year's actual expenses increased by 3%, rounded to the nearest \$1,000.

A complete copy of the Town of North Providence, Rhode Island Police Pension Plan Annual Actuarial Valuation as of July 1, 2007 for Fiscal Year 2008-2009 (latest available) can be obtained by contacting Maria G. Vallee, Acting Finance Director, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

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

**Funded Status of Plan**

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police Pension Plans with a valuation date of July 1, 2007, which is the most recent report available from the Actuary hired by the Town to conduct a valuation.

**Police Pension Plan:**

- |   |  |
|---|--|
| - Actuarial value of assets - \$20,331,967                  | - Actuarial accrued liability - \$29,701,976 |
| - Unfunded actuarial accrued liability (UAAL) - \$9,370,009 |  |
| - Funded Ratio – 68.5%                                      | - Annual covered payroll - \$3,833,169       |
| - UAAL as percentage of payroll – 244.4%                    |  |

**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 insurance benefits. Under this cost-plus plan the Town pays for the actual cost of covered health care services plus a fee to the provider for the administration of the program. During fiscal 2009 the Town became a member of Rhode Island Municipal Insurance Corporation (RIMIC), a collaborative of various municipal entities, for health insurance claims. 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, 2009 the stop loss insurance contract covered all claims exceeding \$175,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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, 2009 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2009. Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2009 were as follows:

Incurred but not reported claims (IBNR), June 30, 2008 .....	\$ 378,000
Approximate amount of incurred claims .....	10,700,411
Paid claims including amount in accounts payable at June 30, 2009 .....	<u>(10,659,572)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2009 .....</b>	<b><u>\$ 418,839</u></b>

Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2008 were as follows:

Incurred but not reported claims (IBNR), June 30, 2007 .....	\$ 625,000
Approximate amount of incurred claims .....	8,993,273
Paid claims including amount in accounts payable at June 30, 2008 .....	<u>(9,240,273)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2008 .....</b>	<b><u>\$ 378,000</u></b>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2009 but which were not reported until July and August 2009. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Assets as they are not expected to be paid with current measurable and available resources at June 30, 2009. The IBNR claims outstanding at June 30, 2009 are comprised of approximately \$147,000 and \$272,000 related to Town and School employees, respectively.

At June 30, 2009 the Town of North Providence has a deposit with the Plan Administrator totaling approximately \$593,000. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in reservation of fund balance in the governmental activities of the Fund Statements.

**16. COMMITMENTS AND CONTINGENCIES**

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

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

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Assets at June 30, 2009.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**17. OTHER POST EMPLOYMENT BENEFITS**

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

**ELIGIBILITY:**

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

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

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

**General Employees:**

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

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

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

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

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – Other Post-Employment Benefits Program July 1, 2008 Valuation*. This report dated September 4, 2009 can be obtained by contacting the Town's Finance Department.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Funding Policy:**

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

The ARC for the fiscal year ended June 30, 2009 was calculated as follows:

Normal Cost adjusted for timing .....	\$2,281,000
Past Service Costs adjusted for timing .....	<u>1,758,000</u>
<b>ARC for fiscal year June 30, 2009 .....</b>	<b><u>\$4,039,000</u></b>

The ARC noted above represents \$769,000 and \$3,270,000, for School and Town (police, fire and other Town) personnel, respectively.

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2009, expenditures of approximately \$1,646,000 were recognized for post-retirement benefits. Of this amount approximately \$1,377,000 was paid for 75 Town retirees, and \$269,000 was paid for 50 School retirees. Current year expenditures represent approximately 40.8% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2009 which were determined by the actuarial valuation report with a valuation date of July 1, 2008. As a result, the government-wide financial statements include a long-term liability and an expense for this Net OPEB Obligation (NOO) of approximately \$2,426,000. The NOO at June 30, 2009 was calculated as follows:

Annual Required Contribution .....	\$4,039,000
Adjustment to calculation .....	33,000
Contribution made during fiscal 2009 .....	<u>(1,646,000)</u>
<b>NOO at June 30, 2009 .....</b>	<b><u>\$2,426,000</u></b>

**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, 2008 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) - \$52,758,000
- Unfunded actuarial accrued liability (UAAL) - \$52,758,000
- Funded ratio - 0.00%
- Annual covered payroll - N/A
- UAAL as percent of payroll - N/A

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.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

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

**Actuarial Assumptions:**

- a. Valuation Date: July 1, 2008
- b. Actuarial Method: Projected Unit Credit. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.
- c. Payroll Growth Rate: 4%
- d. Amortization Period: 30 year closed (30 years remaining at July 1, 2008)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 4.0%
- g. Medical Inflation Discount Rate: Initial inflation rate 7.3%; Ultimate inflation rate 4.5%
- h. Mortality tables: Teachers: GRS table based on male teacher experience. 95% of rates in a GRS table based on female teacher experience. Police – RP-2000 Combined Healthy Table. All others – 1994 Group Annuity Mortality for males and females, set forward on year for males.

**Number of Participants:**

At July 1, 2008 the total number of participants under the plan was 1,005. The plan participants include 227 current retirees and spouses of retirees (153 Town and 74 School) and 778 active employees (314 Town and 464 School).

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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, 2009**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
<b>Property taxes:</b>			
Current taxes	\$ 50,466,867	\$ 51,862,598	\$ 1,395,731
Prior taxes	2,000,000	1,053,631	(946,369)
<b>Total taxes current and prior</b>	<b>52,466,867</b>	<b>52,916,229</b>	<b>449,362</b>
Interest on delinquent accounts	575,000	439,271	(135,729)
<b>Total property taxes</b>	<b>53,041,867</b>	<b>53,355,500</b>	<b>313,633</b>
<b>State &amp; Federal Aid:</b>			
General state aid	2,177,880	922,098	(1,255,782)
Federal Grants	65,000	116,751	51,751
School construction aid	1,179,976	983,996	(195,980)
Meal Tax	397,552	365,349	(32,203)
State motor vehicle phase-out	5,138,697	4,901,389	(237,308)
Telephone tax	315,506	315,181	(325)
State PILOT	513,661	458,387	(55,274)
State aid to education	13,382,872	11,549,834	(1,833,038)
State Fiscal Stabilization Funds (SFSF)	-	761,356	761,356
Medicaid reimbursement (Education Department)	595,000	595,000	-
State community relief fund	1,024,798	1,026,474	1,676
<b>Total state aid - Town</b>	<b>24,790,942</b>	<b>21,995,815</b>	<b>(2,795,127)</b>
<b>Licenses, fees and rents:</b>			
Pool & fitness center/recreation	250,000	225,279	(24,721)
Data processing services	14,000	14,000	-
Rental of Town properties	180,000	169,788	(10,212)
<b>Total licenses, fees and rents</b>	<b>444,000</b>	<b>409,067</b>	<b>(34,933)</b>
<b>Investment income - short term</b>	<b>145,000</b>	<b>13,118</b>	<b>(131,882)</b>
<b>Departmental revenues:</b>			
Building inspection revenue	700,000	484,861	(215,139)
Town clerk receipts	750,000	666,827	(83,173)
Police department revenue (VIN/Odometer)	35,000	(1,995)	(36,995)
Municipal court revenue	250,000	215,859	(34,141)
<b>Total departmental revenues</b>	<b>1,735,000</b>	<b>1,365,552</b>	<b>(369,448)</b>
<b>Miscellaneous revenues:</b>			
Housing authority - in lieu of taxes	16,500	19,342	2,842
Miscellaneous Receipts	600,500	530,621	(69,879)
EMS rescue services	700,000	718,909	18,909
<b>Total miscellaneous revenues</b>	<b>1,317,000</b>	<b>1,268,872</b>	<b>(48,128)</b>
<b>Total Revenues</b>	<b>81,473,809</b>	<b>78,407,924</b>	<b>(3,065,885)</b>

(CONTINUED)

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 - Budget and Actual  
General Fund - Budgetary Basis**

For the Year Ended June 30, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Expenditures:</b>			
<b>Legislative, judicial and general administrative:</b>			
Administration	295,031	288,196	6,835
Town council	89,293	96,829	(7,536)
Town clerk	202,643	201,833	810
Legal department	161,134	345,967	(184,833)
Public Buildings	747,505	1,065,359	(317,854)
Board of canvassers	160,039	134,500	25,539
Human resources	39,488	47,135	(7,647)
Zoning board of review	8,050	9,889	(1,839)
Computer	16,000	115,579	(99,579)
Planning department /economic development	226,803	234,252	(7,449)
Other (departments)	145,000	214,844	(69,844)
<b>Total general government</b>	<u>2,090,986</u>	<u>2,754,383</u>	<u>(663,397)</u>
<b>Department of Finance:</b>			
Finance Director/Town Treasurer	305,172	267,627	37,545
Tax collector	238,221	365,953	(127,732)
Tax assessor	191,621	207,796	(16,175)
Purchasing	56,272	57,308	(1,036)
Auditing financial records	25,000	25,000	-
<b>Total department of finance</b>	<u>816,286</u>	<u>923,684</u>	<u>(107,398)</u>
<b>Public Safety:</b>			
Fire Department	7,302,727	8,455,862	(1,153,135)
Police Department	5,837,026	5,740,808	96,218
Communication Division	42,600	101,758	(59,158)
Division of inspections	208,205	257,933	(49,728)
Division of automotive repair	353,437	293,868	59,569
Civil Defense	6,000	7,842	(1,842)
Fire hydrants	145,000	159,199	(14,199)
<b>Total public safety</b>	<u>13,894,995</u>	<u>15,017,269</u>	<u>(1,122,274)</u>
<b>Public Services/Works:</b>			
Street lights	415,000	393,612	21,388
Beautification	4,500	2,192	2,308
Department of public works	1,648,075	1,837,492	(189,417)
Recreation department	531,319	423,574	107,745
Environmental protection	1,872,050	1,723,562	148,488
Local welfare	10,574	9,793	781
<b>Total public services</b>	<u>4,481,518</u>	<u>4,390,225</u>	<u>91,293</u>
<b>Grants &amp; Contributions:</b>			
Grants to organizations	78,005	66,474	11,531
Grant to senior center	520,389	520,389	-
Grant to library	702,070	575,503	126,567
<b>Total grants and contributions</b>	<u>1,300,464</u>	<u>1,162,366</u>	<u>138,098</u>

(CONTINUED)

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 - Budget and Actual  
General Fund - Budgetary Basis****For the Year Ended June 30, 2009**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Other expenditures:</b>			
Insurance	655,200	779,380	(124,180)
Fringe benefits	8,647,405	8,828,239	(180,834)
Appropriation - deficit reduction	540,000	-	540,000
Appropriation - police pension	250,000	-	250,000
Various miscellaneous - contingencies	80,559	218,733	(138,174)
<b>Total other expenditures</b>	<b>10,173,164</b>	<b>9,826,352</b>	<b>346,812</b>
<b>Debt Service:</b>			
Bond and note principal	2,779,850	2,779,850	-
Bond and note interest	1,496,886	1,495,422	1,464
<b>Total debt service</b>	<b>4,276,736</b>	<b>4,275,272</b>	<b>1,464</b>
<b>Total expenditures</b>	<b>37,034,149</b>	<b>38,349,551</b>	<b>(1,315,402)</b>
<b>Excess of revenues over expenditures</b>	<b>44,439,660</b>	<b>40,058,373</b>	<b>(4,381,287)</b>
<b>Other financing sources (uses):</b>			
Transfer to School - Town Appropriation	(30,461,788)	(30,461,788)	-
Transfer to School - State Aid and Miscellaneous Receipts	(13,382,872)	(11,549,834)	1,833,038
Transfer to School - SFSF (Federal Funds)	-	(761,356)	(761,356)
Transfer to School - Miscellaneous Receipts	(595,000)	(595,000)	-
<b>Total other financing uses</b>	<b>(44,439,660)</b>	<b>(43,367,978)</b>	<b>1,071,682</b>
<b>Deficiency of revenues and other financing sources under expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (3,309,605)</b>	<b>\$ (3,309,605)</b>

(CONCLUDED)

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

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

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Miscellaneous	\$ -	\$ -	\$ 60,761	\$ 60,761
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>60,761</u>	<u>60,761</u>
<b>Expenditures:</b>				
Salaries	27,783,024	26,949,846	27,224,364	(274,518)
Employee benefits	10,714,183	10,121,786	10,129,637	(7,851)
Purchased services	6,523,599	5,289,920	6,258,847	(968,927)
Supplies and materials	770,181	1,723,420	1,487,152	236,268
Capital outlay	51,341	232,251	47,074	185,177
Other	259,404	122,437	275,621	(153,184)
<b>Total expenditures</b>	<u>46,101,732</u>	<u>44,439,660</u>	<u>45,422,695</u>	<u>(983,035)</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(46,101,732)</u>	<u>(44,439,660)</u>	<u>(45,361,934)</u>	<u>(922,274)</u>
<b>Other financing sources (uses):</b>				
Operating transfer from the Town	46,101,732	44,439,660	42,606,622	(1,833,038)
State Fiscal Stabilization Funds transferred from Town	-	-	761,356	761,356
Transfer in from other funds	-	-	119,775	119,775
<b>Total other financing sources (uses)</b>	<u>46,101,732</u>	<u>44,439,660</u>	<u>43,487,753</u>	<u>(951,907)</u>
<b>Deficiency of revenues and other financing sources under expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,874,181)</u>	<u>\$ (1,874,181)</u>

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

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress For Pension Plans  
June 30, 2009  
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
<b>General municipal employees pension plan.....</b>						
6/30/2006	\$ 23,388,174	\$ 20,839,143	\$ 2,549,031	112.2%	\$ 6,826,293	37.3%
6/30/2007	\$ 25,640,652	\$ 21,088,666	\$ 4,551,986	121.6%	\$ 7,043,277	64.6%
6/30/2008	\$ 27,486,433	\$ 22,054,179	\$ 5,432,254	124.6%	\$ 7,070,071	76.8%
<b>Fire pension plan.....</b>						
6/30/2006	\$ 22,133,914	\$ 24,207,502	\$ (2,073,588)	91.4%	\$ 5,212,740	-39.8%
6/30/2007	\$ 25,084,022	\$ 27,195,461	\$ (2,111,439)	92.2%	\$ 5,136,014	-41.1%
6/30/2008	\$ 27,521,038	\$ 28,699,306	\$ (1,178,268)	95.9%	\$ 5,636,596	-20.9%

The information included above was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2008 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2009 report.

7/1/2005	(1) \$ 17,636,910	N/A	N/A	N/A	\$ 3,671,759	N/A
7/1/2006	(2) \$ 18,763,757	\$ 27,794,462	\$ (9,030,705)	67.5%	\$ 3,881,749	-232.6%
7/1/2007	(2) \$ 20,331,967	\$ 29,701,976	\$ (9,370,009)	68.5%	\$ 3,833,169	-244.4%

The police pension plan noted above is a plan administered by the Town of North Providence. The Town's schedule of funding progress information was obtained from the actuarial valuation report for the periods noted. The July 1, 2007 report is the most recent available as of the date of the audited financial statements. The Town's actuary is in the process of compiling the information to complete a valuation as of June 30, 2009.

- (1) Effective with the 2005 actuarial valuation, the cost method was changed to the Aggregate Method. Thus, there is no unfunded actuarial accrued liability.
- (2) The Entry Age Normal funding method was used for the valuation year beginning July 1, 2006.



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Funding Progress OPEB  
June 30, 2009  
UNAUDITED**

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll	Annual Required Contribution (ARC) FYE 6/30/2009
<b>General municipal employees OPEB</b> .....	7/1/2008	\$ -	\$ 2,024,000	\$ (2,024,000)	0.0%	N/A	N/A	\$ 184,000
<b>Fire Department employees OPEB</b> .....	7/1/2008	\$ -	\$ 24,028,000	\$ (24,028,000)	0.0%	N/A	N/A	\$ 1,647,000
<b>Police Department employees OPEB</b> .....	7/1/2008	\$ -	\$ 17,363,000	\$ (17,363,000)	0.0%	N/A	N/A	\$ 1,439,000
<b>School Teachers OPEB</b> .....	7/1/2008	\$ -	\$ 8,105,000	\$ (8,105,000)	0.0%	N/A	N/A	\$ 635,000
<b>Other School employees OPEB</b> .....	7/1/2008	\$ -	\$ 1,238,000	\$ (1,238,000)	0.0%	N/A	N/A	\$ 134,000
<b>Total North Providence OPEB Information</b>	7/1/2008	\$ -	\$ 52,758,000	\$ (52,758,000)	\$ -	\$ -	\$ -	\$ 4,039,000

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

The information included in this schedule of funding progress was obtained from the actuarial valuation reported dated September 4, 2009 prepared by Milliman. The July 1, 2008 valuation is the most recent report available as of the date of the audited financial statements.

Note: As of June 30, 2009 there was only one valuation completed for the OPEB liability due to fiscal 2009 being the first year of implementation of GASB 45.

# **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 legally restricted to expenditure for particular purposes. The following special revenue funds are reported as nonmajor governmental funds.

Police Grants  
Dare Fund Program  
Federal Drug Forfeiture  
Emergency Management  
Historical Records Trust  
Land Trust Reserve Fund  
Decon Grant  
Swat Fund  
UASI Grant

Community Development Block Grants  
Drug Free Community  
State Drug Forfeiture  
Fire Alarm Tie-in  
Fire Prevention Fund  
Recording Fees Fund  
Substance Abuse Task Force  
Recycling 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:

OPEB Reserve  
Title V  
Project IDEA  
Title II  
eRate  
Literacy  
Substance Abuse Task Force  
CSR High School  
CSR Ricci School  
Use of Property  
Feinstein  
American Council  
Champlin

Title I  
Title IV  
Preschool Grant  
Title III  
Perkins  
RI Learn & Serve Grant  
Office Max Kids  
Project Vault  
Beatrice Ward Auditorium  
Preschool Tuition  
UCOA  
Algebra I & II  
Senate

(CONTINUED)

# TOWN OF NORTH PROVIDENCE

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Funding sources include debt proceeds, intergovernmental sources, third party contributions and General Fund operating transfers. The following capital project funds are reported as nonmajor governmental funds.

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

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

(CONCLUDED)

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

SPECIAL REVENUE FUNDS

	Police Grants	Community Development Block Grants	Dare Fund Program	Drug Free Community Grant	Federal Drug Forfeiture	State Drug Forfeiture	Emergency Management	Fire Alarm Tie-In
<b>ASSETS</b>								
Cash and cash equivalents		\$ 789,392			\$ 349,111	\$ 15,135		
Accounts and other receivable(net)		288,248						
Due from federal & state governments	\$ 29,557	22,950	\$ 3,289	\$ 10,000	203,754		\$ 3,725	\$ 10,798
Due from other funds	\$ 29,557	\$ 1,100,590	\$ 3,289	\$ 10,000	\$ 552,865	\$ 15,135	\$ 3,725	\$ 10,798
<b>TOTAL ASSETS</b>								
	\$ 11,632	\$ 15,551	\$ 91	\$ 36,318				\$ 693
<b>LIABILITIES</b>								
Accounts payable								
Accrued liabilities								
Due to other funds	27,302	130,043	-	3,727				
Deferred revenue		288,247		6,273				
<b>TOTAL LIABILITIES</b>								
	38,934	433,841	91	10,000	36,318			693
<b>FUND BALANCES</b>								
Unreserved, undesignated	(9,377)	666,749	3,198	-	516,547	15,135	3,725	10,105
<b>TOTAL FUND BALANCES</b>								
	(9,377)	666,749	3,198	-	516,547	15,135	3,725	10,105
<b>TOTAL LIABILITIES AND FUND BALANCES</b>								
	\$ 29,557	\$ 1,100,590	\$ 3,289	\$ 10,000	\$ 552,865	\$ 15,135	\$ 3,725	\$ 10,798

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

**SPECIAL REVENUE FUNDS**

	Historical Records Trust	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Swat Fund	Recycling Fund
<b>ASSETS</b>								
Cash and cash equivalents								
Accounts and other receivable(net)								
Due from federal & state governments					\$ 29,132			
Due from other funds	\$ 25,054		\$ 200,000	\$ 185,634		\$ 51,093	\$ 694	\$ 9,369
<b>TOTAL ASSETS</b>	\$ 25,054	\$ -	\$ 200,000	\$ 185,634	\$ 29,132	\$ 51,093	\$ 694	\$ 9,369
<b>LIABILITIES</b>								
Accounts payable	\$ 11,032	\$ 3,011		\$ 669	\$ 19,427	\$ 6,000		\$ 2,977
Accrued liabilities		864			9,705	19,863		-
Due to other funds						25,230		
Deferred revenue								
<b>TOTAL LIABILITIES</b>	\$ 11,032	\$ 3,875	\$ -	\$ 669	\$ 29,132	\$ 51,093	\$ -	\$ 2,977
<b>FUND BALANCES</b>								
Unreserved, undesignated	14,022	(3,875)	200,000	184,965	-	-	694	6,392
<b>TOTAL FUND BALANCES</b>	14,022	(3,875)	200,000	184,965	-	-	694	6,392
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 25,054	\$ -	\$ 200,000	\$ 185,634	\$ 29,132	\$ 51,093	\$ 694	\$ 9,369

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2009

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				Total Nonmajor Governmental Funds
	UASI Grant	School Restricted Funds	Total Special Revenue Funds	\$3.5M Capital Project Fund	School Capital Reserve	Total Capital Project Funds	Total Nonmajor Governmental Funds		
<b>ASSETS</b>									
Cash and cash equivalents		\$ 1,025,439	\$ 2,179,077	\$ 168,710	\$ 228,425	\$ 397,135	\$ 2,576,212		
Accounts and other receivable(net)		3,000	291,248	-	-	-	291,248		
Due from federal & state governments	\$ 1,157,455	138,554	1,387,948	-	168,153	-	1,387,648		
Due from other funds		290,877	984,287				1,152,440		
<b>TOTAL ASSETS</b>	<b>\$ 1,157,455</b>	<b>\$ 1,457,870</b>	<b>\$ 4,842,260</b>	<b>\$ 168,710</b>	<b>\$ 396,578</b>	<b>\$ 565,288</b>	<b>\$ 5,407,548</b>		
<b>LIABILITIES</b>									
Accounts payable		\$ 161,436	\$ 268,837		\$ 95,658	\$ 95,658	\$ 364,495		
Accrued liabilities		93,530	93,530				93,530		
Due to other funds	\$ 1,157,455	875,662	2,224,621	\$ 1,215		1,215	2,225,836		
Deferred revenue		66,708	386,458				386,458		
<b>TOTAL LIABILITIES</b>	<b>1,157,455</b>	<b>1,197,336</b>	<b>2,973,446</b>	<b>1,215</b>	<b>95,658</b>	<b>96,873</b>	<b>3,070,319</b>		
<b>FUND BALANCES</b>									
Unreserved, undesignated	260,534	260,534	1,868,814	167,495	300,920	468,415	2,337,229		
<b>TOTAL FUND BALANCES</b>	<b>260,534</b>	<b>260,534</b>	<b>1,868,814</b>	<b>167,495</b>	<b>300,920</b>	<b>468,415</b>	<b>2,337,229</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,417,989</b>	<b>\$ 1,457,870</b>	<b>\$ 4,842,260</b>	<b>\$ 168,710</b>	<b>\$ 396,578</b>	<b>\$ 565,288</b>	<b>\$ 5,407,548</b>		

(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, 2009

	SPECIAL REVENUE FUNDS									
	Police Grants	Community Development Block Grants	Dare Fund Program	Drug Free Community Grant	Federal Drug Forfeiture	State Drug Forfeiture	Emergency Management	Fire Alarm Tie-In		
<b>REVENUES:</b>										
Interest and investment income		\$ 16,013			\$ 7,672				\$	7,202
Fees and assessments		45,436								
Intergovernmental Contributions	\$ 493,291	22,950		\$ 44,240	96,167	\$ 5,195				
Other										
<b>Total revenues</b>	493,291	84,399	-	44,240	103,839	5,195	-			7,202
<b>EXPENDITURES:</b>										
Current:										
Public safety	502,668		1,738	44,240	75,798	150			32,978	1,204
Education										
Other expenses		186,038								
<b>Debt Service:</b>										
Debt service principal					36,483					
Interest expense					4,323					
<b>Capital improvements</b>					242,227					
<b>Total expenditures</b>	502,668	186,038	1,738	44,240	358,831	150			32,978	1,204
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(9,377)	(101,639)	(1,738)	-	(254,992)	5,045			(32,978)	5,998
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>										
<b>Net change in fund balances</b>	(9,377)	(101,639)	(1,738)	-	(254,992)	5,045			(32,978)	5,998
<b>Fund balances - beginning of year</b>		768,388	4,936	-	771,539	10,090			36,703	4,107
<b>Fund balances - end of year</b>	\$ (9,377)	\$ 666,749	\$ 3,198	\$ -	\$ 516,547	\$ 15,135	\$ -	\$ -	\$ 3,725	\$ 10,105

(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, 2009**

	<b>SPECIAL REVENUE FUNDS</b>									
	Historical Records Trust	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant Fund	Substance Abuse Task Force	Swat Team Fund	Recycling Fund		
<b>REVENUES:</b>										
Interest and investment income	\$ 30,873	\$ 12,030	\$ 1,161	\$ 31,915	\$ 29,132	\$ 29,024			\$ 7,428	
Fees and assessments										
Intergovernmental										
Contributions										
Other										\$ 329
<b>Total revenues</b>	<b>30,873</b>	<b>12,030</b>	<b>1,161</b>	<b>31,915</b>	<b>29,132</b>	<b>29,024</b>	<b>329</b>	<b>7,428</b>		
<b>EXPENDITURES:</b>										
<b>Current:</b>										
Public safety		5,033				29,024				
Education				49,708	29,132					7,933
Other expenses	39,787									
<b>Debt Service:</b>										
Debt service principal		7,819								
Interest expense		3,053								
<b>Capital improvements</b>										
<b>Total expenditures</b>	<b>39,787</b>	<b>15,905</b>	<b>-</b>	<b>49,708</b>	<b>29,132</b>	<b>29,024</b>	<b>-</b>	<b>7,933</b>		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(8,914)</b>	<b>(3,875)</b>	<b>1,161</b>	<b>(17,793)</b>	<b>-</b>	<b>-</b>	<b>329</b>	<b>(505)</b>		
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in										
Transfers out										
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(8,914)</b>	<b>(3,875)</b>	<b>1,161</b>	<b>(17,793)</b>	<b>-</b>	<b>-</b>	<b>329</b>	<b>(505)</b>		
<b>Fund balances - beginning of year</b>	<b>22,936</b>	<b>-</b>	<b>198,839</b>	<b>202,758</b>	<b>-</b>	<b>-</b>	<b>365</b>	<b>6,897</b>		
<b>Fund balances - end of year</b>	<b>14,022</b>	<b>(3,875)</b>	<b>200,000</b>	<b>184,965</b>	<b>-</b>	<b>-</b>	<b>694</b>	<b>6,392</b>		

(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, 2009

	SPECIAL REVENUE FUNDS					CAPITAL PROJECT FUNDS			Total Nonmajor Governmental Funds
	UASI Grant	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	\$3.5M Capital Project Fund	Total Capital Project Funds			
<b>REVENUES:</b>									
Interest and investment income	\$ 154	\$ 23,839	\$ 7,018	\$ 7,018	\$ 7,018	\$ 7,018	\$ 30,857		
Fees and assessments		136,045					136,045		
Intergovernmental	\$ 2,386,304	1,987,184	5,093,487	\$ 225,022		225,022	5,318,509		
Contributions									
Other		151,459	151,788	24,517		24,517	176,305		
<b>Total revenues</b>	<b>2,386,304</b>	<b>2,138,797</b>	<b>5,405,159</b>	<b>249,539</b>	<b>7,018</b>	<b>256,557</b>	<b>5,661,716</b>		
<b>EXPENDITURES:</b>									
<b>Current:</b>									
Public safety		3,079,137					3,079,137		
Education	2,386,304	2,051,744	2,051,744	325,748		325,748	2,377,492		
Other expenses		312,598	312,598				312,598		
<b>Debt Service:</b>									
Debt service principal		44,302	44,302				44,302		
Interest expense		7,376	7,376				7,376		
<b>Capital improvements</b>									
Total expenditures	2,386,304	14,968	257,195	5,800	905,002	910,802	1,167,997		
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	2,066,712	5,752,352	331,548	905,002	1,236,550	6,988,902		
		72,085	(347,193)	(82,009)	(897,984)	(979,993)	(1,327,186)		
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in									
Transfers out		(129,775)	(129,775)	10,000	241,402	251,402	251,402		
<b>Total other financing sources (uses)</b>	-	(129,775)	(129,775)	10,000	241,402	251,402	(129,775)		
<b>Net change in fund balances</b>	-	(57,690)	(476,968)	(72,009)	(656,582)	(728,591)	(1,205,559)		
<b>Fund balances - beginning of year</b>	-	318,224	2,345,782	372,929	824,077	1,197,006	3,542,788		
<b>Fund balances - end of year</b>	\$ -	\$ 260,534	\$ 1,868,814	\$ 300,920	\$ 167,495	\$ 468,415	\$ 2,337,229		

(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:

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

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

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

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

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

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

**Student Activities Fund** – To account for funds held in various school programs. At June 30, 2009 the North Providence School Department was administering approximately 33 separate accounts for student activity funds.

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

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

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Unclaimed Estates</b>				
ASSETS:				
Cash	\$ 37,663	\$ 164	\$ 37,384	\$ 443
TOTAL ASSETS	\$ 37,663	\$ 164	\$ 37,384	\$ 443
LIABILITIES:				
Deposits held in custody for others	\$ 37,663	\$ 164	\$ 37,384	\$ 443
TOTAL LIABILITIES	\$ 37,663	\$ 164	\$ 37,384	\$ 443
<b>Seized Property:</b>				
ASSETS:				
Cash	\$ 12,062	\$ 46,355	\$ 8,245	\$ 50,172
TOTAL ASSETS	\$ 12,062	\$ 46,355	\$ 8,245	\$ 50,172
LIABILITIES:				
Deposits held in custody for others	\$ 12,062	\$ 46,355	\$ 8,245	\$ 50,172
TOTAL LIABILITIES	\$ 12,062	\$ 46,355	\$ 8,245	\$ 50,172
<b>Low Cost Spay/Neuter:</b>				
ASSETS:				
Other receivables	\$ 662	\$ 153	\$ -	\$ 815
TOTAL ASSETS	\$ 662	\$ 153	\$ -	\$ 815
LIABILITIES:				
Deposits held in custody for others	\$ 662	\$ 153	\$ -	\$ 815
TOTAL LIABILITIES	\$ 662	\$ 153	\$ -	\$ 815
<b>Animal Care Donations:</b>				
ASSETS:				
Other receivables	\$ 1,389	\$ 858	\$ 436	\$ 1,811
TOTAL ASSETS	\$ 1,389	\$ 858	\$ 436	\$ 1,811
LIABILITIES:				
Deposits held in custody for others	\$ 1,389	\$ 858	\$ 436	\$ 1,811
TOTAL LIABILITIES	\$ 1,389	\$ 858	\$ 436	\$ 1,811
<b>Animal Care Adoptions:</b>				
ASSETS:				
Other receivables	\$ 873	\$ 1,870	\$ 1,355	\$ 1,388
TOTAL ASSETS	\$ 873	\$ 1,870	\$ 1,355	\$ 1,388
LIABILITIES:				
Deposits held in custody for others	\$ 873	\$ 1,870	\$ 1,355	\$ 1,388
TOTAL LIABILITIES	\$ 873	\$ 1,870	\$ 1,355	\$ 1,388

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Realty Tax Transfer Account:</u></b>				
ASSETS:				
Cash	\$ 53,376	\$ 392,394	\$ 410,886	\$ 34,884
TOTAL ASSETS	\$ 53,376	\$ 392,394	\$ 410,886	\$ 34,884
LIABILITIES:				
Deposits held in custody for others	\$ 53,376	\$ 392,394	\$ 410,886	\$ 34,884
TOTAL LIABILITIES	\$ 53,376	\$ 392,394	\$ 410,886	\$ 34,884
<b><u>Student Activities Fund</u></b>				
ASSETS:				
Cash	\$ 390,782	\$ 532,883	\$ 676,598	\$ 247,067
Investments		100,000		100,000
TOTAL ASSETS	\$ 390,782	\$ 632,883	\$ 676,598	\$ 347,067
LIABILITIES:				
Deposits held in custody for others	\$ 390,782	\$ 632,883	\$ 676,598	\$ 347,067
TOTAL LIABILITIES	\$ 390,782	\$ 632,883	\$ 676,598	\$ 347,067
<b><u>Food Pantry Fund</u></b>				
ASSETS:				
Cash	\$ 859	\$ 2,300	\$ 3,150	\$ 9
TOTAL ASSETS	\$ 859	\$ 2,300	\$ 3,150	\$ 9
LIABILITIES:				
Deposits held in custody for others	\$ 859	\$ 2,300	\$ 3,150	\$ 9
TOTAL LIABILITIES	\$ 859	\$ 2,300	\$ 3,150	\$ 9
<b><u>Performance Bond Fund</u></b>				
ASSETS:				
Cash	\$ -	\$ 41,657	\$ -	\$ 41,657
TOTAL ASSETS	\$ -	\$ 41,657	\$ -	\$ 41,657
LIABILITIES:				
Deposits held in custody for others	\$ -	\$ 41,657	\$ -	\$ 41,657
TOTAL LIABILITIES	\$ -	\$ 41,657	\$ -	\$ 41,657
<b><u>Total - All Agency Funds</u></b>				
ASSETS:				
Cash	\$ 494,742	\$ 1,015,753	\$ 1,136,263	\$ 374,232
Investments	-	100,000	-	100,000
Other receivables	2,924	2,881	1,791	4,014
TOTAL ASSETS	\$ 497,666	\$ 1,118,634	\$ 1,138,054	\$ 478,246
LIABILITIES:				
Deposits held in custody for others	497,666	1,118,634	1,138,054	478,246
TOTAL LIABILITIES	\$ 497,666	\$ 1,118,634	\$ 1,138,054	\$ 478,246

(CONCLUDED)

# **TOWN OF NORTH PROVIDENCE**

## **SINGLE AUDIT SECTION**

This section contains information regarding federal grant activity for the year ended June 30, 2009, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grantor</b> <b>Pass-Through Grantor</b> <u>Program title</u>	<b>Federal</b> <b>CFDA</b> <b>Number</b>	<b>Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
<b>State of Rhode Island - Office of Municipal Affairs</b>		
Community Development Block Grants - Small Cities Program	14.219	<u>\$ 84,399</u>
<b>U.S. Department of Transportation</b>		
<b>Passed through RI Department of Transportation</b>		
Seat-Belt Enforcement	20.604	<u>376</u>
<b>U.S. Department of Justice</b>		
<b>Passed Through State of Rhode Island Department of Justice</b>		
Byrne Memorial Grant	16.804	29,628
Underage Drinking and Alcohol Grant	16.727	1,547
Driving Under The Influence Grant	16.XXX	7,275
Tobacco	16.XXX	436
Vest Grant	16.XXX	4,030
<b>Total U.S. Department of Justice</b>		<u>42,916</u>
<b>U.S. Department of Homeland Security</b>		
<b>Rhode Island Emergency Management Agency</b>		
Interoperable Communications Equipment	97.055	<u>2,836,304</u>
<b>Total U.S. Department of Homeland Security</b>		<u>2,836,304</u>
<b>U.S. Department of Environmental Protection Agency</b>		
Law Enforcement Terrorism Prevention Program	66.202	<u>116,851</u>
<b>Total U.S. Department of Environmental Protection Agency</b>		<u>116,851</u>
<b>U.S. Department of Education</b>		
<b>RI Department of Education</b>		
Title I	84.010	498,898
Title II	84.367	194,003
Title III	84.365	20,906
Title IV	84.186	15,734
Title V	84.298	82
State Fiscal Stabilization Funds - Education	84.394	761,356
Project IDEA - Part B	84.027A	* 789,898
Perkins	84.048	33,673
Early learning (89-313) - preschool	84.173	* 17,594
<b>Total U.S. Department Education</b>		<u>2,332,144</u>
<b>U.S. Department of Agriculture</b>		
<b>State of RI Department of Education</b>		
National Lunch Program	10.555	<u>509,090</u>
<b>Total U.S. Department of Agriculture</b>		<u>509,090</u>
<b>Total Federal Expenditures</b>		<u>\$ 5,922,080</u>

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

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2009**

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**1. General**

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

**2. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

**3. Determination of Major Programs**

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of North Providence, Rhode Island. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2009, the following programs were considered a major program:

State Fiscal Stabilization Funds (SFSF).....	CFDA #84.394
Interoperable Communications Equipment.....	CFDA #97.055



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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2009, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements and have issued our report thereon dated January 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of North Providence's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs (noted as items 2009-1 through 2009-6) to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. The significant deficiencies noted are identified as 2009-1 through 2009-7 in the accompanying schedule of findings and questioned costs.

## 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-8 and 2009-11.

We noted certain matters that we reported to management of the Town of North Providence, Rhode Island in a separate letter dated January 22, 2010.

The Town of North Providence's responses to the findings, comments, and recommendations identified in our audit are described in separate correspondence prepared by the management of the Town and School Department. We did not audit these responses and, accordingly, we express no opinion on them.

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



Braver PC  
Providence, Rhode Island  
January 22, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

### **Compliance**

We have audited the compliance of the Town of North Providence, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of North Providence, Rhode Island's management. Our responsibility is to express an opinion on the Town of North Providence, Rhode Island's compliance based on our audit.

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

In our opinion, the Town of North Providence complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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



Braver PC  
Providence, Rhode Island  
January 22, 2010

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2009**

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

1. The auditor's report expressed an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island.
2. Seven significant deficiencies in internal control over financial reporting have been identified and are described in Part B below as items 2009-1 through 2009-7. Items 2009-1 through 2009-6 are significant deficiencies which are considered to be material weaknesses.
3. Four instances of noncompliance material to the financial statements of the Town of North Providence, Rhode Island were disclosed during the audit and are identified as items 2009-8 through 2009-11 in the attached schedule of findings and questioned costs.
4. No instances of significant deficiencies in internal control over compliance with requirements applicable to major federal programs were identified.
5. The auditor's report on compliance for the major federal award programs for the Town of North Providence, Rhode Island expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the Town of North Providence are reported in Part C of this schedule.
7. The programs tested as major programs were:

State Fiscal Stabilization Funds (SFSF).....	CFDA #84.394
Interoperable Communications Equipment.....	CFDA #97.055

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

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

***Current Year Findings:***

**2009-1:** During the fiscal year ended June 30, 2009 we noted weaknesses in controls over the review and maintenance of the general ledger accounting records of the North Providence School Department. We noted that the North Providence School Department does not have formal accounting policies or procedures for reviewing and approving account reconciliations, journal entries, and trial balances prepared by School personnel. During our audit process we noted instances where activity was not reported in the general ledger accounting records on a periodic basis rather all activity was posted to the general ledger through year-end journal entries, some of which were recorded five months after the end of the fiscal year. In addition, account balances are not periodically reconciled to subsidiary ledgers and support documentation, interfund activity is not properly recorded or reconciled on a periodic basis, and documentation was not always maintained to support journal entries prepared by School personnel.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

***Current Year Findings (Continued):***

- 2009-2:** During our review of the internal control policies and procedures practiced by the North Providence School Department, we noted that the School Department lacks controls over the processing and reporting of accounts payable and accrued liabilities. The School Department currently does not have controls in place to ensure that liabilities are properly recorded and maintained in the general ledger accounting records. We noted that the School Department does not effectively use a purchase order system to monitor expenditures. In addition, the Department does not have a policy or procedures for recording vendor invoices into the general ledger accounting system when they are received in the finance department. Lastly, we noted that the School Department does not have policies or procedures for reviewing or approving the general ledger activity processed by the accounts payable clerk. The accounts payable clerk currently has complete access to the recording and deletion of vendor invoices, and purchase orders.
- 2009-3:** Effective July 1, 2008 the Town and School Department began utilizing the MUNIS general ledger accounting system. This system should be used to report all activity, transactions, and balances of the various Funds maintained by the Town and School Department. We noted that the general ledger accounting system does not include all fund activity and transactions of the Town and School Department. The computerized system currently does not include the activity, transactions, and balances of the Police Pension Trust Fund, \$3.5M Bond Fund (both Town Fund), Use of Property Fund, Preschool Tuition Fund, School Capital Fund, Student Activity Funds, and OPEB Reserve Fund (all School Funds). The Town currently maintains the accounting records utilizing spreadsheets for the Police Pension Trust Fund and the \$3.5M Bond Fund. These accounting records were found to be complete and to include all activity of the respective funds. However, spreadsheets or summarized accounting records were not maintained for several of the funds administered by the School Department. Upon audit of the activity of these School funds we noted a significant number of transactions which were improperly reported and which had a material affect on the financial position and condition of the School's Unrestricted Fund.
- 2009-4:** Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all capital assets of the governmental activities as well as those reported in the business-type activities. In fiscal 2009 the Town Council adopted a formal capitalization policy requiring assets with a useful life of two or more years and a cost basis of \$5,000 or more to be capitalized and depreciated over the estimated useful life of the asset. In addition, the Town began utilizing the MUNIS accounting system to maintain the detailed capital asset records whereby invoices for qualifying capital assets are coded as such when the invoice is entered into accounts payable. However, we noted that the School Department is not currently utilizing the MUNIS system to update the capital asset data base. Accordingly, School capital acquisitions meeting the definitions prescribed in the policy adopted by the Town Council, are not being reported or maintained in the internal accounting records in accordance with generally accepted accounting principles.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

***Current Year Findings (Continued):***

- 2009-5:** The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Many of these grants are administered by personnel outside of the Town's Finance Department (i.e. Police and Fire Department personnel). During our audit we noted deficiencies in communications between the departments in charge of the grants and finance personnel responsible for maintaining the general ledger accounting records. As a result of the deficiency in communication we noted instances where expenditures were improperly allocated to the grant funds which resulted in the overstatement of expenditures and deficits being reported in the internal financial records of the Town. We also noted instances where year-end receivable balances were not recorded resulting in the understatement of revenue and assets in the internal financial records. In addition, the Town reported two grants by netting the activity on the balance sheet of the Town's General Fund. The gross activity of these grants was approximately \$2.5 million. Although the netting of this activity does not have an impact on the financial results of the Town it does materially misstate the revenue and expenditures reported by the Town's non-major governmental funds. Lastly, failure to properly report the activity of these grants could also have an impact on the accuracy of the Town's reporting of federal expenditures.
- 2009-6:** Long-term debt obligations of the governmental funds of the Town and School Department are required to be reported in the government-wide financial statements. These obligations do not have an impact on the current financial position or results of operations of the Town or School's General Fund. Town and School Department personnel currently maintain these accounting records utilizing spreadsheets outside of the normal general ledger accounting system. During our audit of the details which comprise the liability for compensated absences, we noted a deficiency in controls over the maintenance and review of these records which could result in a material misstatement of the liability reported government-wide financial statements. More specifically we noted that the liability reported in the internal financial records of the School Department was understated by approximately \$450,000 due to the omission of certain benefits which were earned by school personnel. Additionally we noted instances (Town and School) where new hires were omitted from the schedule of compensated absences; retirees paid out prior to year end were still included on the compensated absence schedule; and employees accumulating time in excess of the amount approved in the union contracts ratified by the governing body.
- 2009-7:** The Town and School Department currently maintain approximately 60 governmental, proprietary, and fiduciary funds which are reported in the annual financial statements. At various times throughout the year these funds may conduct activity which may impact another Town or School Department Fund. As such it is imperative that all interfund transactions, activity, and balances be monitored and recorded in a timely and efficient manner. During our audit we noted a deficiency in the controls over the timeliness of reporting and reconciling the activity and balances.
- 2009-8:** Effective July 1, 2008 (early implementation) the North Providence School Department began maintaining its general ledger accounting records in accordance with the Uniform Chart of Accounts (UCOA) as established by the Rhode Island Department of Education and Rhode Island General Law. However, during our audit of the School Departments compliance with the UCOA requirements we noted the following: instances where expenditure transactions were not properly allocated; activity of several funds was not maintained in the general ledger accounting system and therefore not reported in accordance with UCOA; reports were not filed in accordance with UCOA requirements; inappropriate use of general ledger accounts (ie. cash coded as receivables or due to); and instances where invalid account numbers and account combinations were utilized.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

***Current Year Findings (Continued):***

- 2009-9:** The School Department receives a number of grants which are classified as expenditure reimbursement grants. As the name implies, funding of these grants is generally paid to the School once the expenditure has been incurred and in some instances has been paid by the Department. We noted a number of instances where the School Department was not in compliance with the cash management requirement related to these expenditure reimbursement grants.
- 2009-10:** In June 2008 the Town Council passed an Ordinance approving the fiscal 2009 budget and the assessment of fiscal 2009 property taxes in an amount not less than \$50,466,867 nor more than \$52,755,898. Per our review of the records maintained by the Tax Assessor and the tax roll maintained in the Tax Collector's office we noted that the actual taxes assessed for fiscal 2009 totaled \$53,303,326. As evidenced above, the Town failed to comply with the tax Ordinance approved by the Town Council.
- 2009-11:** The Town assesses fees for services and receives various federal and state grants which are administered by the fire, police, and public works departments. During our audit we noted instances of non-compliance with the requirements governing the use of the funds. These requirements may be established by the granting agency as well as by federal and/or state regulations. Failure to utilize revenue and grant proceeds in accordance with the regulations and contract agreements may result in loss of future grant funding and/or the pay back of funds to the grantor agency.

***Prior Year Findings:***

- 2008-1:** The North Providence School Department currently does not have a formal policy or procedures in place for reviewing and approving account reconciliations, journal entries, and trial balances prepared by School personnel. During our audit process we noted instances where the year end trial balances were out of balance, general ledger trial balances were not reconciled to subsidiary ledgers (ie. accounts payable and accrued expenses), and interfund activity was not properly recorded or reconciled. **Status: See current year finding 2009-1.**
- 2008-2:** During our audit we noted a lack of controls over the maintenance of the financial records of the School Cafeteria Fund. In particular we noted that the internal financial records of this fund were materially misstated in regards to the revenue and assets being reported by management. It is our opinion that the misstatements were the result of a lack of internal controls which would require the financial activity to be reported, reconciled, and monitored on an ongoing basis. **Status: See current year finding 2009-1.**
- 2008-3:** The North Providence School Department does not currently maintain a dual entry computerized general ledger system. Under the current system the Town processes all checks and financial activity of the School Department and then the School Department posts a one sided entry of the summarized activity. At year end the School's Finance Director compiles a trial balance for each fund based on the income and expenditure activity reports and other source documents. **Status: During fiscal 2009 the School implemented a dual entry computerized general ledger system. Although, all funds are not currently reported in the system. See Finding 2009-3.**

(CONTINUED)



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

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

**2008-4:** The North Providence School Department currently maintains approximately thirty student activity accounts which are reported as agency funds in the comprehensive annual financial report. During the year ended June 30, 2008 approximately \$650,000 of disbursements ran through these accounts. Although these accounts are custodial in nature and the activity does not have an impact on the financial results of the Town/School Department, the School Department does have a fiduciary responsibility to ensure that the funds are being utilized for the intended purpose. As part of our audit process we selected a sample of the funds and a sample of the activity within the funds to determine if the transactions being processed are appropriate and properly reported. The results of our testing indicated a lack of internal controls over the maintenance of documentation to substantiate the activity within these funds. We noted instances where records could not be located due to a failure to have a record retention policy or requirement that all disbursement be accompanied by an approved vendor invoice. The lack of controls increases the risk that the student activity funds are not being spent in accordance with the requirement or intended purpose of the fund. **Status: The condition was cleared in fiscal 2009 and new policies have been adopted by the School Department to monitor and approve the activity of these Funds.**

**2008-5:** During our audit we noted that the Town does not complete a periodic reconciliation of the tax receivable balances outstanding as noted in the general ledger to a detailed aged receivable listing. In addition, we noted that the Town does not have policies or procedures for reviewing the activity in the cash over/short account and for reconciling this account on a periodic basis. **Status: The Town is in the process of implementing a new tax collection system and with the implementation of the new software the system will be integrated to the general ledger accounting system. In addition the Town's Finance Director is working with the Tax Collector to develop procedures for reconciling tax collections and receivables on a monthly basis.**

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2009**

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

***Current Year Findings:***

**None noted**

(CONCLUDED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2009**

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

***Prior Year Findings:***

No findings were noted relative to our audit of the Federal Awards for the year ended June 30, 2008.

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