

TOWN OF LINCOLN, RHODE ISLAND
BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2013

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TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2013

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Report of Independent Auditors

The Honorable Members of the Town Council
Town of Lincoln, 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 Lincoln, Rhode Island as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Pension Plans, and the Schedule of Funding Progress for OPEB Plans on Pages 3 through 13, Pages 71 through 74, Page 75, and Page 76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

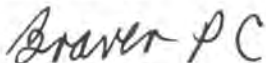
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lincoln, Rhode Island's financial statements. The supplementary tax collector's annual report on pages 77 and 78 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary tax collector's annual report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary tax collector's annual report is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2014, on our consideration of the Town of Lincoln, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lincoln, Rhode Island's internal control over financial reporting and compliance.



Providence, Rhode Island
January 8, 2014

TOWN OF LINCOLN, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

FINANCIAL HIGHLIGHTS

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,032,640, or 7.9% of fiscal year 2014 budgeted expenditures and transfers to other funds. This is an increase of \$820,019 from the prior year unassigned General Fund balance.

The Town's General Fund had an operating surplus of \$281,183. The School Unrestricted Fund operations resulted in an operating deficit of \$1,370,801, including the use of \$1,500,000 of authorized spending of accumulated surplus.

The Town's General Fund ended fiscal year 2013 with a budgetary operating surplus of \$642,944. The School Department ended the year with a budgetary operating deficit of \$1,062,126.

The Town's budgetary surplus of \$642,944 was partially due to lower than budgeted tax revenues offset by better than budgeted revenue from other sources and reductions in expenditures.

The School Department budgetary deficit of \$1,062,126 resulted in part from additional state aid and cost savings within various expense accounts offset by the transfer of \$1,500,000 of prior year's surplus to the capital projects fund.

The Town's total long-term obligations decreased by \$2,259,624 principally from bond payments of \$2,305,000 and a net decrease in accrued claims and judgments of \$60,600 due to the resolution of some outstanding matters and offset by increase in our OPEB Obligations of \$180,187 and decrease in net pension obligation of \$141,582.

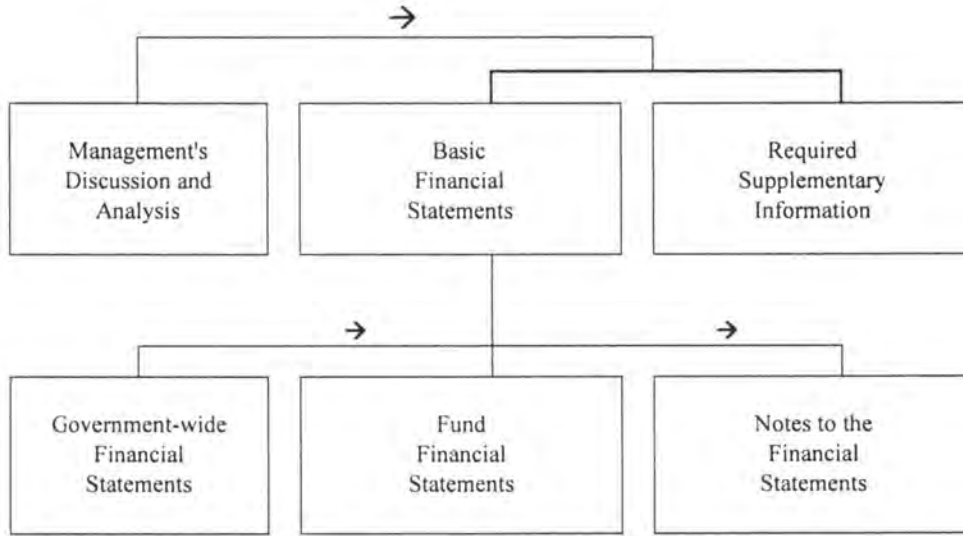
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's annual audit report. The financial section of this report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that includes the tax collector's annual report.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements.
 - ✓ The *Governmental funds* statements tell how general government services like public safety were financed in the short term, as well as what remains for future spending.
 - ✓ *Proprietary funds* statements offer short and long-term financial information about the activities the government operates like businesses, such as the water system.
 - ✓ *Fiduciary funds* statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1
Required Components of the
Town of Lincoln's Basic Financial Report



Summary
Information

Detail
Information

Figure A-2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A- 2

Major Features of the Town of Lincoln's Government-Wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police and education.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or agent for someone else's resources.
Required financial statements	Statement of Net Assets; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; Statement of Cash Flows	Statement of Fiduciary Net Assets; Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of assets/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term. The Town's funds do not currently contain capital assets, although they may.
Type of inflow/ outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position – the difference between the Town's assets and liabilities – is one way to measure the Town's financial health, or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, additional non-financial factors should be considered, such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town, which can be found on pages 14 and 15 of this report, are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as education, police, library, public works and general administration. Property taxes, charges for services and state funding finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to cover the costs of certain services it provides. The Town's water system, sewer system, police special detail and school lunch activity is included here.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

Governmental funds – Most of the basic services provided by the Town are financed through 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, the governmental fund statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Governmental funds (continued):

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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains fifty-two governmental funds. Three governmental funds are considered major funds for presentation purposes; that is, each major fund is presented in a separate column in the governmental funds financial statements. The Town's three major governmental funds are the General Fund, the Public Building Bond Fund and the School Unrestricted Fund.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds – The Town maintains one type of proprietary fund (Enterprise Fund). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water operation, school lunch program, sewer operations and police special details.

The basic proprietary funds financial statements can be found on pages 20-23 of this report.

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 statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 24-25 of this report.

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

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information includes budgetary comparison schedules and reconciliations of the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. Also included in required supplementary information are schedules concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its enrolled employees. Required supplementary information follows the notes to the financial statements. In addition, State law requires the presentation of the Tax Collector's Annual Report, which follows the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$69,883,583 at June 30, 2013.

The largest portion of the Town's net position (81.2%) reflects its investment in capital such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Lincoln's Net Assets June 30, 2013

	Governmental Activities		Business-type Activities As restated		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 21,916,603	\$ 24,158,665	\$ 6,608,776	\$ 7,378,046	\$ 28,525,379	\$ 31,536,711
Capital assets	68,564,277	67,185,647	30,807,210	29,969,213	99,371,487	97,154,860
Other assets	61,214	76,476	-	-	61,214	76,476
Total assets	90,542,094	91,420,788	37,415,986	37,347,259	127,958,080	128,768,047
Current liabilities	8,962,029	8,503,101	1,096,367	828,401	10,058,396	9,331,502
Noncurrent liabilities	42,215,451	44,741,698	5,800,650	6,057,650	48,016,101	50,799,348
Total liabilities	51,177,480	53,244,799	6,897,017	6,886,051	58,074,497	60,130,850
Invested in capital assets, net of related debt	32,914,621	29,032,688	23,829,189	23,660,563	56,743,810	52,693,251
Restricted	5,051,227	5,834,319	-	-	5,051,227	5,834,319
Unrestricted	1,398,766	3,308,982	6,689,780	6,800,645	8,088,546	10,109,627
Total net assets	\$ 39,364,614	\$ 38,175,989	\$ 30,518,969	\$ 30,461,208	\$ 69,883,583	\$ 68,637,197

Current liabilities include \$200,000 for claims and judgments expected to be settled within one year, as discussed in Note 11 to the basic financial statements.

An additional portion of the Town's net position (7.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities.

Changes in Net Assets

The government's net position increased by \$1,246,386 during the current fiscal year.

Town of Lincoln's Changes in Net Assets

	Governmental Activities		Business-type Activities As restated		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenue:						
Charges for services	\$ 3,198,790	\$ 1,917,043	\$ 5,499,831	\$ 5,635,980	\$ 8,698,621	\$ 7,553,023
General revenue:						
Property taxes	50,602,315	52,637,792			50,602,315	52,637,792
State aid & federal grants	21,835,140	21,437,013	495,660	503,489	22,330,800	21,940,502
Capital grants	1,469,318	1,168,344			1,469,318	1,168,344
Other revenue	441,829	422,713			441,829	422,713
Total revenue	<u>77,547,392</u>	<u>77,582,905</u>	<u>5,995,491</u>	<u>6,139,469</u>	<u>83,542,883</u>	<u>83,722,374</u>
Expenses:						
General government	1,873,978	1,853,191			1,873,978	1,853,191
Financial administration	1,193,195	995,892			1,193,195	995,892
Public safety	9,280,485	7,163,163			9,280,485	7,163,163
Public service	7,404,659	7,851,934			7,404,659	7,851,934
Public library	1,471,997	1,169,025			1,471,997	1,169,025
Interest on long-term debt	1,573,998	1,697,511			1,573,998	1,697,511
School	53,560,455	52,255,786			53,560,455	52,255,786
Sewer			885,080	831,593	885,080	831,593
Police Detail			599,530	649,739	599,530	649,739
School lunch			984,080	985,968	984,080	985,968
Water			3,469,040	3,700,984	3,469,040	3,700,984
Total expenses	<u>76,358,767</u>	<u>72,986,502</u>	<u>5,937,730</u>	<u>6,168,284</u>	<u>82,296,497</u>	<u>79,154,786</u>
Increase (decrease) in net assets	<u>1,188,625</u>	<u>4,596,403</u>	<u>57,761</u>	<u>(28,815)</u>	<u>1,246,386</u>	<u>4,567,588</u>
Net assets – beginning of year (as restated)	<u>38,175,989</u>	<u>33,579,586</u>	<u>30,461,208</u>	<u>30,490,023</u>	<u>68,637,197</u>	<u>64,069,609</u>
Net assets – end of year	<u>\$ 39,364,614</u>	<u>\$ 38,175,989</u>	<u>\$ 30,518,969</u>	<u>\$ 30,461,208</u>	<u>\$ 69,883,583</u>	<u>\$ 68,637,197</u>

Governmental activities. Governmental activities increased the Town's net position by \$1,188,625, accounting for 95.4% of the total growth in the Town's net position.

Business-type activities. Business-type activities increased the Town's net position by \$57,761, accounting for 4.6% of the total growth in the Town's net position.

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Town'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's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2013, the Town's governmental funds reported combined ending fund balances of \$13,984,281, a decrease of \$1,872,710 in comparison with the prior year. The decrease in fund balance includes a reduction of (\$15,703) related to capital outlays, net of interest earnings. The unassigned fund balance of \$6,032,640 or 43.1% of the total fund balance is available for spending at the Town's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,032,640. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.93% of total General Fund budgeted expenditures.

The Town's General Fund balance increased by \$281,183 during the current fiscal year as a result of revenues exceeding expenditures, offset by the transfers to the School Department of \$48,827,529, other funds of \$1,631,299

Proprietary funds: The Town's *proprietary funds* financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the proprietary funds at June 30, 2013 totaled \$6,689,780, with the Water Fund making up \$3,143,348 of the total. The Water Fund, School Lunch Fund, Sewer Fund and Police Detail Fund had increases (decreases) in net position of \$9,459, (\$48,246), \$47,350 and \$49,198, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Financial Town meeting held in May 2013 approved an operating budget of \$76,138,712, including other financing sources of \$3,773,932.

Revenue items materially over(under) budget included: General Property Tax revenues, (\$482,679); School operations aid from the State, \$346,072; Interest on Delinquent Taxes, \$105,204; FEMA Grants, \$134,361; Video Lottery Terminal Commissions, \$1,631,299 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund); meals & hotels taxes, \$130,145; rescue billing, \$256,417; and Inspection services, \$37,030.

Expenditure items materially over(under) budget included; Salaries (among several departments, (\$179,664); Capital Spending Authorization, (\$775,585); Health Insurance, (\$416,860); OPEB transfers, \$280,000.

Capital Assets and Debt Administration

Capital assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$99,416,432 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$2,251,572.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land & land improvements	\$ 28,151,410	\$ 25,979,245	\$ 177,452	\$ 177,452	\$ 28,328,862	\$ 26,156,697
Buildings & improvements	56,666,760	56,307,290	873,049	867,994	57,539,809	57,175,284
Vehicles	3,733,916	3,367,194	503,541	523,869	4,237,457	3,891,063
Machinery & equipment	4,325,843	4,251,558	771,735	732,803	5,097,578	4,984,361
Mains, valves, pumps, etc.			42,502,027	41,743,953	42,502,027	41,743,953
Construction in progress	701,047	101,283	920,371	266,261	1,621,418	367,544
Less accumulated depreciation	<u>(25,014,699)</u>	<u>(22,820,923)</u>	<u>(14,940,965)</u>	<u>(14,333,119)</u>	<u>(39,955,664)</u>	<u>(37,154,042)</u>
Total	\$ <u>68,564,277</u>	\$ <u>67,185,647</u>	\$ <u>30,807,210</u>	\$ <u>29,979,213</u>	\$ <u>99,371,487</u>	\$ <u>97,164,860</u>

Additional information on the Town's capital assets can be found in Note 5 to the basic financial statements.

Long-term debt: At the end of the fiscal year, the Town had total bonded debt outstanding of \$35,625,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

The Town has an Aa2 rating from Moody's Investors Service and an AA rating from Fitch Investors Service.

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$80,558,240.

Additional information on the Town's long-term debt can be found in Note 6 to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The latest published unemployment rate as of November 2013 for the Town is 7.4 percent. This compares favorably to the State's average unemployment rate of 8.4 percent and is higher than the national rate of 6.6 percent. Per capita and median family incomes remain some of the highest in the State.

	Per Capita	Median Family
Lincoln	\$ 36,253	\$ 93,626
Rhode Island	\$ 29,685	\$ 70,724

At the Annual Town Financial Meeting in May 2013, the voters approved a budget for fiscal year 2014 of \$76,188,712. This budget is 1.1 % higher than the fiscal year 2013 budget. The Town's municipal departments increase was 4.8%; the School Department increase was 2.3% and Debt Service and the Education Resolutions decrease was (13.1%).

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, 100 Old River Road, Lincoln, Rhode Island 02865.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,378,586	\$ 953,180	\$ 16,331,766
Investments		2,264,222	2,264,222
Accounts receivable, less allowances for doubtful accounts totaling \$455,611			
Property taxes	2,751,504		2,751,504
Federal and state government Assessments and user fees	3,373,434	1,934,330	5,307,764
Other	772,249	97,454	869,703
Prepaid expenses	-	24,488	24,488
Inventory		210,132	210,132
Internal balances	(359,170)	359,170	-
Deferred charges	61,214		61,214
Capital assets not being depreciated	14,524,756	1,097,823	15,622,579
Capital assets being depreciated, net	54,039,521	29,709,387	83,748,908
Total assets	90,542,094	37,415,986	127,958,080
LIABILITIES:			
Accounts payable and accrued expenses	6,237,434	839,367	7,076,801
Unearned revenue	20,799		20,799
Long-term obligations:			
Due within one year	2,703,796	257,000	2,960,796
Due in more than one year	37,657,012	5,800,650	43,457,662
Other postemployment benefits	4,558,439		4,558,439
Total liabilities	51,177,480	6,897,017	58,074,497
Commitment and contingencies (Note 11)			
NET POSITION:			
Net investment in capital assets	32,914,621	23,829,189	56,743,810
Restricted for:			
Capital projects	4,578,337		4,578,337
Grants	472,890		472,890
Unrestricted	1,398,766	6,689,780	8,088,546
Total Net Position	\$ 39,364,614	\$ 30,518,969	\$ 69,883,583

See notes to basic financial statements

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,873,978	\$ 29,902	\$ 40,301		\$ (1,803,775)		\$ (1,803,775)
Financial administration	1,193,195	-	-		(1,193,195)		(1,193,195)
Public library	1,471,997	14,625	189,340	\$ 180,000	(1,088,032)		(1,088,032)
Public safety	9,280,485	817,500	41,351	8,974	(8,412,660)		(8,412,660)
Public services	7,404,659	2,322,094	322,939		(4,759,626)		(4,759,626)
Education	53,560,455	14,669	13,115,470	1,280,344	(39,149,972)		(39,149,972)
Interest on long-term debt	1,573,998				(1,573,998)		(1,573,998)
Total governmental activities	76,358,767	3,198,790	13,709,401	1,469,318	(57,981,258)		(57,981,258)
Business-type activities:							
Water Fund	3,469,040	3,478,499				\$ 9,459	9,459
School Lunch Fund	984,080	447,349	488,485	-		(48,246)	(48,246)
Sewer Fund	885,080	925,255	7,175			47,350	47,350
Police Detail Fund	599,530	648,728				49,198	49,198
Total business-type activities	5,937,730	5,499,831	495,660	-		57,761	57,761
Total	\$ 82,296,497	\$ 8,698,621	\$ 14,205,061	\$ 1,469,318	(57,981,258)	57,761	(57,923,497)
General revenues:							
Property taxes					50,602,315	-	50,602,315
Grants and contributions not restricted to specific programs					8,125,739		8,125,739
Investment earnings					441,829		441,829
Total general revenues					59,169,883	-	59,169,883
Change in net position					1,188,625	57,761	1,246,386
Net position, beginning of year (as restated)					38,175,989	30,461,208	68,637,197
Net position, end of year					\$ 39,364,614	\$ 30,518,969	\$ 69,883,583

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	School Department	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,298,474	\$ 4,952,851	\$ 1,837,337	\$ 289,924	\$ 15,378,586
Accounts receivable, less allowance for doubtful accounts of \$389,292:					
Property taxes	2,751,504				2,751,504
Federal and state governments	2,505,225	868,209			3,373,434
Other	630,334	126,522		15,393	772,249
Due from other funds	5,001,782	1,895,460		4,190,105	11,087,347
Total assets	\$ 19,187,319	\$ 7,843,042	\$ 1,837,337	\$ 4,495,422	\$ 33,363,120
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 985,475	\$ 4,643,154		\$ 879	\$ 5,629,508
Due to other funds	9,032,376	1,154,287	\$ 1,156,351	103,503	11,446,517
Unearned revenue	2,282,015			20,799	2,302,814
Total liabilities	12,299,866	5,797,441	1,156,351	125,181	19,378,839
Fund balances:					
Nonspendable	279,400				279,400
Restricted for:					
Capital Projects	-		680,986	3,897,351	4,578,337
Grants	-			472,890	472,890
Committed:	75,413	2,045,601			2,121,014
Assigned	500,000				500,000
Unassigned	6,032,640				6,032,640
Total fund balances	6,887,453	2,045,601	680,986	4,370,241	13,984,281
Total liabilities and fund balances	\$ 19,187,319	\$ 7,843,042	\$ 1,837,337	\$ 4,495,422	\$ 33,363,120

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2013

Total fund balances for governmental funds		\$	13,984,281
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the funds:			
Capital assets, net	\$	68,564,277	
Deferred charges		<u>61,214</u>	68,625,491
Some taxes and grants will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the funds.			2,282,015
Liabilities not due and payable in the current period which therefore are not reported in the funds:			
Bonds payable		(35,620,477)	
Capital leases		(120,393)	
Claims and judgments		(200,000)	
Other postemployment benefits (OPEB), net		(4,558,439)	
Net pension obligation		(625,642)	
Compensated absences payable		(3,794,296)	
Accrued interest		<u>(607,926)</u>	<u>(45,527,173)</u>
Net Position of governmental activities			<u>\$ 39,364,614</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General Fund	School Department	Public Building Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 51,084,912				\$ 51,084,912
Intergovernmental	18,894,224	\$ 1,983,890		\$ 355,933	21,234,047
Local revenues	3,286,139	14,669		134,315	3,435,123
Interest and investment income	438,778		\$ 2,428	623	441,829
State contribution to teachers' pension plan		1,967,140			1,967,140
Total revenues	73,704,053	3,965,699	2,428	490,871	78,163,051
Expenditures:					
Current:					
General government	779,954				779,954
Financial administration	949,605				949,605
Public library	962,699				962,699
Public safety	6,338,156			38,744	6,376,900
Public services	5,635,920			289,494	5,925,414
Grants and contributions	56,500				56,500
Other expenditures	4,237,533				4,237,533
Education	-	52,502,404			52,502,404
Debt service:					
Principal	2,305,000				2,305,000
Interest	1,614,269				1,614,269
Capital outlay	84,406			4,241,077	4,325,483
Total expenditures	22,964,042	52,502,404	-	4,569,315	80,035,761
Excess (deficiency) of revenues over expenditures	50,740,011	(48,536,705)	2,428	(4,078,444)	(1,872,710)
Other financing sources (uses):					
Transfers from other funds	-	48,827,529		3,713,292	52,540,821
Transfers to other funds	(50,458,828)	(1,661,625)		(420,368)	(52,540,821)
Total other financing sources (uses)	(50,458,828)	47,165,904		3,292,924	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	281,183	(1,370,801)	2,428	(785,520)	(1,872,710)
Fund balance, beginning of year	6,606,270	3,416,402	678,558	5,155,761	15,856,991
Fund balance, end of year	\$ 6,887,453	\$ 2,045,601	\$ 680,986	\$ 4,370,241	\$ 13,984,281

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

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

YEAR ENDED JUNE 30, 2013

Net change in fund balances for governmental funds		\$	(1,872,710)
Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as depreciation expense.			
Capital outlays, including amounts charged to current expenditures	\$	3,616,734	
Depreciation expense		<u>(2,238,104)</u>	1,378,630
Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as amortization expense.			
Amortization expense		<u>(15,262)</u>	(15,262)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			
			(620,059)
The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net position. Bond premiums and refunding charges are deferred and amortized as part of future interest expense.			
Principal repayment on long-term debt		2,491,434	
Amortization of:			
Deferred charge on refunding		(79,348)	
Bond premiums		<u>76,479</u>	2,488,565
Some liabilities not requiring the use of current financial resources in governmental funds are not accrued in the governmental funds but are accrued on the statement of net position:			
Claims and judgments		60,600	
Other postemployment benefits (OPEB), net		141,582	
Net pension obligation		(180,187)	
Accrued compensated absences		<u>(250,936)</u>	(228,941)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds			
			<u>58,402</u>
Change in net position of governmental activities		\$	<u>1,188,625</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF NET POSITION – ENTERPRISE FUNDS

JUNE 30, 2013

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 691,581	\$ 39,522	\$ 222,077		\$ 953,180
Investments	2,264,222				2,264,222
Accounts receivable, less allowance for doubtful accounts of \$66,319:					
Water/Sewer usage fees	605,644		160,156		765,800
Due from other governmental units		37,426	1,896,904		1,934,330
Other		-		\$ 97,454	97,454
Due from other funds	153,633	173,016	93,699	17,936	438,284
Prepaid and other expenses	24,488				24,488
Inventory	127,209		82,923		210,132
Total current assets	3,866,777	249,964	2,455,759	115,390	6,687,890
Noncurrent assets:					
Capital assets not being depreciated	177,452		920,371		1,097,823
Capital assets being depreciated, net	20,132,991		9,576,396		29,709,387
Total assets	24,177,220	249,964	12,952,526	115,390	37,495,100
LIABILITIES:					
Current liabilities:					
Accounts payable and accrued expenses	644,315	105,543	89,509		839,367
Due to other funds	79,114				79,114
Current portion of long-term obligations	154,000		103,000		257,000
Total current liabilities	877,429	105,543	192,509	-	1,175,481
Noncurrent liabilities, long-term obligations, net of current portion					
	3,102,150		2,698,500		5,800,650
Total liabilities	3,979,579	105,543	2,891,009	-	6,976,131
NET POSITION:					
Invested in capital assets, net of related debt	17,054,293		6,774,896		23,829,189
Unrestricted	3,143,348	144,421	3,286,621	115,390	6,689,780
Total net position	\$ 20,197,641	\$ 144,421	\$ 10,061,517	\$ 115,390	\$ 30,518,969

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
ENTERPRISE FUNDS

YEAR ENDED JUNE 30, 2013

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Operating revenues:					
Assessments and user fees	\$ 2,620,950		\$ 925,255	\$ 648,728	\$ 4,194,933
Intergovernmental		\$ 488,485			488,485
Other revenues	857,549	447,349	7,175		1,312,073
Total operating revenues	3,478,499	935,834	932,430	648,728	5,995,491
Operating expenses:					
Maintenance and servicing	2,021,663		430,371	580,375	3,032,409
Cafeteria operations		984,080			984,080
Administration	1,009,971		157,181	19,155	1,186,307
Depreciation	350,611		277,563		628,174
Total operating expenses	3,382,245	984,080	865,115	599,530	5,830,970
Operating income (loss)	96,254	(48,246)	67,315	49,198	164,521
Nonoperating expense, Interest expense	(86,795)		(19,965)		(106,760)
Change in net position	9,459	(48,246)	47,350	49,198	57,761
Net position, beginning of year (as restated)	20,188,182	192,667	10,014,167	66,192	30,461,208
Net position, end of year	\$ 20,197,641	\$ 144,421	\$ 10,061,517	\$ 115,390	\$ 30,518,969

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2013

	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,806,867	\$ 447,349	\$ 861,497	\$ 610,308	\$ 4,726,021
Cash received from other sources	857,549	488,485	7,175	-	1,353,209
Cash paid to and for employees	(1,002,116)		(157,181)	(611,287)	(1,770,584)
Cash paid to suppliers	(1,924,586)	(970,965)	(364,844)	-	(3,260,395)
Net cash provided by (used in) operating activities	737,714	(35,131)	346,647	(979)	1,048,251
Cash provided by (used in) non-capital financing activities, interfund balances	(48,748)	7,891	(21,314)	979	(61,192)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(773,129)	-	(693,042)	-	(1,466,171)
Proceeds from loans	-		487,674		487,674
Principal paid on loans	(151,000)		(100,000)		(251,000)
Interest paid on loans	(86,795)		(19,965)		(106,760)
Net cash used in capital and related financing activities	(1,010,924)	-	(325,333)	-	(1,336,257)
Cash used in investing activities, Purchase of investments	(172,061)	-	-	-	(172,061)
Net decrease in cash and cash equivalents	(494,019)	(27,240)	-	-	(521,259)
Cash and cash equivalents, beginning of year	1,185,600	66,762	222,077	-	1,474,439
Cash and cash equivalents, end of year	\$ 691,581	\$ 39,522	\$ 222,077	\$ -	\$ 953,180

(Continued)

See notes to basic financial statements

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2013

	<u>Water Fund</u>	<u>School Lunch Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 96,254	\$ (48,246)	\$ 67,315	\$ 49,198	\$ 164,521
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	350,611	-	277,563	-	628,174
(Increase) decrease in:					
Accounts receivable	185,917		(63,758)	(38,420)	83,739
Prepaid expenses	1,228				1,228
Inventory	(3,584)				(3,584)
Increase (decrease) in:					
Accounts payable and accrued expenses	107,288	13,115	65,527	(11,757)	174,173
Net cash provided by (used in) operating activities	<u>\$ 737,714</u>	<u>\$ (35,131)</u>	<u>\$ 346,647</u>	<u>\$ (979)</u>	<u>\$ 1,048,251</u>

TOWN OF LINCOLN, RHODE ISLAND
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 85,329		\$ 33,681	\$ 433,088
Investments	17,661,824	\$ 878,343		
Receivables	-			160,119
	<u>17,747,153</u>	<u>878,343</u>	<u>33,681</u>	<u>\$ 593,207</u>
LIABILITIES:				
Other payables	-	-	-	
Deposits held in custody for others				<u>\$ 593,207</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 593,207</u>
NET POSITION:				
Held in trust for pension benefits and other purposes	<u>\$ 17,747,153</u>	<u>\$ 878,343</u>	<u>\$ 33,681</u>	

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
Additions to net Positon:			
Investment income, net:			
Interest income	\$ 266,212	\$ 497	\$ 9
Net appreciation in fair value of investments	<u>1,938,405</u>		
	<u>2,204,617</u>	<u>497</u>	<u>9</u>
Contributions:			
Employer	1,044,712	877,841	-
Plan members	<u>346,898</u>	<u>-</u>	<u>-</u>
	<u>1,391,610</u>	<u>877,841</u>	<u>-</u>
Total additions	3,596,227	878,338	9
Deductions from Net Position:			
Benefits	1,467,882	-	-
Administrative expense	<u>168,481</u>		
Total deductions	<u>1,636,363</u>	<u>-</u>	<u>-</u>
Change in net position	1,959,864	878,338	9
Net position, beginning of year	<u>15,787,289</u>	<u>5</u>	<u>33,672</u>
Net position, end of year	<u>\$ 17,747,153</u>	<u>\$ 878,343</u>	<u>\$ 33,681</u>

See notes to basic financial statements.

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies:

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

Financial reporting entity:

The Town was founded in 1871. The Town is governed largely under the 1958 Home Rule Charter, which provides for a Council-Administrator form of government. The Town provides various services including education, water, libraries, public safety (police and rescue), public works, (engineering, highway, recycling, sewer, public buildings, parks and recreation), social services and general government services.

The elected Town Administrator serves as chief administrative agent over all municipal services including public safety (police and rescue), public works (highway, maintenance, and sanitation), social services, parks and recreation, planning, zoning and inspection, and general administrative services. The Superintendent of Schools, appointed by the School Committee, serves as the chief administrative agent for the School Department, which provides elementary and secondary education to Town residents. The Superintendent of the Water Commission, appointed by the Board of Water Commissioners, serves as the Chief Administrative Agent for the Water Commission, a quasi-municipal agency/department of the Town.

The Town complies with generally accepted accounting principles (GAAP), including all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 61. Under GASB Statement No. 61, a legally separate entity is required to be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The primary government is financially accountable if it appoints the voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A potential component unit has a financial benefit or burden relationship with the primary government if, for example, any one of the following conditions exists:

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

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Financial reporting entity (Continued)

- c. The primary government is obligated for the debt of the organization.

The Town has identified no component units through the application of GASB Statement No. 61.

Recently Issued Accounting Standards:

During the fiscal year ended June 30, 2013 the Town implemented the following accounting pronouncements:

- ✓ GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements.
- ✓ GASB Statement No. 61 – The Financial Reporting entity; Omnibus an amendment of GASB Statements No. 14 and No. 34.
- ✓ GASB Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ✓ GASB Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

The Town will adopt the following new accounting pronouncement in future years:

- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities, effective for the Town's fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 66 – Technical Corrections – an amendment of GASB Statements No. 10 and No. 62, effective for the Town's fiscal year ending June 30, 2014.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Recently Issued Accounting Standards (Continued):

- ✓ GASB Statement No. 67 – Financial Reporting of Pension Plans – An amendment of GASB Statement No. 25, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 69 – Governmental Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for the fiscal year ending June 30, 2014.
- ✓ GASB Statement No. 71 – Pension for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for fiscal year ending June 30, 2015.

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

Basis of presentation:

Government-wide financial statements:

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

The statement of activities presents a comparison between expenses and program revenue for each function of the Town's governmental activities. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the programs and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Basis of presentation (Continued):

Fund financial statements:

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Governmental funds:

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

General Fund:

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for 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 specific purposes other than debt service or capital expenditures.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Basis of presentation (Continued)

Capital projects funds:

Capital projects funds are used to account for and report resources restricted, committed, or assigned for the acquisition or construction of specific capital projects or items. For the fiscal year ended June 30, 2013, the Town's Public Building Bond Fund is a major fund.

Proprietary funds:

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). 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 Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, School Lunch Fund, Sewer Fund, and the Police Detail Fund. The Town has no internal service funds.

Fiduciary funds (Not included in government wide financial statements):

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

Pension trusts:

Pension trust funds account for contributions made by the Town and its participating employees to provide retirement benefits to the participating employees.

OPEB trust fund:

OPEB trust fund is used to account for funds to be used to provide postretirement benefits.

Private purpose trust:

The Town's private purpose trust accounts for resources legally held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the fund, including any earnings on investments, may be used. There is no requirement that any portion of these resources be preserved as capital.

Agency:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting:

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

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

Those revenues susceptible to accrual are property taxes, special assessments, intergovernmental revenues, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds consist of charges to customers for sales and services. Operating expenses of the enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Use of estimates:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Property taxes:

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied on July 1 on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered. Taxes levied on July 1 are payable July 31 or may be paid quarterly on July 31, October 31, January 31, and April 30. Failure to make payments by March 10 will result in a lien on the taxpayer's property.

For 2013, Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4% over that of the preceding year.

Intergovernmental revenues:

State aid and other intergovernmental revenue is recognized in the year in which the funds are appropriated by the Rhode Island General Assembly, provided they are collected during the fiscal year.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Investments:

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

Inter-fund transactions:

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other inter-fund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due from/to other funds" (current portion) or "advances from/to other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Capital assets:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Capital assets (continued):

Capitalizable fixed assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	<u>Years</u>
Land improvements	20
Buildings and improvements	20-60
Furniture and equipment	2-30
Motor vehicles	5-10
Water mains, valves, tanks, hydrants and services	10-100
Infrastructure	20-60

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

Bond issuance costs:

Bond issuance costs for government-wide operations and enterprise funds are deferred and amortized over the term of the bonds using the straight-line method. In governmental funds, bond issuance costs are recognized in the current period.

Compensated absences:

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Compensated absences (continued):

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

Long-term obligations:

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations (including compensated absences and accrued claims and judgments) are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

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

Fund equity:

Government-wide and enterprise fund financial statements:

Net position:

The Town's net position has been segregated into the following three components in accordance with GASB Statement No. 34:

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

1. Summary of significant accounting policies (continued):

Fund Equity (Continued):

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

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

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

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

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment. At June 30, 2013, committed fund balance of the General Fund consisted of encumbrances of \$75,413

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. At June 30, 2013, assigned fund balance of the General Fund consisted of a health care reserve of \$500,000.

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

Unassigned – amounts available for any purpose.

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

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2013

2. Fund balances:

The following individual funds had deficit fund equity as of June 30, 2013:

Non-major governmental funds:

Open Space Acquisition Fund	\$ (130,391)
Substance Abuse Grant	\$ (32,467)
Child Safety Seatbelt Fund	\$ (1,007)
2010 Byrne Grant	\$ (6)
RIEMA Grant	\$ (22,804)
Senior Center Programs	\$ (2,444)
Rescue Billing Fund	\$ (45)
School capital reserve	\$ (6,936)

These deficits will be funded through bond proceeds, sales of property or transfers from other funds.

3. Deposits and investments:

Cash and cash equivalents (deposits):

At June 30, 2013, the carrying amount of the Town's deposits, including \$9,295,163 of cash equivalents, was \$16,883,864 and the bank balance was \$18,560,096, all of which was collateralized with securities held by pledging financial institution in the Town's name and or held in a depository institution insured by FDIC through an agreement with an institution participating in a certificate of deposit account registry or CDARS.

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

3. Deposits and investments (continued):

Cash and cash equivalents (deposits) (continued):

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

	<u>Insured/ collateralized in Town's Name</u>	<u>Total Bank Balance</u>	<u>Carrying Amount</u>
<i>Deposits:</i>			
Demand deposits	\$ 9,264,933	\$ 9,264,933	\$ 7,588,701
CD's	2,633,299	2,633,299	2,633,299
Money market	<u>6,661,864</u>	<u>6,661,864</u>	<u>6,661,864</u>
	<u>\$ 18,560,096</u>	<u>\$ 18,560,096</u>	<u>\$ 16,883,864</u>

Investments:

Investments other than Pension Trust Fund:

	<u>Carrying Amount</u>	<u>Maturities</u>	<u>Rating</u>
Corporate bonds	\$ 212,156	2018 – 2021	A1
Corporate bonds	194,913	2014 – 2017	A2
Corporate bonds	70,863	2020	AA1
Corporate bonds	136,767	2014 – 2017	AA3
Certificates of Deposit	294,510	N/A	Not rated
Equity Investments	554,708	N/A	Not rated
Mutual funds, U.S.			
Government securities	<u>800,305</u>	2014-2019	Not rated
Total investments	<u>\$ 2,264,222</u>		

Pension Trust Fund investments:

	<u>Carrying Amount</u>
Mutual funds	\$ 12,894,494
Group annuity	<u>4,767,330</u>
Total investments	<u>\$ 17,661,824</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

3. Deposits and investments (continued):

Investments (continued):

Interest rate risk:

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

The Town does not have a formal investment policy, except for its Pension Trust Fund, and does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. The Town's formal investment policy for its Pension Trust Fund states that no security can be purchased that is rated below B by Moody's Investor Services or Standard & Poor's Ratings Group. The pension investment policy also states that no more than 10% of the portfolio's fixed income allocation may be invested in securities rated below investment grade. The pension portfolio may not invest in or use synthetic securities or derivatives of any kind. The Town does not have a formal policy that limits investment choices for its other funds.

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Town's formal investment policy for its Pension Trust Fund states that no more than 5% of the portfolio's value may be invested in the securities of any one issuer except for securities of the U.S. Government, its agencies or instrumentalities. The Town does not have a formal policy that limits the amount that the Town may invest in one issuer for its other funds.

Custodial credit risk:

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

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2013

3. Deposits and investments (continued):

Investments (continued):

Custodial credit risk (continued):

able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not believe that it has significant custodial credit risk with regard to its investments as substantially all investment securities are registered and held in the name of the Town.

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. The Pension Trust Fund's common collective trust investment includes an international value fund totaling \$2,080,344 as of June 30, 2013.

4. Inter-fund transactions:

Inter-fund receivables and payables at June 30, 2013 are as follows:

	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
General fund	\$ 5,001,782	\$ 9,032,376
School Department	1,895,460	1,154,287
Public Building Bond Fund		1,156,351
Other Governmental Funds	4,190,105	103,503
Water Fund	153,633	79,114
School Lunch Fund	173,016	
Sewer Fund	93,699	
Police Detail Fund	17,936	
	<u>\$11,525,631</u>	<u>\$11,525,631</u>

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

4. Interfund transactions (continued)

Operating transfers between funds for the year ended June 30, 2013 were as follows:

Transfer to Fund	Transfer from Fund	Amount
School Unrestricted Fund	Governmental funds, General Fund	<u>\$48,827,529</u>
Non-major governmental funds:	Governmental funds:	
	General Fund	1,631,299
	School unrestricted fund	1,661,625
	Non-major funds	420,368
		<u>3,713,292</u>
		<u>\$ 52,540,821</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

5. Capital assets:

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,423,473			\$ 14,423,473
Construction in progress	101,283	\$ 701,047	\$ (101,283)	701,047
Total capital assets not being depreciated	<u>14,524,756</u>	<u>701,047</u>	<u>(101,283)</u>	<u>15,124,520</u>
Capital assets being depreciated:				
Land improvements and infrastructure	11,555,772	2,172,165	-	13,727,937
Buildings and improvements	56,307,290	380,314	(20,844)	56,666,760
Machinery and equipment	4,251,558	74,285	-	4,325,843
Motor vehicles	3,367,194	390,206	(23,484)	3,733,916
Total capital assets being depreciated	<u>75,481,814</u>	<u>3,016,970</u>	<u>(44,328)</u>	<u>78,454,456</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(5,047,654)	(445,949)	-	(5,493,603)
Buildings and improvements	(12,885,253)	(1,285,037)	20,844	(14,149,446)
Machinery and equipment	(2,882,954)	(230,666)	-	(3,113,620)
Motor vehicles	(2,005,062)	(276,452)	23,484	(2,258,030)
Total accumulated depreciation	<u>(22,820,923)</u>	<u>(2,238,104)</u>	<u>44,328</u>	<u>(25,014,699)</u>
Total capital assets being depreciated, net	<u>52,660,891</u>	<u>778,866</u>	<u>-</u>	<u>53,439,757</u>
Governmental activities capital assets, net	<u>\$ 67,185,647</u>	<u>\$ 1,479,913</u>	<u>\$ (101,283)</u>	<u>\$ 68,564,277</u>

Depreciation for governmental activities was charged to functions as follows:

General government	\$ 104,560
Public safety	201,805
Public service	481,371
Library	284,427
Education	1,165,941
	<u>\$ 2,238,104</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

5. Capital assets (continued):

	Beginning balances	Increases	Decreases	Ending balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	266,261	654,110	-	920,371
Total capital assets not being depreciated	443,713	654,110	-	1,097,823
Capital assets being depreciated:				
Buildings and improvements	867,994	5,055		873,049
Infrastructure	41,743,953	758,074		42,502,027
Machinery and equipment	732,803	38,932		771,735
Vehicles	523,869	-	(20,328)	503,541
Total capital assets being depreciated	43,868,619	802,061	(20,328)	44,650,352
Less accumulated depreciation for:				
Buildings and improvements	(543,220)	(18,473)		(561,693)
Infrastructure	(12,977,470)	(545,228)		(13,522,698)
Machinery and equipment	(493,389)	(26,047)		(519,436)
Vehicles	(319,040)	(38,426)	20,328	(337,138)
Total accumulated depreciation	(14,333,119)	(628,174)	20,328	(14,940,965)
Total capital assets being depreciated, net	29,535,500	173,887	-	29,709,387
Business-type activities capital assets, net	<u>\$ 29,979,213</u>	<u>\$ 827,997</u>	<u>\$ -</u>	<u>\$ 30,807,210</u>
Depreciation for business-type activities was charged to functions as follows:				
Water Fund			\$ 350,611	
Sewer Fund			277,563	
			<u>\$ 628,174</u>	

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

6. Long-term obligations:

General obligation bonds, notes and loans payable:

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2012 was \$2,685,274,657, limiting the amount of nonexcepted general obligation bonds outstanding to \$80,558,240. At June 30, 2013, bonds outstanding totaled \$35,625,000.

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and recorded in the governmental activities as capital assets. Governmental activities fixed assets under capital lease of \$692,818 are recorded net of \$219,342 of accumulated depreciation at June 30, 2013. Interest expense for the year ended June 30, 2013 of \$12,589 is reported within the governmental activities, interest on long-term debt on the statement of activities.

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The net proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2013, the outstanding balance of defeased bonds is \$1,980,000.

A summary of long-term obligations at June 30, 2013 is as follows:

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 35,625,000		\$ 35,625,000
Deferred amounts:			
For issuance premiums	312,865		312,865
On refunding	(317,388)		(317,388)
Total bonds payable	35,620,477	-	35,620,477
Loans payable		\$ 6,057,650	6,057,650
Capital leases	120,393		120,393
Claims and judgments	200,000		200,000
Accrued compensated absences	3,794,296		3,794,296
	39,735,166	6,057,650	45,792,816
Less portion due within one year	2,703,796	257,000	2,960,796
	\$ 37,031,370	\$ 5,800,650	\$ 42,832,020

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2013

6. Long-term obligations (continued):

Governmental activities:

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2012	New Issues	Retired	Balance, June 30, 2013	Amounts Due Within One Year
General obligation bonds:									
Refunding	\$ 18,770,000	07/01/03	2.00-5.00%	08/01/16	\$ 2,485,000		\$ 520,000	\$ 1,965,000	\$ 505,000
School construction and renovation	35,000,000	08/01/06	4.25-5.00%	08/01/26	28,945,000		1,385,000	27,560,000	1,445,000
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	2,250,000		150,000	2,100,000	150,000
Improvements to Municipal Buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	4,250,000		250,000	4,000,000	250,000
Total general obligation bonds	\$ 61,770,000				37,930,000		2,305,000	35,625,000	2,350,000
Deferred amounts:									
For issuance premiums					389,344		76,479	312,865	76,479
On refunding					(396,736)		(79,348)	(317,388)	(79,348)
Total bonds payable					37,922,608		2,302,131	35,620,477	2,347,131
Capital leases:									
Rescue vehicle	\$ 159,000	08/24/10	5.34%	08/24/13	108,806		52,950	55,856	55,856
Street sweeper	140,178	01/05/09	4.72%	01/05/13	29,297		29,297	-	-
Recycle truck	205,000	05/20/09	4.46%	05/20/13	41,321		41,321	-	-
Trash Truck	188,640	05/15/11	2.66%	05/15/14	127,403		62,866	64,537	62,866
Total capital leases	\$ 692,818				306,827	-	186,434	120,393	118,722
Claims and judgments					260,600		60,600	200,000	200,000
Net Pension Obligation			200927	445455	445,455	\$ 180,187		625,642	
OPEB					4,700,021		141,582	4,558,439	
Accrued compensated absences					3,543,360	250,936		3,794,296	37,943
Total long-term obligations					\$ 47,178,871	\$ 431,123	\$ 2,690,747	\$ 44,919,247	\$ 2,703,796

Claims and judgments and compensated absences will be liquidated in the General and School Department governmental funds.

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2013

6 Long-term obligations (continued)

Business-type activities:

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2012	New Issues	Retired	Balance, June 30, 2013	Amounts Due Within One Year
Loans payable are as follows:									
Enterprise fund, Sewer: Rhode Island Clean Water Finance Agency: Sewer system improvements	\$ 2,902,500	03/29/11	1.45-4.35%	09/01/31	\$ 2,901,500		\$ 100,000	\$ 2,801,500	\$ 103,000
Enterprise fund, Water: Rhode Island Clean Water Finance Agency: Water system improvements	300,000	04/19/04	3.50%	09/01/24	82,583		5,000	77,583	5,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,537,000		72,000	1,465,000	74,000
Water system improvements	1,500,000	11/06/09	0.55 - 4.15%	09/01/29	1,441,000		59,000	1,382,000	60,000
Water system improvements	<u>362,568</u>	02/12/10	0.36-4.09%	09/01/30	<u>346,567</u>		<u>15,000</u>	<u>331,567</u>	<u>15,000</u>
Total long-term obligations	<u>\$ 6,865,068</u>				<u>\$ 6,308,650</u>	<u>\$ -</u>	<u>\$ 251,000</u>	<u>\$ 6,057,650</u>	<u>\$ 257,000</u>

At June 30, 2013, the Sewer Fund has \$1,896,904 due from the State for undrawn loan proceeds available for sewer construction and improvement projects.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

6. Long-term obligations (continued):

At June 30, 2013, annual debt service requirements to maturity for general obligation bonds, loans payable (excluding effects of undrawn proceeds), and capital leases are as follows:

General obligation bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,350,000	\$ 1,520,800	\$ 3,870,800
2015	2,410,000	1,423,750	3,833,750
2016	2,465,000	1,322,813	3,787,813
2017	2,535,000	1,212,376	3,747,376
2018	2,130,000	1,106,432	3,236,432
2019-2023	11,925,000	3,679,852	15,604,852
2024-2028	11,560,000	679,507	12,239,507
2029	250,000	-	250,000
	<u>\$ 35,625,000</u>	<u>\$ 10,945,530</u>	<u>\$ 46,570,530</u>

Loans payable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 257,000	\$ 218,327	\$ 475,327
2015	264,000	211,458	475,458
2016	271,000	203,849	474,849
2017	281,000	195,442	476,442
2018	289,000	186,306	475,306
2019-2023	1,610,000	769,852	2,379,852
2024-2028	1,929,582	435,384	2,364,966
2029-2033	1,156,068	94,256	1,250,324
	<u>\$ 6,057,650</u>	<u>\$ 2,314,874</u>	<u>\$ 8,372,524</u>

Capital leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 120,393	\$ 4,784	\$ 125,177
	<u>\$ 120,393</u>	<u>\$ 4,784</u>	<u>\$ 125,177</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

7 Accounts payable and accrued expenses

	<u>Vendors</u>	<u>Other Governments</u>	<u>Employees</u>	<u>Accrued Interest</u>	<u>Total</u>
Governmental activities:					
General Fund	\$ 785,774	\$ 879	\$ 198,822		\$ 985,475
School Unrestricted Fund	1,233,296		3,409,858		4,643,154
Public Building Bond Fund	-				-
Nonmajor funds	879				879
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 607,926	607,926
	<u>\$ 2,019,949</u>	<u>\$ 879</u>	<u>\$ 3,608,680</u>	<u>\$ 607,926</u>	<u>\$ 6,237,434</u>
Business-type activities:					
Water Fund	\$ 375,798	\$ -	\$ 268,517	\$ -	\$ 644,315
School Lunch Fund	105,543				105,543
Sewer Fund	89,509				89,509
Police Detail Fund	-				-
	<u>\$ 570,850</u>	<u>\$ -</u>	<u>\$ 268,517</u>	<u>\$ -</u>	<u>\$ 839,367</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans:

All eligible employees of the Town are covered by one of four pension plans: the Town of Lincoln Retirement Plan (Town Plan), the Laborers' International Union of North America Pension Fund (Union Plan), the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), and the Municipal Employees' Retirement System (Municipal Plan).

Town Plan

Plan description:

The Town Plan is a single employer, defined benefit pension plan that covers substantially all Town and School Department employees not covered by other plans, as well as eligible firefighters employed by three fire districts: Lonsdale Fire, Saylesville Fire and Lime Rock Fire. Employees who work twenty hours or more per week for more than five months are eligible to participate. The Town Plan is reported as a Pension Trust Fund in the Town's financial statements.

As of January 1, 2013, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

Active participants	109
Inactive receiving benefits	94
Inactive with deferred benefits	<u>20</u>
Total	<u>223</u>

Benefit provisions:

The Town Plan provides retirement and survivor benefits. The following benefit provisions were established and may be amended by Town ordinance or union contract:

- Any participant, who has attained his or her normal retirement date, as defined in the Town Plan, is eligible for a normal retirement benefit. The monthly benefit payable upon normal retirement is based on average monthly salary multiplied by credited service as follows:

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

Police and Lonsdale Firefighters	2 ½% of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to five additional years of credited service.
Saylesville Firefighters	2 ½% of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to ten additional years of credited service.
All other employees	1 ½% of average monthly salary multiplied by credited service, with maximum benefit of 60% of average monthly salary.

Average monthly salary equals the average compensation during the highest three consecutive years out of the final ten years of employment. Salary includes base compensation plus holiday and longevity pay, but not overtime. Payments commence on the first day of the month following the date of an employee's retirement.

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 ½% before 1997. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67½% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Town Plan (continued)

Benefit provisions (continued):

- Police department employees who retire after June 30, 2004 receive an automatic 3% annual compounded Cost-of-Living Adjustment (COLA) to their monthly pension benefit.

Funding policy and contributions:

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

Employees are required to contribute 4% of their salary; police and firefighters must contribute 8% and 6%, respectively.

The Town is required to contribute an amount determined in accordance with the actuarial valuation. Administrative costs are paid from plan assets.

Actuarial method and significant assumptions:

The annual required contribution (ARC) was determined as part of the January 1, 2013 actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20 year closed period as a level % of pay. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using the actuarial value of the assets using a five year smoothing of appreciation and/or depreciation.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Town Plan (continued)

Actuarial method and significant assumptions (continued):

Retirement probability:

Retirement probability is assumed to be 100% for each of the members at the earlier of the age or years of service indicated as follows:

	<u>Age</u>	<u>Years of Service</u>	<u>Probability %</u>
Police	58	10	100%
	55	20	100%
	40-49, 51-54	20	20%
	50	20	50%
School	63	10	100%
Lonsdale Fire	60	10	100%
	55	20	100%
	40-49, 51-54	20	20%
	50	20	50%
Saylesville Fire	55	10	100%
All others	63	10	100%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Town Plan (continued)

Actuarial method and significant assumptions (continued):

Mortality – RP 2000 Mortality Table

Disability – none assumed

Withdrawal rate:

Males – ranges from a high of 10% at age 25 to a low of 0% at age 55

Females – ranges from a high of 15% at age 25 to a low of 0% at age 60

Future salary increases:

Salary increase rates used in the valuation are shown below:

<u>Age</u>	<u>Increases</u>
<25	6.00%
25-29	5.00%
30-34	4.00%
35-39	3.50%
40-44	3.50%
45-49	3.50%
50-54	3.50%
55-59	3.50%
60+	3.00%

Assumed rate of return – 8%

The actuarially determined employer contribution requirement for the Town Plan of \$1,222,045 was determined in accordance with the above assumptions and was based on an actuarial valuation as of January 1, 2013. The contribution consists of normal cost plus estimated expenses and one year of interest at 8%. Total contributions to the Town Plan in fiscal 2013 amounted to \$1,391,610, of which \$1,044,712 and \$346,898 was made by the Town and the plan participants, respectively. Contributions made by the Town and plan participants represented 20.61% and 6.85%, respectively, of covered payroll for the year.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Town Plan (continued)

Annual pension costs:

The following table summarizes the annual pension costs and actual contributions over the preceding three years.

	2013	2012	2011
Annual pension cost	\$ 1,224,899	\$ 1,086,386	\$ 645,192
Contributions made	\$ 1,044,712	\$ 640,931	\$ 736,776
Net pension obligation	\$ 625,642	\$ 445,455	\$ 0
Percent of annual pension cost contributed	85.3%	47.3%	114.2%

Funded status and funding progress:

As of January 1, 2013, the most recent actuarial valuation date, the Town Plan was 61.8% funded. The actuarial accrued liability for benefits was \$27,608,150 and the actuarial value of assets was \$17,070,295, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,537,855. Covered payroll under the Town Plan for 2013 was \$5,068,754. The UAAL was 207.9% of covered payroll.

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

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Union Plan

Plan description:

The Town of Lincoln Town Hall, Public Works, Library and Water union employees participate in the Laborers' International Union of North America Pension Fund, a cost-sharing multi-employer defined benefit plan. Financial statements for the Union Plan are issued separately and may be obtained from the Laborers National (Industrial) Pension Fund, 905 165th Street, N.W., Washington, D.C., 20006-1765 or by calling (202) 737-1664.

Employees can retire on a regular pension if they have attained at least age 62, earned at least five years of Pension Credit, and earned at least one year of Pension Credit during the period that their employer is contributing to the Pension Fund. The amount of regular pension benefits payable to eligible participants is determined by the highest contribution rate at which they earned Pension Credit and the years of Pension Credits they earned (up to a maximum of 30 years of Pension Credits). Vesting of benefits is attained for participants who have five or more years of vesting credit (without a permanent break in service). The Fund also provides death and disability benefits.

Contributions required and contributions made:

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.46 per hour for Town Hall employees; \$1.37 per hour for Library employees; \$1.72 per hour for Public Works employees; and \$11.68 per day (7/1/2012 to 12/31/2012) and \$12.88 per day (1/1/2013 to 6/30/2013) for Water employees participating in the Union Plan for the period July 1, 2012 to June 30, 2013. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2013 was \$257,300, as follows: Town Hall employees \$72,641; Public Works employees \$126,269; Library employees \$23,282 and Water employees \$35,108.

Trend information:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2011	\$ 231,636	100%
2012	\$ 243,513	100%
2013	\$ 257,300	100%

TOWN OF LINCOLN, RHODE ISLAND
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Employees' Retirement System (ERS) – Defined Benefit Plan

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

Plan Description

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

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the Town with the exception of teachers who work in federally funded programs where 100% is paid by the Town and reimbursed by the federal government. For fiscal 2013, the total employer rate was 19.29% (7.88% State share and 11.41% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .28% for fiscal 2013.

The Town contributed approximately \$2,945,018, \$3,093,636 and \$2,837,211 during the fiscal years 2013, 2012 and 2011, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Employees' Retirement System (ERS) – Defined Benefit Plan (Continued)

Teachers Survivor Benefits

The plan provides a survivor benefit to public school teachers in lieu of Social Security as outlined in sections 16-16-25 through 16-16-38 of the Rhode Island General Laws (RIGL). Spouse, parents, family or children's benefits are payable upon death of a member. In lieu of a survivor benefit, members may opt to receive a lump sum return of their contributions plus interest upon retirement. The benefits may be amended by the Rhode Island General Assembly.

The cost of the benefits provided by the plan are two percent (2%) of the member's annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the Town. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed \$30,137, \$31,585 and \$31,978 during the fiscal years 2013, 2012 and 2011, respectively equal to 100% of the required contributions for those respective years.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan

Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan.

Certain full-time Town, and eligible non-certified School Department general employees participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the "System"). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 and Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly.

Retirement eligibility and Plan benefits

Service credits accrued at June 30, 2012 are protected under the Rhode Island Retirement Security Act. Beginning July 1, 2012, members receive a benefit accrual of 1.0% per year. Effective July 1, 2012 the retirement age mirrors the Social Security Normal Retirement Age not to exceed age 67. Benefits are based on the five-year average compensation multiplied by the accumulated service credit percentage. Joint and survivor retirement benefit options are available.

Disability Retirement Provisions

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

Plan Funding Policy

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly).

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):
Municipal Employees' Retirement System (MERS) – Defined Benefit Plan (Continued)

Required Contributions and Annual Pension Cost

Active non police and fire members must contribute 2% of his/her compensation.

Annual pension costs and net pension obligation:

The following table summarizes annual pension costs and actual contributions for the Municipal Plan for the past three years. There was no net pension obligation during the three-year period.

General Employees

	2013	2012	2011
Annual pension costs	\$ 87,017	\$ 53,434	\$ 54,619
Actual contributions:			
Employer	\$ 87,017	\$ 53,434	\$ 54,619
Percent of annual pension costs contributed	100%	100%	100.0%

Rescue

	2013	2012	2011
Annual pension costs	\$ 146,260	\$ 165,684	\$ 144,543
Actual contributions:			
Employer	\$ 146,260	\$ 165,684	\$ 144,543
Percent of annual pension costs contributed	100%	100%	100.0%

Cost of Living Adjustments –Rescue employees have adopted COLA Plan C

Pursuant to the Rhode Island Retirement Security Act, the Cost of Living Adjustment (COLA) has been suspended for any unit whose funding level is less than 80%. The COLA provision can be reviewed in a five-year interval. When the funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month. The COLA will be calculated as the five (5) year smoothed investment rate of return less 5.50%, with a 0.00% floor and a 4.00% cap. COLA will be delayed until the later of age 55 or three years after retirement. The COLA will be applied to the first \$25,000 of benefits indexed annually.

Note: Rescue Employees have adopted COLA Plan C

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan (Continued)

The required contribution for fiscal 2013 was determined as part of the actuarial valuation performed as of June 30, 2010. The most recent valuation of the plans within the system was performed as of June 30, 2012. The actuarial methods and assumptions used in those valuations are summarized in the following table.

Summary of Actuarial Assumptions Used in the MERS June 30, 2010 and June 30, 2012 Valuations	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	25 years as of June 30, 2010 23 years as of June 30, 2012
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<i>General Employees</i> 4.00% to 8.00%
Inflation	2.75%
Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Municipal Employees' Retirement System (MERS) – Defined Benefit Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2012, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	General Employee Unit
Actuarial value of assets	\$ 1,329,087
Actuarial accrued liability (AAL)	\$ 1,931,318
Unfunded AAL	\$ 602,231
Funded ratio	68.8%
Covered payroll	\$ 846,470
Unfunded AAL as a percentage of covered payroll	71.1%

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

Municipal Rescue Plan

Retirement Eligibility and Plan Benefits

Effective July 1, 2012 the benefit accrual for all plans is 2.0% per year based on the five-year average compensation, exclusive of overtime. Retirement age is 55 years old with 25 years of total service or for members with five years of service but less than 25 years of service the new retirement age will mirror the Social Security Normal Retirement Age not to exceed 67. Firefighters who were at least 45 years old, had 10 or more years of contributing service and were eligible to retire prior to age 52 under the law in effect on June 30, 2012, may retire at age 52. Fire employees may retire with a reduced pension benefit if they have 20 years of service and are within five years of their retirement eligibility. The actuarially reduced benefit is calculated based on how close the member is to the eligibility date that is prescribed in the Rhode Island Retirement Security Act. Joint and survivor retirement benefit options are available

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Municipal Rescue Plan (continued)

Funded Status and Funding Progress

As of June 30, 2012, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	<u>Rescue Unit</u>
Actuarial value of assets	\$ 2,555,784
Actuarial accrued liability (AAL)	\$ 3,958,072
Unfunded AAL	\$ 1,402,288
Funded ratio	64.6%
Covered payroll	\$ 895,422
Unfunded AAL as a percentage of covered payroll	156.6%

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

Notes to the Schedule of Funding Progress

Changes affecting the June 30, 2012 actuarial valuation:

The assumptions for the Municipal Employees' Retirement System are consistent with the 2011 valuation, with the exception of certain assumption changes that resulted from the enactment of the Rhode Island Retirement Security Act of 2011. The marriage assumption was modified to reflect the expected percentage of members that will be eligible for survivor benefits upon their death, the incidence of disability was lowered to incorporate a continued trend of significantly fewer incidents of disability than anticipated by the current assumption, and the missing data assumption was updated to incorporate an assumption for missing beneficiary data.

The method used to determine the actuarial value of assets is the five-year smoothed market method. A small adjustment was made to the method used to smooth investment gains and losses to allow gains and losses to offset each other immediately. This modification will reduce future volatility in the actuarial value of assets while ensuring that the actuarial value always trends directly towards the market value of assets.

Changes affecting the June 30, 2011 actuarial valuation:

The retirement rates were modified to be consistent with the retirement eligibility changes instituted by the Rhode Island Retirement Security Act of 2011. Members that were assumed to retire prior to the Act, but before the earliest allowable age under the Act, are assumed to retire once eligible.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

8. Pension plans (continued):

Defined Contribution Plan

As noted previously, effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan.

Plan Description

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

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

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

Plan Funding Policy – Teachers

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 7% of his/her compensation and the School Department is required to contribute 3%. The plan members and School Department contributed approximately \$1,726,559 and \$645,216, respectively, during the fiscal year ended June 30, 2013.

Plan Funding Policy – General municipal employees

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed approximately \$37,758 and \$7,171, respectively, during the fiscal year ended June 30, 2013.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

9. Other postemployment benefits:

In addition to pension benefits, the Town Police and School Departments provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available healthcare coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. Participants do not contribute to the Plan. During the year ended June 30, 2013, expenditures for postemployment benefits totaled \$769,780; 93 participants received such benefits. The Town's postemployment benefit plan does not issue a stand-alone financial report.

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of June 30, 2013. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the year ended June 30, 2013:

	2013
Annual required contribution	\$ 1,430,251
Interest on net OPEB obligation	352,502
Adjustment to annual required contribution	<u>(276,714)</u>
Annual OPEB cost	1,506,039
Contributions	<u>(1,647,621)</u>
Increase (decrease) in Net OPEB obligation	(141,582)
Net OPEB obligation, beginning of year	<u>4,700,021</u>
Net OPEB obligation, end of year	<u>\$ 4,558,439</u>
Percent of ARC contributed in current year	<u>115.2%</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

9. Other postemployment benefits (continued):

The funded status and progress of the plan as of June 30, 2013 (date of latest valuation) are as follows:

Actuarial accrued liability (AAL)	\$ 15,778,660
Actuarial value of plan assets	<u>(878,343)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,900,317</u>
Funded ratio (actuarial value of plan assets (AAL))	5.6%

The actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

- Measurement date – June 30, 2013
- Funding method – Pay-as-you-go cash basis
- Investment rate of return – 7.5% (previously 4.5%)
- Discount rate – 7.5% reflecting an unfunded obligation
- Participation – 80% of eligible school retirees and 90% of eligible Town are assumed to elect medical and dental coverage
- Health Care Cost Trend Rates – Medical 9.0% per year, decreasing to an ultimate rate of 4.5% per year after 10 years

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

9. Other postemployment benefits (continued):

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

In fiscal 2012, as part of the FY2013 budgetary process, the Town budgeted funding and established an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008.

10. Risk management:

Rhode Island Interlocal Risk Management Trust, Inc.:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2013.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

11. Commitment and contingencies:

Rhode Island Municipal Insurance Corporation:

The Town is a member of the Rhode Island Municipal Insurance Corporation (RIMIC), a not-for-profit organization formed to jointly administer healthcare related matters for Rhode Island cities, towns, and other governmental units that elect to participate. RIMIC negotiates with qualified healthcare companies/third-party administrators to provide healthcare related administrative services and to provide healthcare benefits and claims services directly to members for the members' employees and retirees. RIMIC is governed by a Board of Directors (Board) that consists of one Board position from each municipality or other governmental unit that is a member.

Upon joining RIMIC, members execute member and adoption agreements. These documents, pursuant to which RIMIC was established and operates, outlines the rights and responsibilities of both the members and RIMIC. Members of RIMIC participate in a health insurance plan administered through Blue Cross Blue Shield of Rhode Island (BCBSRI).

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to cover claims in excess of \$200,000. At June 30, 2013, the incurred but not reported claims, as determined by RIMIC's health benefit advisors based on prior history, were estimated to approximate \$618,952 and are included in accrued expenses. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

RIMIC members can withdraw from the program effective June 30th of any year provided they give a 90-day written notice of their intention to withdraw prior to June 30th. Failure to provide such notice automatically results in a member's participation and membership in RIMIC for an additional year.

Changes in the risk management liability for the fiscal years ended June 30, 2013 and June 30, 2012 are below.

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

11. Commitment and contingencies (continued):

	2013	2012
Beginning of year	\$ 383,770	\$ 250,200
Incurring claims	6,817,453	6,668,177
Less: payments of claims:	6,582,271	6,534,607
Total	\$ 618,952	\$ 383,770

Claims and judgments:

The following matters have been asserted and are outstanding:

- A claim asserting an overcharging of inspection fees names the Town of Lincoln in a class action lawsuit. Although the lawsuit is still ongoing, the Town has provided for a probable settlement of this matter.
- A former employee of the Town has filed grievance cases related to termination of employment. Although the lawsuit is still ongoing, the Town has provided for a probable settlement of this matter.

In connection with the above matters, management has recorded a liability of \$200,000 in the government-wide financial statements.

The Town is a party to various other claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases; therefore, no liability has been recorded in the accompanying financial statements. In the opinion of the Town's management and Town Solicitor, these matters cannot be estimated nor can the likelihood of a favorable outcome be made at this time.

TOWN OF LINCOLN, RHODE ISLAND
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2013

11. Commitment and contingencies (continued):

Other contingencies:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

12. Restatement:

The net position of the Enterprise Fund Financial Statements and Government-wide Financial Statements have been restated to reflect the prior period adjustment as of June 30, 2012. This prior-period adjustment was the result of an overstatement of payables. The following reflects the effect of the prior period adjustments on the net position as of June 30, 2012.

<i>Enterprise Funds – Net Position</i>	
<i>June 30, 2012, as originally stated</i>	\$30,373,415
Overstatement of payables	<u>87,793</u>
<i>Enterprise Fund Activities – Net Position</i>	
<i>June 30, 2012, as restated</i>	<u>\$30,461,208</u>
<i>Government-wide Net Position – June 30, 2012,</i>	
<i>as originally stated</i>	\$ 68,549,904
Overstatement of payables.....	<u>87,793</u>
<i>Government-wide Net Positions– June 30, 2012,</i>	
<i>as restated</i>	<u>\$ 68,637,697</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	\$ 51,567,591	\$ 51,567,591	\$ 51,084,912	\$ (482,679)
Intergovernmental	16,907,238	16,907,238	18,894,224	1,986,986
Local revenues	1,850,900	1,850,900	2,208,601	357,701
Interest and investment income	330,000	330,000	438,778	108,778
Total revenues	70,655,729	70,655,729	72,626,515	1,970,786
Expenditures:				
Current:				
General government	922,289	844,789	780,454	64,335
Financial administration	1,064,007	995,007	951,014	43,993
Public library	1,065,277	1,065,277	962,699	102,578
Public safety	5,332,791	5,543,321	5,349,770	193,551
Public services	5,390,083	5,224,428	5,267,504	(43,076)
Municipal resolutions	2,175,000	2,175,000	1,399,415	775,585
Grants and contributions	62,000	57,000	56,500	500
Other expenditures	4,246,934	4,353,559	4,237,533	116,026
Education	2,619,150	2,619,150	1,990,695	628,455
Debt service:				
Principal	2,305,000	2,305,000	2,305,000	-
Interest	1,614,270	1,614,270	1,614,269	1
Capital outlay				-
Total expenditures	26,796,801	26,796,801	24,914,853	1,881,948
Excess of revenues over expenditures, budgetary basis	43,858,928	43,858,928	47,711,662	3,852,734
Other financing sources (uses):				
Transfers from other funds	4,658,150	4,658,150	3,390,110	(1,268,040)
Transfers to other funds	(48,517,078)	(48,517,078)	(50,458,828)	(1,941,750)
Total other financing sources (uses)	(43,858,928)	(43,858,928)	(47,068,718)	(3,209,790)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses, budgetary basis	\$ -	\$ -	642,944	\$ 642,944
Adjustments of budgetary basis to U.S. GAAP basis			(361,761)	
Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis			281,183	
Fund balance, beginning of year			6,606,270	
Fund balance, end of year			\$ 6,887,453	

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SCHOOL UNRESTRICTED FUND

YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Local revenues	-	-	47,399	47,399
Total revenues	-	-	47,399	47,399
Expenditures:				
Current:				
Salaries	28,760,996	29,092,641	28,823,915	268,726
Employee benefits	10,133,719	10,133,719	9,602,807	530,912
Purchased services	7,777,588	7,470,943	8,042,395	(571,452)
Supplies and materials	1,510,248	1,460,248	1,583,828	(123,580)
Other	72,246	97,246	50,389	46,857
Transfers	-	-	1,703,004	(1,703,004)
Capital expenditures	262,281	262,281	157,213	105,068
Total expenditures	48,517,078	48,517,078	49,963,551	(1,446,473)
Excess of expenditures over revenues, budgetary basis	(48,517,078)	(48,517,078)	(49,916,152)	(1,399,074)
Other financing source,				
Transfer from other funds	48,517,078	48,517,078	48,854,026	336,948
	48,517,078	48,517,078	48,854,026	336,948
Excess of revenues and other financing sources over expenditures, budgetary and GAAP basis	\$ -	\$ -	(1,062,126)	\$ (1,062,126)
Adjustments of budgetary basis to U.S. GAAP basis				
Change in encumbrances			(308,675)	
Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis			(1,370,801)	
Fund balance, beginning of year			3,416,402	
Fund balance, end of year			\$ 2,045,601	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2013

Budget preparation and budgetary basis of accounting:

In accordance with the Town Charter, the Town Administrator must present to the Budget Board a recommended annual budget for the operations of all municipal departments no later than February 15 of each fiscal year. The recommended budget must include an appropriation to fund school expenditures. At least three weeks after the receipt of the budget from the Town Administrator, the Budget Board holds a public hearing thereon. The Budget Board completes its consideration of the budget thirty days prior to the date of the financial town meeting. The financial town meeting may increase or decrease items of the budget as presented by the Budget Board. The final recommended budget is legally adopted at the annual financial town meeting. All annual appropriations lapse at fiscal year-end.

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include re-appropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed. Enterprise fund budgetary expenses include expenses for fixed asset additions, debt service issuance costs and debt service principal payments not recognized under U.S. GAAP but exclude depreciation and amortization, U.S. GAAP basis expenses.

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

	<u>General Fund</u>	<u>School Department</u>
Change in reserve for encumbrances	\$(451,064)	\$(308,675)
Adjustments of budgetary basis to GASB 54	89,303	
Total adjustments	<u>\$(361,761)</u>	<u>\$(308,675)</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON (CONTINUED)

YEAR ENDED JUNE 30, 2013

Budget compliance:

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department. Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by the Town Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Unencumbered and unexpended appropriations lapse at fiscal year-end.

TOWN OF LINCOLN, RHODE ISLAND
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	(Funded) Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
<i>TOWN PENSION PLAN</i>						
January 1, 2006	\$ 15,730,030	\$ 17,296,311	\$ 1,566,281	90.9%	\$ 3,744,435	41.8%
January 1, 2007	\$ 17,178,720	\$ 18,458,150	\$ 1,279,430	93.1%	\$ 4,128,827	31.0%
January 1, 2008	\$ 17,152,451	\$ 19,139,010	\$ 1,986,559	89.6%	\$ 4,617,858	43.0%
January 1, 2009	\$ 14,620,859	\$ 20,344,766	\$ 5,723,907	71.9%	\$ 4,943,482	115.8%
January 1, 2010	\$ 14,662,776	\$ 21,127,359	\$ 6,464,583	69.4%	\$ 5,414,398	119.4%
January 1, 2011	\$ 16,386,041	\$ 22,332,875	\$ 5,946,834	73.4%	\$ 4,988,272	119.2%
January 1, 2012	\$ 16,592,418	\$ 25,953,276	\$ 9,360,858	63.9%	\$ 4,916,103	190.4%
January 1, 2013	\$ 17,070,295	\$ 27,608,150	\$ 10,537,855	61.8%	\$ 5,068,754	207.9%
<i>MUNICIPAL PENSION PLAN</i>						
<i>General employee unit:</i>						
June 30, 2007	\$ 1,139,172	\$ 1,333,269	\$ 194,097	85.4%	\$ 889,984	21.8%
June 30, 2008	\$ 1,338,095	\$ 1,542,400	\$ 204,305	86.8%	\$ 1,016,081	20.1%
June 30, 2009	\$ 1,307,918	\$ 1,483,154	\$ 175,236	88.2%	\$ 851,031	20.6%
June 30, 2010	\$ 1,267,621	\$ 1,923,482	\$ 655,861	65.9%	\$ 844,463	77.7%
June 30, 2011	\$ 1,271,215	\$ 1,796,892	\$ 525,677	70.7%	\$ 862,856	60.9%
June 30, 2012	\$ 1,329,087	\$ 1,931,318	\$ 602,231	68.8%	\$ 846,470	71.1%
<i>Rescue unit:</i>						
June 30, 2007	\$ 1,687,967	\$ 2,154,798	\$ 466,831	78.3%	\$ 678,188	68.8%
June 30, 2008	\$ 1,935,178	\$ 2,764,237	\$ 829,059	70.0%	\$ 738,021	112.3%
June 30, 2009	\$ 2,071,497	\$ 2,923,841	\$ 852,344	70.9%	\$ 766,026	111.3%
June 30, 2010	\$ 2,183,649	\$ 3,685,597	\$ 1,501,948	59.2%	\$ 789,153	190.3%
June 30, 2011	\$ 2,358,951	\$ 3,411,196	\$ 1,052,245	69.2%	\$ 809,147	130.0%
June 30, 2012	\$ 2,555,784	\$ 3,958,072	\$ 1,402,288	64.6%	\$ 895,422	156.6%
<i>OTHER POSTEMPLOYMENT BENEFITS</i>						
June 30, 2009	\$ -	\$ 23,939,601	\$ 23,939,601	0.0%		
June 30, 2010	\$ -	\$ 24,880,760	\$ 24,880,760	0.0%		
June 30, 2011	\$ -	\$ 26,241,909	\$ 26,241,909	0.0%		
June 30, 2013	\$ 878,343	\$ 15,778,660	\$ 14,900,317	5.6%		

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2013

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	(Funded) Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
<i>TOWN PENSION PLAN</i>						
January 1, 2006	\$ 15,730,030	\$ 17,296,311	\$ 1,566,281	90.9%	\$ 3,744,435	41.8%
January 1, 2007	\$ 17,178,720	\$ 18,458,150	\$ 1,279,430	93.1%	\$ 4,128,827	31.0%
January 1, 2008	\$ 17,152,451	\$ 19,139,010	\$ 1,986,559	89.6%	\$ 4,617,858	43.0%
January 1, 2009	\$ 14,620,859	\$ 20,344,766	\$ 5,723,907	71.9%	\$ 4,943,482	115.8%
January 1, 2010	\$ 14,662,776	\$ 21,127,359	\$ 6,464,583	69.4%	\$ 5,414,398	119.4%
January 1, 2011	\$ 16,386,041	\$ 22,332,875	\$ 5,946,834	73.4%	\$ 4,988,272	119.2%
January 1, 2012	\$ 16,592,418	\$ 25,953,276	\$ 9,360,858	63.9%	\$ 4,916,103	190.4%
January 1, 2013	\$ 17,070,295	\$ 27,608,150	\$ 10,537,855	61.8%	\$ 5,068,754	207.9%
<i>MUNICIPAL PENSION PLAN</i>						
<i>General employee unit:</i>						
June 30, 2007	\$ 1,139,172	\$ 1,333,269	\$ 194,097	85.4%	\$ 889,984	21.8%
June 30, 2008	\$ 1,338,095	\$ 1,542,400	\$ 204,305	86.8%	\$ 1,016,081	20.1%
June 30, 2009	\$ 1,307,918	\$ 1,483,154	\$ 175,236	88.2%	\$ 851,031	20.6%
June 30, 2010	\$ 1,267,621	\$ 1,923,482	\$ 655,861	65.9%	\$ 844,463	77.7%
June 30, 2011	\$ 1,271,215	\$ 1,796,892	\$ 525,677	70.7%	\$ 862,856	60.9%
June 30, 2012	\$ 1,329,087	\$ 1,931,318	\$ 602,231	68.8%	\$ 846,470	71.1%
<i>Police and fire unit:</i>						
June 30, 2007	\$ 1,687,967	\$ 2,154,798	\$ 466,831	78.3%	\$ 678,188	68.8%
June 30, 2008	\$ 1,935,178	\$ 2,764,237	\$ 829,059	70.0%	\$ 738,021	112.3%
June 30, 2009	\$ 2,071,497	\$ 2,923,841	\$ 852,344	70.9%	\$ 766,026	111.3%
June 30, 2010	\$ 2,183,649	\$ 3,685,597	\$ 1,501,948	59.2%	\$ 789,153	190.3%
June 30, 2011	\$ 2,358,951	\$ 3,411,196	\$ 1,052,245	69.2%	\$ 809,147	130.0%
June 30, 2012	\$ 2,555,784	\$ 3,958,072	\$ 1,402,288	64.6%	\$ 895,422	156.6%
<i>OTHER POSTEMPLOYMENT BENEFITS</i>						
June 30, 2009	\$ -	\$ 23,939,601	\$ 23,939,601	0.0%		
June 30, 2010	\$ -	\$ 24,880,760	\$ 24,880,760	0.0%		
June 30, 2011	\$ -	\$ 26,241,909	\$ 26,241,909	0.0%		
June 30, 2013	\$ 878,343	\$ 15,778,660	\$ 14,900,317	5.6%		

TOWN OF LINCOLN, RHODE ISLAND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 YEAR ENDED JUNE 30, 2013

Town Plan

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$1,244,899	85.3%
2012	\$1,086,386	59.00%
2011	\$645,192	114.2%
2010	\$618,012	93%
2009	\$386,977	100%
2008	\$358,800	100%
2007	\$348,818	100%
2006	\$309,674	100%

OPEB

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$1,506,039	109.3
2012	\$2,181,418	34.9%
2011	\$2,181,418	46.2%
2010	\$1,992,852	44.4%
2009	\$1,907,362	47.6%

SUPPLEMENTARY INFORMATION

TOWN OF LINCOLN, RHODE ISLAND

TAX COLLECTOR'S ANNUAL REPORT

YEAR ENDED JUNE 30, 2013

Real estate and personal property taxes receivable:

Year	Balance, July 1, 2012	Current year assessment	Additions	Abatements/ adjustments	Amount to be collected	Collections	Balance, June 30, 2013
2012		\$ 51,933,416	\$ 34,843	\$ (375,879)	\$ 51,592,380	\$ 49,463,614	\$ 2,128,766
2011	\$ 2,534,690		25,098	(573,304)	1,986,484	1,672,452	314,032
2010	293,994		13,571	8,500	316,065	109,429	206,636
2009	117,727			(5,279)	112,448	18,346	94,102
2008	143,932			(4,788)	139,144	8,130	131,014
2007	114,487			(944)	113,543	3,767	109,776
2006	63,545			(544)	63,001	645	62,356
2005	2,771			(207)	2,564	547	2,017
2004	39,185			(90)	39,095	1,321	37,774
2003	23,923			(85)	23,838	1,540	22,298
2002 and prior	58,237			(26,011)	32,226	201	32,025
Total	<u>\$ 3,392,491</u>	<u>\$ 51,933,416</u>	<u>\$ 73,512</u>	<u>\$ (978,631)</u>	<u>\$ 54,420,788</u>	<u>\$ 51,279,992</u>	3,140,796
						Less allowance for doubtful accounts	<u>(389,292)</u>
							<u>\$ 2,751,504</u>

TOWN OF LINCOLN, RHODE ISLAND
TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)
YEAR ENDED JUNE 30, 2013

Schedule of net assessed property value by category:

Description of property	Valuation	Levy
Real property	\$ 2,504,253,599	\$ 56,093,369
Motor vehicles	216,807,107	6,647,306
Tangible personal property	<u>145,882,682</u>	<u>4,960,011</u>
Total	2,866,943,388	67,700,686
Exemptions	<u>703,042,745</u>	<u>15,767,270</u>
Current year assessment	<u>\$ 2,163,900,643</u>	<u>\$ 51,933,416</u>

Reconciliation of current year property tax revenue:

Current year collections	\$ 51,279,992
Revenue collected within 60 days subsequent to year ended June 30, 2013	<u>642,104</u>
	51,922,096
Prior year revenue received in current year	<u>(494,804)</u>
Current year real estate and personal property tax revenue	<u>\$ 51,427,292</u>