

Town of North Providence Rhode Island



Basic Financial Statements and
Required Supplementary Information
Fiscal Year Ended June 30, 2013

Including Independent Audit Report
of Certified Public Accountants

Charles A. Lombardi
Mayor

Justin Cambio
Finance Director

Prepared by Finance Department

TOWN OF NORTH PROVIDENCE

INTRODUCTORY SECTION

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

YEAR ENDED JUNE 30, 2013

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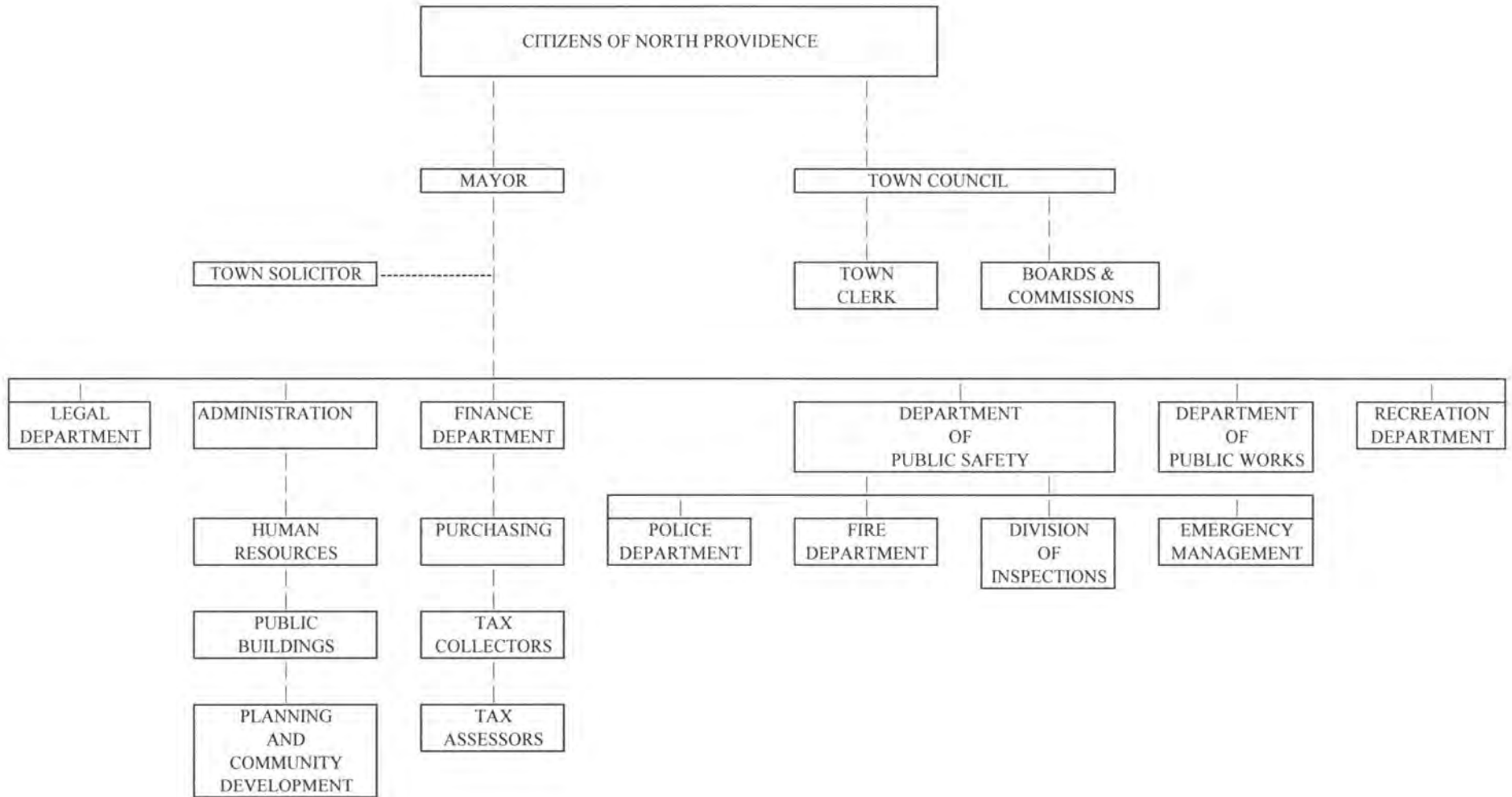
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(CONCLUDED)

TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION

June 30, 2013



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

JUNE 30, 2013

TOWN COUNCIL

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

MAYOR

Charles A. Lombardi

FINANCE DEPARTMENT

Justin Cambio, Finance Director
Maria G. Vallee, Town Controller
Claudette Mooney, Tax Collector
Janesse Muscatelli, Acting Tax Assessor

TOWN OF NORTH PROVIDENCE

FINANCIAL SECTION

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of June 30, 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 4 through 11, Pages 62 through 65, Page 66, and Page 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Providence, Rhode Island's financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other exhibits are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, other exhibits, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. 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 combining and individual nonmajor fund financial statements, other exhibits, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Providence, Rhode Island's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Town of North Providence, Rhode Island's 2012 basic financial statements, and in our report dated January 31, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein for the proprietary funds as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Providence, Rhode Island
December 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

As management of the Town of North Providence, we offer readers of the Town of North Providence's financial Statements this narrative overview and analysis of financial activities of the Town of North Providence for the fiscal year ended June 30, 2013.

Financial Highlights

- On the Government-Wide Statements, the assets of the Town of North Providence exceeded its liabilities at the close of the most recent fiscal year by \$31,154,476. This is a significant improvement over last year when assets exceeded liabilities by \$5,775,954 (as restated).
- The unrestricted net assets of the governmental activities at June 30, 2013 totaled \$2,654,856.
- As of the year ended June 30, 2013, the Town's General Fund had a surplus unassigned fund balance of \$5,190,399. This is an increase of \$2,207,869 over last year's unassigned fund balance of \$2,982,530.
- As of June 30, 2013 the School Unrestricted Fund had a deficit fund balance of \$167,998.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2013, this fund had an overall net asset deficiency of 17,824.
- On the budgetary basis of accounting, the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$2,213,802. The School Unrestricted Fund reported a deficiency of revenues and other financing sources over expenditures and other financing uses of \$540,246.
- The Town participated in a federal probe into illegal online prescription drug sales by Canadian companies. As a result, in April of 2012, the Town was notified that it was allocated \$60 million from a federal forfeiture settlement. These funds are allocated specifically for law enforcement activities and support of community-based programs which are supportive of and consistent with a law enforcement effort or policy. The Town filed a request of the US Department of Justice to allow for \$20.6 million to be applied to the unfunded liability in the Town's Police Pension Fund. On January 11, 2013, the U.S. Department of Justice approved this request. The application of the \$20.6 million resulted in the Police Pension Fund's funded ratio stabilizing at approximately 94.9%. It has also led to an approximate fifty percent reduction in the Town's annual required contribution (ARC) to the Police Pension Fund.
- The purchase of the Camp Meehan property placed fifteen acres of land for recreation, open space, and habitat preservation purposes into the domain of public use for a cost to the Town of \$500,000. The funding for the initial purchase and on-going rehabilitation is being supplemented by \$400,000 in grants from the RI Department of Environmental Management, \$521,266 from the Champlin Foundation and \$299,904 from the federal forfeiture settlement. As a result, to date, the Town has secured over \$1,220,000 in grants to benefit the Town's constituency at no cost to the taxpayer.
- In 2013, the Town sent out a request for proposal to convert the former landfill into a solar energy station. The process is not yet complete but initial estimates indicate a reduction in electricity costs of \$60,000 coupled with an initial \$60,000 of pilot revenue streaming into the Town for a total annual impact of \$120,000.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

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

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

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

The government-wide financial statements are reported on Pages 12 through 13.

Fund financial statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental funds statements are presented on pages 14 through 17.

Proprietary Funds

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

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

The basic proprietary fund financial statements are presented on pages 18 through 20.

Fiduciary Funds

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

The basic fiduciary fund financial statements are presented on pages 21 through 22.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on pages 23 through 61.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town of North Providence's operations. Required Supplementary information is presented on pages 62 through 67.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on pages 68 through 75.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Providence, assets exceeded liabilities by \$31,154,476 as of June 30, 2013.

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND NET POSITION June 30, 2013 and 2012 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 59,165	\$ 19,815	\$243	\$126	\$ 59,408	\$ 19,941
Capital Assets	62,874	47,053	46	0	62,920	47,053
Total Assets	122,039	66,868	289	126	122,328	66,994
Long-Term Liabilities	39,308	47,669	0	0	39,308	47,669
Other Liabilities	51,558	13,364	307	185	51,865	13,549
Total Liabilities	90,866	61,033	307	185	91,173	61,218
Net Investment in						
Capital Assets	28,517	24,430	46	0	28,563	24,430
Unrestricted	2,655	(18,595)	(64)	(59)	2,591	(18,654)
Total Net Position	\$ 31,172	\$ 5,835	\$ (18)	\$ (59)	\$31,154	\$ 5,776

The information for 2012 has been restated to reflect implementation of GASB #65.

There are no external restrictions on the Town of North Providence's net position.

As of June 30, 2013 the Town of North Providence reports a negative (deficit) net position balance of \$17,824 in business-type activities (School Cafeteria Fund) while the governmental activities have total net position of \$31,172,300.

Analysis of the Town of North Providence's Operations

The following analysis provides a summary of the Town of North Providence's operations for the year ended June 30, 2013.

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

For the Fiscal Years Ended June 30, 2013 and 2012 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,597	\$ 3,730	\$ 389	\$ 426	\$ 3,986	\$ 4,156
Operating Grants and Contributions	39,191	17,195	768	662	39,959	17,857
Capital Grants and Contributions	2,287	1,457			2,287	1,457
General Revenues:						
Property taxes	67,200	67,133			67,200	67,133
Motor vehicle phase-out taxes	344	347			344	347
Telephone and State PILOT	979	915			979	915
Grants and aid not restricted for a specific program	2,734	2,066			2,734	2,066
Gain on sale of surplus equipment	2	14			2	14
Unrestricted investment earnings	5	4			5	4
Transfer in (out)	(15)	0	15		0	0
Total Revenues	116,324	92,861	1,172	1,088	117,496	93,949
Expenses:						
Legislative, judicial, and administrative	13,629	13,294			13,629	13,294
Department of Finance	1,068	766			1,068	766
Public Safety	17,605	16,120			17,605	16,120
Public Services/works	4,498	3,771			4,498	3,771
Grants and contributions	1,314	1,289			1,314	1,289
Education	51,741	48,879			51,741	48,879
Interest on long-term debt	1,132	1,451			1,132	1,451
School Cafeteria			1,131	1,064	1,131	1,064
Total Expenses	90,987	85,570	1,131	1,064	92,118	86,634
Increase (decrease) in net position	25,337	7,291	41	24	25,378	7,315
Net position beginning of year (as restated)	5,835	(1,456)	(59)	(83)	5,776	(1,539)
Net position (deficit)end of year	\$31,172	\$5,835	\$(18)	\$(59)	\$31,154	\$5,776

Financial Analysis of the Town of North Providence's Funds

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

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

At the end of the current fiscal year, the Town of North Providence's governmental funds reported a combined ending fund balance of \$9,656,215. Unassigned fund balance amounted to \$4,973,552 with non-spendable fund balance of \$617,413, committed fund balance of \$531,290, and restricted fund balance of \$3,533,960.

The General Fund is the operating fund of the Town of North Providence. At the end of the current fiscal year, the Town's General Fund ended with an increase in fund balance of \$2,213,802. This resulted in a cumulative surplus fund balance in the General Fund of \$5,786,621 at June 30, 2013. The unassigned portion of the fund balance/cumulative surplus was \$5,190,399.

Proprietary Funds

The Town of North Providence's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Unrestricted net position (cumulative deficit) of the respective proprietary fund is (\$17,824).

General Fund Budgetary Highlights

Total actual revenues exceeded budgeted revenues by \$2,373,688. The most significant favorable revenue variances were in the collection of prior year property taxes, school Medicaid reimbursements, and school construction aid. Overall, actual expenditures were under budget by \$409,813. The most significant favorable expenditure variances were in the Police Department, Fire Department and Environmental Protection. The combined favorable variance in both revenue accounts and expense accounts amounted to \$2,783,501. However excess revenue received related to the School Department was transferred to the Department and as a result the budgetary excess after transfers was \$2,213,802 (budgetary basis surplus).

Capital Assets and Debt and Administration

Capital Assets

The Town of North Providence's investment in capital assets for its governmental and business-type activities amounts to \$48,058,697 net of accumulated depreciation at June 30, 2013. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure.

Capital Assets and Debt and Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$16,185	\$16,185			\$16,185	\$16,185
Buildings and improvements	23,776	23,979			23,776	23,979
Equipment, furn. & fixtures	2,102	1,529	\$ 46	\$ 0	2,148	1,529
Vehicles	1,765	1,510			1,765	1,510
Infrastructure	3,793	3,787			3,793	3,787
Land improvements	392	64			392	64
Total	<u>\$48,013</u>	<u>\$47,054</u>	<u>\$ 46</u>	<u>\$ 0</u>	<u>\$48,059</u>	<u>\$ 47,054</u>

Long Term Debt

At the end of the current fiscal year, the Town of North Providence had total bonded debt (net of bond premium) of \$25,389,700. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$25,390	\$30,165	\$ 0	\$0	\$25,390	\$30,165
Bond premium	24	36	0	0	24	36
Notes & Lease purchase obligations	596	983	0	0	596	983
Total obligations	<u>\$26,010</u>	<u>\$31,184</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$26,010</u>	<u>\$31,184</u>

There were no outstanding short-term obligations at June 30, 2013.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the full assessed value of all taxable property within the Town. The Town of North Providence's limit is \$71,909,700 at year-end based in the December 31, 2011 assessed value of property. The Town of North Providence's outstanding general obligation debt is \$25,389,700 at year-end, which is \$46,520,000 under the State imposed limitation.

As of June 30, 2013, the Town of North Providence's bonds are insured and hold a Baa1 credit rating from Moody's and a BBB+ from Standard & Poor's.

Additional information of the Town of North Providence's debt administration can be found in footnote 10 on pages 42 through 44 of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- The Town of North Providence has budgeted \$89,571,586 for fiscal 2014, an increase of \$2,291,205 over fiscal 2013. The increase was principally for an increased education appropriation in the amount of \$1,671,483 and a \$618,533 increase for the Town. Approximately \$1.1 million or sixty-six percent of the increase for education was derived from additional state aid and federal Medicare reimbursements.
- Budgeted educational expenses are \$47,430,852 or 53%; leaving \$42,140,734 or 47% budgeted for all other purposes.
- State aid to education is budgeted at \$14,764,592 which is an increase of \$721,483 over fiscal 2013. State aid represents 31% of the education budget.
- In fiscal 2013 the Town deposited an unbudgeted amount of \$20.6 million into the Police Pension Fund. This deposit was made from \$60 million of federal forfeiture funds awarded to the Town. This incremental funding has increased the Police Pension Fund's funded ratio from less than fifty percent to nearly ninety-five percent funded at June 30, 2013. It also resulted in a significant reduction to the Town's annual Police Pension Fund contribution which would exceed \$2.2 million annually without application of the federal forfeiture funds but has now been reduced by over sixty percent of that amount to approximately \$850,000 annually.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2014: Residential Real Estate \$24.29; Commercial Real Estate \$31.03; Tangible Property \$69.41 and Motor Vehicle \$41.95.

Request for Information

This financial report is designed to provide our citizens a general overview of the Town of North Providence's finances. For questions concerning this report or for additional financial information, please contact the Town of North Providence, Finance Director, Justin Cambio, 2000 Smith Street, North Providence, Rhode Island 02911.

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TOWN OF NORTH PROVIDENCE

BASIC FINANCIAL STATEMENTS

TOWN OF NORTH PROVIDENCE RHODE ISLANDStatement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS:			
<i>Current Assets:</i>			
Cash and cash equivalents	\$ 12,469,941	\$ 109,315	\$ 12,579,256
Accounts receivable, net	6,333,606		6,333,606
Internal balances	(89,883)	89,883	-
Due from federal and state governments	39,833,991	43,647	39,877,638
Prepays	617,413		617,413
Total Current Assets	59,165,068	242,845	59,407,913
<i>Noncurrent Assets:</i>			
Net Pension Obligation Asset	14,860,922		14,860,922
Capital assets not being depreciated	16,184,150		16,184,150
Capital assets, net of accumulated depreciation	31,828,558	45,989	31,874,547
Total Noncurrent Assets	62,873,630	45,989	62,919,619
TOTAL ASSETS	122,038,698	288,834	122,327,532
LIABILITIES:			
<i>Current Liabilities:</i>			
Accounts payable	2,385,827	306,658	2,692,485
Accrued liabilities	4,303,288		4,303,288
Unearned revenue	38,388,988		38,388,988
Current portion of compensated absences	950,000		950,000
Current portion of IBNR claims	498,416		498,416
Current portion of bonds and notes	5,031,729		5,031,729
Total Current Liabilities	51,558,248	306,658	51,864,906
<i>Noncurrent Liabilities:</i>			
Compensated absences	7,156,131		7,156,131
Net OPEB obligation	11,174,230		11,174,230
Bond and note obligations, net	20,977,789		20,977,789
Total Noncurrent Liabilities	39,308,150	-	39,308,150
TOTAL LIABILITIES	90,866,398	306,658	91,173,056
NET POSITION:			
Net investment in capital assets	28,517,444	45,989	28,563,433
Unrestricted	2,654,856	(63,813)	2,591,043
TOTAL NET POSITION	\$ 31,172,300	\$ (17,824)	\$ 31,154,476

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2013

<i>Functions/Programs:</i>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and administrative	\$ 13,628,876	\$ 1,015,409	\$ 90,500	\$ 569,327	\$ (11,953,640)		\$ (11,953,640)
Department of finance	1,068,164	83,898			(984,266)		(984,266)
Public safety	17,605,494	1,129,837	20,805,019	1,282,931	5,612,293		5,612,293
Public services	4,498,230	271,313	4,017	265,597	(3,957,303)		(3,957,303)
Grants and contributions	1,313,596	-	164,384	-	(1,149,212)		(1,149,212)
Education	51,740,625	1,096,771	18,127,319	169,504	(32,347,031)		(32,347,031)
Interest on long-term debt	1,132,426				(1,132,426)		(1,132,426)
Total governmental activities	90,987,411	3,597,228	39,191,239	2,287,359	(45,911,585)		(45,911,585)
Business-type activities:							
School Cafeteria	1,130,629	389,310	768,460			\$ 27,141	27,141
Total business-type activities	1,130,629	389,310	768,460	-	-	27,141	27,141
Total	\$ 92,118,040	\$ 3,986,538	\$ 39,959,699	\$ 2,287,359	(45,911,585)	27,141	(45,884,444)
General revenues:							
Property taxes					67,200,182		67,200,182
Motor vehicle phase-out taxes					343,802		343,802
Telephone and State PILOT payments					978,594		978,594
Grants and aid not restricted for a specific program					2,733,757		2,733,757
Gain on sale of surplus equipment					2,000		2,000
Unrestricted investment earnings					4,631		4,631
Transfer in (out)					(14,573)	14,573	-
Total general revenues and transfers					71,248,393	14,573	71,262,966
Change in Net Position					25,336,808	41,714	25,378,522
Net Position - beginning of year (as restated)					5,835,492	(59,538)	5,775,954
Net Position - ending of year					\$ 31,172,300	\$ (17,824)	\$ 31,154,476

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 7,867,856	\$ 1,157,055	\$ 1,623,641	\$ 1,374,347	\$ 447,042	\$ 12,469,941
Accounts and other receivable, net	6,035,815	7,026			290,765	6,333,606
Due from federal and state governments	1,013,133	240,817		38,078,076	501,965	39,833,991
Prepaid expenditures	596,222	21,191			-	617,413
Due from other funds	1,865,018	3,410,813		1,519	2,149,645	7,426,995
TOTAL ASSETS	\$ 17,378,044	\$ 4,836,902	\$ 1,623,641	\$ 39,453,942	\$ 3,389,417	\$ 66,681,946
LIABILITIES:						
LIABILITIES:						
Accounts payable	\$ 1,854,480	\$ 436,868		\$ 48,011	\$ 46,468	\$ 2,385,827
Accrued liabilities	973,990	3,007,298			-	3,981,288
Due to other funds	4,010,203	1,560,734			1,945,941	7,516,878
Unearned revenue - other	728,573			38,078,076	310,912	39,117,561
TOTAL LIABILITIES	7,567,246	5,004,900	\$ -	38,126,087	2,303,321	53,001,554
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	4,024,177	-	-	-		4,024,177
FUND BALANCES:						
Nonspendable	596,222	21,191				617,413
Restricted			1,623,641	1,327,855	582,464	3,533,960
Committed					531,290	531,290
Unassigned	5,190,399	(189,189)			(27,658)	4,973,552
TOTAL FUND BALANCES	5,786,621	(167,998)	1,623,641	1,327,855	1,086,096	9,656,215
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,378,044	\$ 4,836,902	\$ 1,623,641	\$ 39,453,942	\$ 3,389,417	\$ 66,681,946

(CONTINUED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2013*

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

<i>Total Fund Balance reported in Exhibit B-1</i>	\$ 9,656,215
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund Balance Sheet - represents net capital assets at June 30, 2013	48,012,708
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position.	(45,788,295)
Net Pension Obligation Asset represents the amount funded to the Police Pension Plan in excess of the required contributions. This amount is recorded as an expenditure in the Governmental Funds when paid while it is recorded as an asset as applicable in the Government Statement of Net Position.	14,860,922
Unearned tax and other miscellaneous revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	4,752,750
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net Position and not the Governmental Fund Balance Sheet at June 30, 2013.	(322,000)
 <i>Total Net Position reported in Exhibit A-1</i>	 <u>\$ 31,172,300</u>

(CONCLUDED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2013*

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 67,729,719					\$ 67,729,719
Intergovernmental	4,036,929	\$ 14,057,177		\$ 21,860,000	\$ 3,678,019	43,632,125
Licenses and fees	379,535				230,519	610,054
Investment income	1,889		\$ 92	1,541	1,109	4,631
Departmental	985,180					985,180
Contributions					77,695	77,695
State on behalf pension contribution		1,802,000				1,802,000
Medicaid reimbursement		935,115				935,115
Miscellaneous	1,224,401	120,516		22,931	1,337	1,369,185
TOTAL REVENUES	74,357,653	16,914,808	92	21,884,472	3,988,679	117,145,704
EXPENDITURES:						
Current:						
Legislative, judicial, and administrative	2,307,237					2,307,237
Department of finance	1,059,443					1,059,443
Public safety	14,936,992			20,600,000	99,922	35,636,914
Public services/works	4,250,438					4,250,438
Grants and contributions	1,296,920					1,296,920
Education		48,427,403			2,168,012	50,595,415
Other	10,701,761				201,248	10,903,009
Debt Service:						
Principal	2,827,395		2,035,000		300,000	5,162,395
Interest and other costs	967,359		239,193		-	1,206,552
Capital:						
Capital expenditures	188,500	243,911		805,564	1,454,714	2,692,689
TOTAL EXPENDITURES	38,536,045	48,671,314	2,274,193	21,405,564	4,223,896	115,111,012
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	35,821,608	(31,756,506)	(2,274,101)	478,908	(235,217)	2,034,692
OTHER FINANCING SOURCES (USES)						
Transfers in		31,216,260	2,303,931		87,615	33,607,806
Transfers out	(33,607,806)	-	-		(14,573)	(33,622,379)
TOTAL OTHER FINANCING SOURCES (USES)	(33,607,806)	31,216,260	2,303,931	-	73,042	(14,573)
NET CHANGE IN FUND BALANCES	2,213,802	(540,246)	29,830	478,908	(162,175)	2,020,119
FUND BALANCE BEGINNING OF YEAR	3,572,819	372,248	1,593,811	848,947	1,248,271	7,636,096
FUND BALANCE AT END OF YEAR	\$ 5,786,621	\$ (167,998)	\$ 1,623,641	\$ 1,327,855	\$ 1,086,096	\$ 9,656,215

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2013*

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 2,020,119
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	959,079
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	5,162,395
Governmental funds report employer contributions to pension plans as expenditures when paid. However, if the contributions exceed the annual required contribution as determined by the actuary and result in a net pension obligation asset, then the excess contributions are reported as an asset in the Government-Wide Statement of Net Position and reduce the expense in the Statement of Activities. This is the amount by which the expenditures exceeded the liability which was recorded at June 30, 2012.	20,558,811
Governmental funds do not report estimated accrued IBNR claims as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2012.	(112,074)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unearned tax and other revenue decreased from fiscal 2012.	(326,577)
Allowance for doubtful accounts on tax & other receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both receivables and deferred revenue. The increase in the allowance provision is recorded against revenue in the statement of activities.	(480,335)
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the decrease in the accrual for the year ended June 30, 2013 versus June 30, 2012.	62,000
Net OPEB obligation is a long-term liability reported in the government-wide financial statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources. Accordingly, the increase in this obligation is reported as an expenditure in the government-wide statement of activities. The net OPEB obligation increased in fiscal 2013.	(2,114,000)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount of the amortization for fiscal 2013 which is recorded as a reduction of interest expense in the government-wide statement of activities.	12,126
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	<u>(404,736)</u>
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 25,336,808</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Net Position
 Proprietary Funds
 June 30, 2013
 (With Comparative Totals for June 30, 2012)

	<u>Enterprise Funds</u>	
	<u>School Cafeteria (current year)</u>	<u>School Cafeteria (prior year)</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 109,315	\$ 98,002
Due from other funds	89,883	2,037
Due from federal and state governments	43,647	25,601
Total Current Assets	<u>242,845</u>	<u>125,640</u>
Noncurrent Assets:		
Equipment	151,281	93,795
Less accumulated depreciation	(105,292)	(93,795)
Total Noncurrent Assets	<u>45,989</u>	<u>-</u>
TOTAL ASSETS	<u>288,834</u>	<u>125,640</u>
 LIABILITIES:		
Current Liabilities:		
Accounts payable	<u>306,658</u>	<u>185,178</u>
TOTAL LIABILITIES	<u>306,658</u>	<u>185,178</u>
 NET POSITION:		
Net investment in capital assets	45,989	-
Unrestricted	(63,813)	(59,538)
TOTAL NET POSITION	<u>\$ (17,824)</u>	<u>\$ (59,538)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)*

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
Operating revenues:		
Federal & State Grants for free and reduced lunch	\$ 768,460	\$ 661,780
Charges for usage and service	389,310	426,113
Total Operating Revenues	<u>1,157,770</u>	<u>1,087,893</u>
Operating expenses:		
Management operations costs	1,118,674	1,059,281
Maintenance and other costs	458	4,570
Depreciation expense	11,497	-
Total Operating Expenses	<u>1,130,629</u>	<u>1,063,851</u>
Operating income	27,141	24,042
Transfers in	14,573	
Change in Net Position	41,714	24,042
Net Position at beginning of year	(59,538)	(83,580)
Net Position at end of year	<u>\$ (17,824)</u>	<u>\$ (59,538)</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2013
 (With Comparative Totals for the Year Ended June 30, 2012)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 389,310	\$ 426,113
Cash received from State and Federal Grants	750,414	682,948
Cash paid to suppliers for goods and services and other operating payments	(997,652)	(1,164,037)
Net cash provided (used) by operating activities	142,072	(54,976)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Increase in amounts due from other funds	(87,846)	(2,037)
Net cash used by noncapital financing activities	(87,846)	(2,037)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer in from Kids Club Special Revenue Fund	14,573	-
Acquisition of capital assets	(57,486)	-
Net cash used by capital and related financing activities	(42,913)	-
Net increase (decrease) in cash and cash equivalents	11,313	(57,013)
Cash and cash equivalents, beginning of year	98,002	155,015
Cash and cash equivalents, end of year	\$ 109,315	\$ 98,002
Reconciliation of operating income to net cash used for operating activities:		
Operating income	\$ 27,141	24,042
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	11,497	-
(Increase) decrease in:		
Intergovernmental receivables	(18,046)	21,168
Increase (decrease) in:		
Accounts payable	121,480	(100,186)
Net cash provided (used) by operating activities	\$ 142,072	\$ (54,976)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Police Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 3,459,696	\$ 432,912
Investments	30,696,215	-
Receivables	152,998	16,400
TOTAL ASSETS	<u>34,308,909</u>	<u>449,312</u>
LIABILITIES		
Accrued expenses	17,176	
Deposits held in custody for others		449,312
TOTAL LIABILITIES	<u>17,176</u>	<u>449,312</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 34,291,733</u>	<u>\$ -</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013*

	Police Pension <u>Trust Fund</u>
ADDITIONS:	
Contributions - employer	\$ 22,318,088
Contributions - plan members	290,986
Investment income (loss) - includes realized and unrealized gains and losses	1,168,464
TOTAL ADDITIONS	<u>23,777,538</u>
DEDUCTIONS:	
Benefits paid	1,614,591
Investment expense	405,703
TOTAL DEDUCTIONS	<u>2,020,294</u>
CHANGE IN NET POSITION	21,757,244
NET POSITION - BEGINNING OF YEAR	12,534,489
NET POSITION - END OF YEAR	<u>\$ 34,291,733</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The following entity was considered for classification as a component unit for fiscal year 2013.

- Salvatore Mancini Resource & Activity Center, Inc.

The Salvatore Mancini Resource & Activity Center, Inc. did not meet the criteria to be reported as component unit and as such is omitted from these financial statements.

Basis of Presentation

Government-Wide Financial Statements

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Basis of Presentation (Continued)

Fund Financial Statements

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

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

and

- (b) Total assets and deferred outflow of resources, liabilities and deferred inflow of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Debt Service Funds

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

Special Revenue Funds

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Projects Funds

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes nine agency funds at June 30, 2013. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

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

Private-Purpose Trust Funds

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

Pension Trust Funds

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description.
Debt Service Fund:	This fund is used to report transfers from the General Fund that are restricted for principal and interest payments on the deficit reduction bond. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Special Revenue Funds: School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Federal Forfeiture Fund	This fund is used to report all financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department.
Proprietary Funds: School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Non-Major:	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-three (33) Special Revenue Funds which are considered to be non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains three (3) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Basis of Accounting (Continued)

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

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

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

Cash

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

Investments

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$5,589,628 at June 30, 2013. The allowance for uncollectible accounts includes \$4,500,000 for property taxes, \$431,766 for tax lien property, \$129,070 for municipal court fines, \$428,792 for EMS rescue billings, and \$100,000 for first time home buyer loans offered through the CDBG program. Major receivable balances for the governmental activities include property taxes (approximately 80% of the gross receivable balance at June 30, 2013).

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Property Taxes

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

Prepays

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

Property, Plant and Equipment

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

Government-Wide Statements

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

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property, Plant and Equipment (Continued)

Government-Wide Statements (Continued)

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

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2013 the Town of North Providence, Rhode Island did not have any items that meet the definition of deferred outflow of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2013 the Town of North Providence, Rhode Island had only one item that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable revenue – property taxes represents property taxes receivables which are assessed on December 31, 2011 and prior and are not collected within 60 days of June 30, 2013. Net unavailable revenue –property taxes included in the fund financial statements were \$4,024,177 at June 30, 2013. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available.

Unearned Revenues - Other

Unearned Revenues – Other totaling \$728,573 in the fund financial statements of the General Fund include EMS billings and Municipal Court fines receivable (net of an allowance) which were not considered available at June 30, 2013 totaling \$670,676 and \$57,897, respectively. These amounts are recognized as revenue in the government-wide statements.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions

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

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

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

Equity Classifications

Government-Wide Statements

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

- (a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

- (c) Unrestricted net position – All remaining net position that does not meet the definition of "restricted" or "net invested in capital assets",

Fund Financial Statements

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Fund Financial Statements (Continued)

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

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

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay. The amount recorded is the unused days earned at the current rate of pay. Compensated absences are accrued at varying amounts based on the collective bargaining unit contracts of the various unions.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Use of Estimates

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this \$45,788,295 are as follows:

Bonds payable, including bond premium.....	\$25,413,954
Note and lease purchase obligations.....	595,564
Accrued IBNR claims.....	498,416
Net OPEB Obligation.....	11,174,230
Compensated absences.....	<u>8,106,131</u>
Total.....	<u>\$45,788,295</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this \$959,079 difference are as follows:

Capital outlays.....	\$2,761,244
Depreciation expense.....	<u>(1,802,165)</u>
Net adjustment – increase net position.....	<u>\$ 959,079</u>

Another element of that reconciliation states that, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds." The details of this (\$326,577) difference are as follows (before affect of allowance):

Unearned/unavailable revenue - ending.....	\$ 9,810,612
Unearned/unavailable revenue – beginning.....	<u>(10,137,189)</u>
Net adjustment –increase net position.....	<u>\$ 326,577</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

Recently Issued Accounting Standards

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

- GASB Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements.
- 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.
- GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.
- GASB Statement No. 66 – Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62.

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

- GASB Statement No. 67 – Financial Reporting for 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 – Government 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 Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

2. **BUDGETARY PROCESS**

(a) Adoption

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. **BUDGETARY PROCESS (Continued)**

(a) **Adoption (Continued)**

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

(b) **General Fund**

The following General Fund departmental expenditures exceeded appropriations: General Government - \$48,569; Grants and Contributions - \$3,622; and Other Expenditures - \$290,425. These over expenditures were offset by positive variances of \$14,812 in Department of Finance; \$548,853 in Public Safety; \$171,710 in Public Services/Works; and \$17,054 in Debt Service. Overall total expenditures of the General Fund (excluding transfers to School Unrestricted Fund) were less than the amount budgeted by \$409,813 while actual revenue received was over the amount budgeted by \$2,373,688.

In accordance with GASB Statement #54, the revenues restricted for the North Providence School Department are reported directly in the School Unrestricted Fund for GAAP purposes. Whereas, for budgetary purposes, these revenues are reported in the Town's General Fund with a matching transfer out to the School Unrestricted Fund. These revenues and transfers totaled \$15,112,808 for fiscal 2013. A reconciliation of the Town's General Fund revenues and expenditures and other financing sources (uses), as reported on Exhibits B-2 and RSI - 1, is presented below:

REVENUES AND OTHER FINANCING SOURCES

Total General Fund revenues and other financing sources from Exhibit B-2	\$74,357,653
Adjustments:	
State aid for community relief fund included in a Special Revenue Fund for GAAP but which was budgeted in the Town's General Fund	183,608
State Aid, Medicaid, and miscellaneous receipts included in School Unrestricted Fund for GAAP but part of budgetary basis revenue	<u>15,112,808</u>
Total budgetary basis revenues and other financing sources from RSI - 1	<u>\$89,654,069</u>

EXPENDITURES AND OTHER FINANCING USES

Total General Fund expenditures and other financing sources from Exhibit B-2	\$72,143,851
Adjustments:	
State aid for community relief transferred to a Special Revenue Fund and recorded as an expenditure for budget purposes but shown directly in the Special Revenue Fund for GAAP purposes	183,608
State Aid, Medicaid, and miscellaneous receipts included as a transfer out for Budgetary purposes but reported directly on the School Unrestricted Fund for GAAP purposes	<u>15,112,808</u>
Total budgetary basis expenditures and other financing uses from RSI - 1	<u>\$87,440,267</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

2. **BUDGETARY PROCESS (Continued)**

(c) **Special Revenue Funds**

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

REVENUES AND OTHER FINANCING SOURCES

Total School Unrestricted revenues and other financing sources from Exhibit B-2	\$48,131,068
Adjustments:	
State on-behalf pension contribution not budgeted	<u>(1,802,000)</u>
Total budgetary basis revenues and other financing sources from RSI - 2	<u>\$46,329,068</u>

EXPENDITURES AND OTHER FINANCING USES

Total School Unrestricted expenditures and other financing sources from Exhibit B-2	\$48,671,314
Adjustments:	
State on-behalf pension contribution not budgeted	<u>(1,802,000)</u>
Total budgetary basis expenditures and other financing uses from RSI - 2	<u>\$46,869,314</u>

3. **CASH AND INVESTMENTS**

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2013 was \$16,471,864 (including Fiduciary Funds) while the bank balance was \$17,312,130. Of the bank balance, approximately \$1,057,200 was covered by federal depository insurance.

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. CASH AND INVESTMENTS (Continued)

Investments

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

At June 30, 2013 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund totaled \$30,696,215. These investments consisted of the following:

	<u>Fair</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 17,472,632	n/a	n/a	not rated
I Shares – Equities.....	7,839,237	n/a	n/a	not rated
Common Stock - Equities	5,384,346	n/a	n/a	not rated
Total	<u>\$ 30,696,215</u>			

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2013 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although virtually all of the investments are held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

Custodial Credit Risk

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4. PROPERTY TAXES

During the year ended June 30, 2013, the Town received \$343,802 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$41.95 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008, 2008-2009, and 2009-2010 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$41.95.

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

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

Net property taxes levied for fiscal year 2013 were based on a net assessed value of approximately \$2,396,989,000 at December 31, 2011 and amounted to approximately \$67,469,000. Collections on this assessment through June 30, 2013 amounted to approximately \$63,774,000, which represents approximately 95% of the total tax levy.

The Town recognizes property tax revenues in accordance with Section P70, "Property Taxes" of the Codification of Governmental Accounting and Financial Reporting Standards on the Fund statements. Unpaid property taxes as of June 30, 2013 (\$5,079,756) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$4,500,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2013 are recorded as unavailable revenue – property taxes and amounted to \$4,024,177 at June 30, 2013. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2013 (due to their collection within the 60 days immediately following June 30, 2013) amounted to \$1,055,579.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

5. ACCOUNTS RECEIVABLE

At June 30, 2013 General Fund accounts receivable on the fund statements consisted of the following:

	Receivable Balance	Allowance	Net Receivable	Recognized 60 Day Rule Collections	Fund Statement Deferred Revenue
Property taxes.....	\$ 9,579,756	(\$4,500,000)	\$5,079,756	\$1,055,579	\$4,024,177
Tax lien property.....	431,766	(431,766)	0	0	0
Municipal Court fees.....	186,967	(129,070)	57,897	0	57,897
EMS Rescue billings.....	1,099,468	(428,792)	670,676	0	670,676
Other receivables.....	227,486	(0)	227,486	227,486	0
Total	\$11,525,443	(\$5,489,628)	\$6,035,815	\$1,283,065	\$4,752,750

6. CAPITAL ASSETS

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

	Balances 7/1/12	Additions	Retirements & Disposals	Balances 6/30/13
Governmental Activity:				
Nondepreciable Assets:				
Land.....	\$16,184,150			\$16,184,150
Total nondepreciable assets	16,184,150	\$ 0	\$ 0	16,184,150
Depreciable Assets:				
Buildings and improvements.....	45,081,571	600,053		45,681,624
Land improvements.....	264,560	344,061		608,621
Vehicles.....	5,855,916	587,461		6,443,377
Equipment, furniture and fixtures.....	3,200,393	895,836		4,096,229
Infrastructure.....	7,275,091	333,833		7,608,924
Total depreciable assets	61,677,531	2,761,244	0	64,438,775
Total cost	77,861,681	2,761,244	0	80,622,925
Accumulated Depreciation:				
Buildings and improvements.....	(21,102,868)	(802,955)		(21,905,823)
Land improvements.....	(200,191)	(16,923)		(217,114)
Vehicles.....	(4,345,548)	(331,978)		(4,677,526)
Equipment, furniture and fixtures.....	(1,670,983)	(323,161)		(1,994,144)
Infrastructure.....	(3,488,462)	(327,148)		(3,815,610)
Total accumulated depreciation	(30,808,052)	(1,802,165)	0	(32,610,217)
Net capital assets	\$47,053,629	\$ 959,079	\$ 0	\$48,012,708

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL ASSETS (Continued)

	Balances <u>7/1/12</u>	Additions	Retirements & <u>Disposals</u>	Balances <u>6/30/13</u>
Business- type Activities:				
Machinery, equipment and furniture	\$ 93,795	\$57,486		\$ 151,281
Accumulated Depreciation:				
Machinery, equipment and furniture	<u>(93,795)</u>	<u>(11,497)</u>		<u>(105,292)</u>
Net capital assets	<u>\$ 0</u>	<u>\$45,989</u>	\$ 0	<u>\$ 45,989</u>

Depreciation expense for the year ended June 30, 2013 was charged to the following functions/programs of the Town:

Governmental Activities:

Legislative, judicial, and administrative	\$ 127,735
Public safety	581,297
Public services/works	257,390
Grants and Contributions	197,313
Education	<u>638,430</u>
Total	<u>\$ 1,802,165</u>

Business-type Activities:

School Cafeteria Fund	<u>\$11,497</u>
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7. TAX ANTICIPATION NOTE PAYABLE

On August 1, 2012 the Town entered into a tax anticipation note payable on December 6, 2012 in the amount of \$3,500,000. The note bears interest at an annual rate of 3.50%. The note payable obligation was paid in full as of June 30, 2013 and therefore there are no short-term note obligations presented in the Fund Statements of the Government-wide Statement of Position as of June 30, 2013.

<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2013</u>
<u>\$ -0-</u>	<u>\$3,500,000</u>	<u>\$3,500,000</u>	<u>\$ -0-</u>

8. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2013:

General Fund:

State of Rhode Island	\$ 1,013,133
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School Unrestricted Fund:

State of Rhode Island – EDS – Medicaid Funding	240,817
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Federal Forfeiture Fund:

U.S. Department of Justice	38,078,076
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Non-Major Governmental Funds:

State of Rhode Island	501,965
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School Cafeteria Fund:

State of Rhode Island	<u>43,647</u>
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Total all fund types	<u>\$39,877,638</u>
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(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

9. INTERFUND BALANCES

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2013 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<i>Major Governmental Funds:</i>		
General Fund	\$1,865,018	\$4,010,203
School Unrestricted Fund	3,410,813	1,560,734
Federal Forfeiture Fund	1,519	0
<i>Total Major Governmental Funds</i>	<u>5,277,350</u>	<u>5,570,937</u>
<i>Non-major Governmental Funds:</i>		
Police Grants	2,118	0
Community Development Block Grant.....	9,464	0
Community Fund Program.....	1,237	0
Property Revaluation Fund	183,608	0
Fire Alarm Tie-In	12,399	0
Historical Records Trust.....	31,383	0
Fire Prevention Fund	56,150	0
Land Trust Reserve Fund	129,733	0
Recording Fees Fund.....	2,873	0
Decon Grant Fund.....	0	2,173
Substance Abuse Task Force.....	38,004	0
Fireworks Parade Fund.....	4,050	0
Recycling Fund	169,339	0
Roadway Aid Grant.....	0	284,437
Federal Energy Grant.....	2,000	0
State Energy Grant	3,000	0
School Restricted Fund.....	1,500,927	1,631,337
Capital Project Fund.....	0	27,994
School Capital Reserve Fund	3,360	0
<i>Total Non-Major Governmental Funds</i>	<u>2,149,645</u>	<u>1,945,941</u>
<i>Proprietary Funds:</i>		
School Cafeteria Fund	89,883	0
<i>Total Interfund Balances</i>	<u>\$7,516,878</u>	<u>\$7,516,878</u>

Generally Accepted Accounting Principles (GAAP) requires that fund balance be reported as nonspendable for the amount due from other funds which is not expected to be collected within one year. As of June 30, 2013 management has not reported nonspendable fund balance for amounts due from other funds due to the belief that all interfund receivable balances will be collected during the fiscal year ended June 30, 2014.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

10. LONG-TERM DEBT

(a) At June 30, 2013, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2012	Additions	Retirements	Outstanding June 30, 2013	Due Within One Year
Governmental Activities:									
General obligation bonds:									
General Obligation Bonds	10/15/03	\$16,500,000	10/15/23	2.0% - 4.55%	\$11,735,000		\$ 735,000	\$11,000,000	\$ 775,000
Rhode Island Clean Water	06/01/94	1,597,000	09/01/14	4.03%	239,550		79,850	159,700	79,850
General Obligation Refunding	06/29/01	17,165,000	09/15/14	2.7-4.7%	4,790,000		1,525,000	3,265,000	1,595,000
General Obligation Bonds	10/01/01	4,500,000	09/15/21	4.52-4.56%	2,250,000		225,000	2,025,000	225,000
General Obligation Bond	02/15/07	3,500,000	6/12 & 6/27	4.0-5.375%	2,625,000		175,000	2,450,000	175,000
Premium on deficit reduction bond	07/15/10	60,632			36,380		12,126	24,254	0
Deficit Funding Bond	07/15/10	10,500,000	07/15/15	2.8-4.12%	8,525,000		2,035,000	6,490,000	2,095,000
Total general obligation bonds		\$53,822,632			30,200,930	\$ 0	4,786,976	25,413,954	4,944,850
Notes and Lease purchase obligations:									
Telephone Lease (Town)	04/01/09	\$ 59,437	04/01/14	7.00%	23,012		12,905	10,107	10,107
Camp Meehan Loan	06/01/12	300,000	10/01/13	0%	300,000		300,000	0	0
Back Hoe Loader	09/10/11	84,300	09/10/15	2.70%	66,530		15,974	50,556	16,405
2012 Ladder Truck	09/09/11	667,854	09/09/21	2.90%	593,567		58,666	534,901	60,367
Total lease purchase obligations		\$ 1,111,591			983,109	0	387,545	595,564	86,879
Compensated absences					7,701,395	404,736	0	8,106,131	950,000
Net pension obligation					5,697,889	0	5,697,889	0	0
Net OPEB obligation					9,060,230	2,114,000	0	11,174,230	0
IBNR claims					386,342	498,416	386,342	498,416	498,416
					22,845,856	3,017,152	6,084,231	19,778,777	1,448,416
Governmental activities long-term liabilities					\$54,029,895	\$3,017,152	\$11,258,752	\$45,788,295	\$6,480,145

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

(b) Additional Debt Information

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap can not exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$71,909,700 which is 3% of the assessed value of property at December 31, 2011 (\$2,396,989,000). The Town's total bonded debt at June 30, 2013 was \$25,389,700 which is less than the maximum amount allowed. Also some of the Towns bonded debt may be exempt from the 3% calculation resulting in additional amounts available within the cap. The total long-term debt of the Town (\$45,788,295) represents approximately 1.9% of the assessed value of the taxable property of the Town at June 30, 2013.

Interest accrued on debt obligations is reported as a liability and expense in the government-wide financial statements. However, it is not reported in the Fund Statements until it is paid with measurable and available resources. Accrued interest expense recorded for the tax anticipation note obligations and long-term debt obligations of the Governmental Activities was approximately \$322,000 at June 30, 2013.

Compensated absences of \$7,701,395 at June 30, 2013 represent vested sick, personal, and vacation time earned by employees as of June 30, 2013 in accordance with their applicable employment contracts. This balance is comprised of \$5,352,594 for Town personnel and \$2,348,801 for School Department personnel.

(c) Debt Service Requirements

The Town's future debt service requirements relating to outstanding bond and lease purchase obligations consist of the following and are planned to be raised through future property tax levies, fee assessments, and state aid for school housing and library improvements. The future maturities presented below does not include the amortization of the bond premium.

Governmental Activities

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,031,729	\$ 961,825	\$ 5,993,554
2015	5,203,816	771,529	5,975,345
2016	3,571,222	607,714	4,178,936
2017	1,360,773	514,049	1,874,822
2018	1,407,680	303,122	1,710,802
2019 – 2023	7,450,044	1,293,614	8,743,658
2024 – 2028	1,960,000	102,778	2,062,778
Total	<u>\$25,985,264</u>	<u>\$4,554,631</u>	<u>\$30,539,895</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

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

The Town does not have any defeased bonds outstanding at June 30, 2013.

(e) Schedule of long-term debt by purpose at June 30, 2013 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds	\$18,899,700	41%
Deficit reduction bond and bond premium	6,514,254	14%
Lease purchase obligations – Public Safety	595,564	1%
Net OPEB obligation	11,174,230	25%
IBNR claims	498,416	1%
Compensated absences	8,106,131	18%
Total	<u>\$45,788,295</u>	<u>100%</u>

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

(a) **Fund Balances**

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

At June 30, 2013 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Prepaid expenditures – health care deposits	\$ 568,000
Miscellaneous prepaid expenditures	<u>49,413</u>
Total nonspendable fund balance	<u>\$617,413</u>

At June 30, 2013 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

Debt Service Fund:

Funds restricted for debt service payments on the deficit reduction bond obligation	\$1,623,641
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Federal Forfeiture Fund:

Restricted for law enforcement expenditures	<u>1,327,855</u>
Total Major Governmental Funds	<u>2,951,496</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. FUND EQUITY BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

At June 30, 2013 **Restricted Fund Balance** consisted of the following (Continued):

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Community development programs	\$ 30,413
Police/Public safety programs	170,936
Preservation of records and technology	292,185
Community events	4,050
Educational programs	29,816

Capital Projects Funds:

Educational facilities and equipment	55,064
Total NonMajor Governmental Fund	<u>582,464</u>

Total Restricted Fund Balance

	<u>\$3,533,960</u>
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At June 30, 2013 **Committed Fund Balance** consisted of the following:

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Property Revaluation	\$ 183,608
Land acquisition and preservation	129,733
Recycling program	167,942

Capital Projects Funds:

Elementary School improvements	50,007
Total NonMajor Governmental Fund	<u>\$ 531,290</u>

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

(b) Fund Deficits

The following individual funds had deficit fund balance/net position at June 30, 2013:

Major Governmental Fund:

School Unrestricted Fund	<u>\$167,998</u>
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Nonmajor Governmental Fund:

Capital Project Fund	<u>\$27,958</u>
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Business-Type Activities:

School Cafeteria	<u>\$17,824</u>
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Management will continue to review the School Cafeteria Fund to determine ways to increase profitability through an increase in user fees and/or cost saving strategies. Deficit fund balance in the School Unrestricted Fund and the Capital Projects Fund are expected to be cleared through an appropriation from the Town's General Fund.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

11. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had operating deficits for the fiscal year ending June 30, 2013:

Major Governmental Funds	
School Unrestricted Fund	\$ 540,246
Nonmajor Governmental Funds:	
Special Revenue Funds	
Community Fund Program	\$ 502
Historical Records Trust	3,979
Fireworks Parade	3,180
School Restricted Fund	55,876
Capital Project Funds	
School Capital Reserve	352,029
Capital Projects Fund	95,746
Total deficits non-major governmental funds	\$511,312

12. INTERFUND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer Out</u>	<u>School Unrestricted Fund</u>	<u>Proprietary Funds</u>	<u>Non-major Governmental Funds</u>	<u>Debt Service Fund</u>	<u>Total Transfer Out</u>
General Fund	\$31,216,260		\$87,615	\$2,303,931	\$33,607,806
Nonmajor Govt Funds		\$14,573			14,573
Total transfer in	\$31,216,260	\$14,573	\$87,615	\$2,303,931	\$33,622,379

13. DEFINED BENEFIT PENSION PLANS

(a) General Municipal Employees' Pension Plan

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

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. Town Fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Plan Description

All full-time Town general employees and non-certified employees of the School Department 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 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for the general and non-certified school employees covered by the System for the year ended June 30, 2013 was approximately \$7,000,000 and the Town-wide payroll was approximately \$43,500,000.

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.

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.

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

Plan Funding

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).

Effective July 1, 2012 General employees are required by State Statute to contribute 1 percent of their annual earnings. The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 6.47%.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2013 was approximately \$439,000 for general employees (\$251,000 Town and \$188,000 for School Department). General municipal employees covered under this plan were required to contribute approximately \$77,300 for fiscal 2013.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 0	100%	\$0
2012	\$ 69,368	100%	\$0
2013	\$439,000	100%	\$0

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

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	<u>General Employees</u> 4.00% to 8.00%
	<u>Fire Employees</u> 4.25% to 14.25%
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. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.	

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded (overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	\$26,129,381	\$25,511,034	(\$618,347)	102.4%	\$7,046,020	(8.8 %)

(b) Municipal Fire Pension Plan

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

Plan Description

All full-time Town Fire employees participate in the 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 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for fire employees covered by the System for the year ended June 30, 2013 was approximately \$5,025,000 and the Town-wide payroll was approximately \$43,500,000.

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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Plan Description (Continued)

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.

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

Plan Funding

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, 45-21-52 and 45-21.2-14 (which can be amended by the Rhode Island General Assembly).

Active fire members must contribute 7% of his/her compensation.

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2013 was 17.02%.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2013 was approximately \$843,000 for fire personnel. Fire employees covered under this plan were required to contribute approximately \$352,000 for fiscal 2013.

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$494,000	100%	\$0
2012	\$567,000	100%	\$0
2013	\$843,000	100%	\$0

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

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 for the police and fire plans are summarized and presented in the table on Page 48.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Fire Employees' Pension Plan with a valuation date of June 30, 2012 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Fire Plan – June 30, 2012	\$27,253,970	\$38,109,873	\$10,855,903	71.5%	\$4,780,910	227.1%

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

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 North Providence School Department must participate in the 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.

The payroll for employees covered by the System for the year ended June 30, 2013 was approximately \$21,100,000.

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 school district with the exception of teachers who work in federally funded programs where 100% is paid by the school district and reimbursed by the federal government. For fiscal 2013, the total employer rate 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.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Funding Policy (Continued)

The Town contributed approximately \$2,469,900, \$2,775,900, and \$2,478,400 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 the contributions are reflected as on-behalf payments and are included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2013 amounted to approximately \$1,722,000.

A variety of significant actuarial assumptions are used to determine the standardized measure of the pension benefit obligation and these assumptions are summarized below:

- (a) **Mortality** – 97% of rates for male teachers and 92% of rates for female teachers in a GRS table projected with Scale AA from 2000.
- (b) **Investment return** – 7.5 percent, compounded annually, composed of an assumed 2.75% inflation rate and a 4.75% net real rate of return.
- (c) **Salary increase** - Salaries will increase at a rate of 4% wage inflation assumption and a service related component ranging from 0% to 8.75% annually.
- (d) **Payroll growth rate** – In the amortization of the unfunded actuarial accrued liability, payroll is assumed to increase 3.75% per year. The increase is due to the effect of wage inflation on salaries with no allowance for future membership growth.
- (e) **Retirement age** – 75% of Schedule B members who reach the age of 59 with 29 years of service before age 65 are assumed to retire when first eligible. 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. Because of enactment of Article 7 in 2009 and the Act in 2011, the retirement assumption was modified for members whose retirement ages were delayed. Members who would have been assumed to retire prior to the Act are assumed to retire when first eligible for an unreduced benefit.
- (f) **Cost of living adjustments** – COLA benefit increases are assumed to be 2% per year while the plan has a funding level that exceeds 80%. An interim COLA will be granted in five-year intervals while the COLA is suspended. The first COLA will be applicable in calendar year 2018. As of June 30, 2012 it is assumed that the COLAs will be suspended for 15 years due to the current funding level of the plan.

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2012 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

(d) **Police Pension Plan**

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2013. The covered payroll for employees covered by the plan for the year ended June 30, 2013 was approximately \$3,640,000 while the Town-wide payroll for the year ended June 30, 2013 was approximately \$43,500,000.

Plan Description

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

Participants are eligible for non-occupational disability benefits after 7 years of service. Occupational disability benefits are provided to all employees immediately. Non-occupational disability benefits are 50% of average compensation as of the disability date while occupational disability benefits are equal to 66.67% of average compensation as of the date of disability. Pre-Retirement Spouse's Death Benefit is immediate. The spouse is entitled to 40% of final average salary plus 10% for dependent children, subject to a maximum of 50%. If no surviving spouse, 15% of final average salary for each dependent subject to maximum of 45% and ceasing when the last child has attained his/her 18th birthday. The benefit is payable immediately following the death of the participant. The plan provides benefits prior and subsequent to retirement. The death benefit prior to retirement is \$400 times the number of years of service, subject to a minimum of \$2,000 and a maximum of \$8,000, but no less than the employee accumulation. If death occurs after termination of employment, only the employee accumulation is payable. The death benefit subsequent to retirement is determined as above reduced by $\frac{1}{4}$ for each year subsequent to retirement, subject to a minimum of \$2,000 or the employee accumulation less annuity payments received. If employment is terminated prior to his/her retirement date, only the employee accumulation less payments received is payable.

Cost of living increases – Participants retiring between July 1, 1986 and prior to July 1, 2004, with 20 years of service, a lump sum payment will be made on each January 1st. The payment is initially 3% of the annual retirement allowance, increasing each year by 1% to a maximum of 12%. For participants retiring after July 1, 2004 and prior to July 1, 2007, with 20 years of service, a lump sum payment will be made on each January 1st beginning January 1, 2008. The payment is 3% of the initial annual retirement allowance, not compounded, for a period of 15 years. Those retiring after July 1, 2004 but prior to January 1, 2007 shall receive the COLA set forth above until January 1, 2008 at which time the 3% COLA will commence. Those participants retiring after July 1, 2007, with 20 years of service will receive a lump sum payment on each January 1st following the date of retirement and each January 1st thereafter for 25 years. The payment is 3% per year of the original benefit, not compounded. At the end of 25 years, the COLA will not increase, but the final benefit will continue to be paid thereafter.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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

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

Contributions Required and Contributions Made

Under the provisions of the plan, employees are required to contribute 8% of their compensation effective January 1, 2007. Prior to January 1, 2007 the employee's contributions were 7% of their compensation. The plan actuarial valuation dated July 1, 2012 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2013. The Town's annual required contribution for the fiscal year ended June 30, 2013 was \$1,675,153 while actual contributions made were approximately \$22,318,088.

The Town's annual pension cost (APC) and net pension benefit obligation (asset) (NPO) for the Police Pension Fund for the year ended June 30, 2013 was as follows:

Annual required contribution (ARC).....	\$ 1,675,153
Interest on net pension obligation.....	413,097
Adjustment to ARC.....	<u>(328,973)</u>
Annual pension cost (APC).....	1,759,277
Town contributions made.....	<u>22,318,088</u>
Decrease in net pension obligation.....	<u>(20,558,811)</u>
Net pension benefit obligation, June 30, 2012.....	5,697,889
Net pension benefit asset, June 30, 2013.....	<u>(\$14,860,922)</u>

Three-Year Trend Information

Fiscal Year Ending	Town Contribution	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
6/30/2013	\$22,318,088	\$1,759,277	1268.59%	(\$14,860,922)
6/30/2012	\$ 1,568,500	\$1,680,529	93.33%	\$ 5,697,889
6/30/2011	\$ 789,227	\$1,440,230	54.80%	\$ 5,585,860

The net pension obligation asset of \$14,860,922 at June 30, 2013 is included as a non-current asset in the government-wide statement of net position.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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

Actuarial Methods and Assumptions:

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2012 dated February 21, 2013 (latest available). There have been changes in the actuarial assumptions from previous valuations. The schedule of funding progress is presented in the Required Supplementary Information Section of these financial statements as RSI-3.

Entry Age Normal Method

Investment Return – 7.25%

Amortization Period – 10 year period lowered from 20 years.

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

(prior year- 4.00% at all ages)

Payroll Growth Rate – 3.50% (prior year- 4.00%)

Healthy Mortality – RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date. (prior year- same table without projection)

Disabled Mortality – RP – 2000 Disabled Table with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date. (prior year- same table without projection)

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

(prior year- 25% of active members are assumed to retire on completion of 20 years of service; 5% retire at each age thereafter; 100% are assumed to have retired by age 55).

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

(prior year- 25% of the Sarason T-1 Table)

Disability – 50% of the 1985 Pension Disability table (DP-85) Class 4. 50% of disabilities are assumed to be duty related. (prior year- The United Auto Workers Table)

Survivors – 70% of active members are assumed to be married, with wives one year younger than husbands. (prior year- 90% of men and 75% of women are assumed to be married, with wives four years younger than husbands). 100% of active members are assumed to have one dependent child.

Plan Expenses - None

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

13. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police Pension Plan (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police Pension Plans with a valuation date of July 1, 2012, which is the most recent report available from the Actuary hired by the Town to conduct a valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Police Pension Plan – July 1, 2012	\$34,253,447	\$36,090,353	\$1,836,906	94.9%	\$3,751,058	49.0%

Note – The value of assets noted above includes the accrued contribution of \$20.6 million which was not made until fiscal 2013.

14. DEFINED CONTRIBUTION PENSION PLAN

Plan Description:

General municipal, certified School, and noncertified school employees participating in the defined benefit plans (of the System), as described in Note 13, 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:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed approximately \$1,393,100 and \$278,600, respectively, during the fiscal year ended June 30, 2013. The employer contribution of \$278,600 consisted of approximately \$38,600 for general municipal employees, \$29,100 for noncertified school employees, and \$210,900 for certified teachers.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

14. **DEFINED CONTRIBUTION PENSION PLAN (Continued)**

Plan Funding Policy (Continued):

Although the Town (School Department) is required to contribute 1% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2013 amounted to approximately \$80,000.

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

15. **DEFERRED COMPENSATION PLAN**

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

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

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

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2013 the stop loss insurance contract covered all claims exceeding \$160,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

16. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN (Continued)

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2013 the Town has estimated a liability for incurred but not reported claims (IBNR) based on actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2013. Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2013 were as follows:

Incurred but not reported claims (IBNR), June 30, 2012	\$ 386,342
Approximate amount of incurred claims	10,151,460
Paid claims including amount in accounts payable at June 30, 2013	<u>(10,039,386)</u>
Estimated IBNR Claims outstanding at June 30, 2013	<u>\$ 498,416</u>

Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2012 were as follows:

Incurred but not reported claims (IBNR), June 30, 2011	\$ 391,590
Approximate amount of incurred claims	9,816,120
Paid claims including amount in accounts payable at June 30, 2012	<u>(9,821,368)</u>
Estimated IBNR Claims outstanding at June 30, 2012	<u>\$ 386,342</u>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2013 but which were not reported until after year-end. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Position as they are not expected to be paid with current measurable and available resources at June 30, 2013. The IBNR claims outstanding at June 30, 2013 are comprised of approximately \$258,509 and \$239,907 related to Town and School employees, respectively.

At June 30, 2013 the Town of North Providence has a deposit with the Plan Administrator totaling approximately \$568,000. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in nonspendable fund balance in the governmental activities of the Fund Statements.

17. COMMITMENTS AND CONTINGENCIES

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

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

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Position at June 30, 2013.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

18. **OTHER POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Notes 13 and 14, the Town provides post employment health care benefits and dental in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group is described below:

ELIGIBILITY:

School Teachers and Administrators: Members who have retired under the Employees' Retirement System of Rhode Island (ERSRI), with a minimum of 15 years of service (20 years of service for Schedule B members) with the North Providence School System, shall be eligible to receive medical and dental benefits for self and spouse. Eligibility for retirement is as follows: If vested by 7/1/2005 (Schedule A): The earlier of 28 years of service, or age 60 with 10 years of service. If vested after 7/1/2005 (Schedule B): Normal retirement is the earlier of age 65 with 10 years of service, or age 59 with 29 years of service. Early retirement is age 55 with 20 years of service. Cost Sharing – 50% retiree paid coverage is pre-65 only. Members eligible for retirement after July 1, 2012, with at least five years of service as of June 30, 2012 are eligible for Normal Retirement at an individually determined age. This age is based on the members' social security retirement age with a proportional downward adjustment based on years of service prior to July 1, 2012. The minimum retirement age is 59 with 5 years of service.

Police: Members who have retired under the Town's Police Retirement Plan with at least 20 years of service, shall be eligible to receive medical and dental benefits for self and spouse. Cost Sharing: 100% Town paid up to age 65. Upon retiree reaching age 65, under age 65 spouse and dependents can elect COBRA for 36 months.

Fire: Members who have retired under the MERS for firefighters shall be eligible to receive medical and dental benefits for self and spouse. Eligibility for retirement is completion of 20 years of service regardless of age for all members eligible to retire prior to July 1, 2012. For all members eligible to retire on or after July 1, 2012 eligibility for retirement is age 55 with 25 years of service. Cost Sharing: 100% Town paid up to age 65. Upon retiree reaching age 65, under age 65 spouse and dependents can elect COBRA for 36 months.

General Employees:

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

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

School Local 2435 – Members hired after 7/1/1989 and who have retired under MERS with at least 20 years of service (10 years if hired prior to 7/1/1989) receive medical and dental for self and spouse.

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

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – Other Post-Employment Benefits Program July 1, 2012 Valuation*. This report dated January 30, 2013 can be obtained by contacting the Town's Finance Department.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

18. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy:

The Annual Required Contribution (ARC) for OPEB consists of two pieces: A Normal Cost (the cost of benefits earned each year which should be accrued in that year) plus a Past Service Cost (a catch-up accrual to amortize the unfunded accrued liability). The actuarial valuation selected a 30 year amortization (starting in fiscal 2009) period for past service costs (this is the maximum period allowed by GASB).

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
ARC.....	\$4,955,000	\$4,686,000	\$4,549,000
Net OPEB Cost.....	\$4,955,000	\$4,696,569	\$4,562,637

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2013, expenditures of approximately \$2,364,000 were recognized for post-retirement benefits. Of this amount approximately \$1,867,000 was paid for 108 Town retirees, and \$497,000 was paid for approximately 80 School retirees. Current year estimated expenditures noted below represent approximately 57% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2013 which was determined by the actuarial valuation report with a valuation date of July 1, 2010. As a result, the government-wide financial statements include a long-term liability of \$11,174,230 and an expense for this Net OPEB Obligation (NOO) of approximately \$2,114,000. The NOO at June 30, 2013 was calculated as follows:

Annual Required Contribution	\$4,955,000
Interest on the NOO	362,409
Adjustment to ARC	(362,409)
Annual OPEB Cost.....	4,955,000
Contributions made during fiscal 2013	** (2,841,000)
Increase in NOO.....	2,114,000
NOO at June 30, 2012	9,060,230
NOO at June 30, 2013.....	<u>\$ 11,174,230</u>

** Amount estimated by actuary.

Funded Status of Plan:

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2012 which is the most recent report available from the actuary who was hired by the Town to value the plan.

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$66,227,000
- Unfunded actuarial accrued liability (UAAL) - \$66,227,000
- Funded ratio – 0.00%
- Annual covered payroll – \$41,332,000
- UAAL as percent of payroll – 160.2%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

18. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status of Plan (Continued):

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

Actuarial Assumptions:

- a. Valuation Date: July 1, 2012
- b. Actuarial Method: Projected Unit Credit. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.
- c. Payroll Growth Rate: 3.5% (Prior valuation utilized 4%)
- d. Amortization Period: 30 year closed (26 years remaining at July 1, 2012)
- e. Asset Valuation Method: Market Value
- f. Investment Rate of Return: 4.0% reflects Town had not established an OPEB Trust
- g. Medical Inflation: Derived from the "Getzen Model." Inflation rate of 4.7% over period of 70 years for pre-65 and 69 years for post 65.
- h. Mortality tables: Teachers: 97% and 92% of rates for male and female, respectively, of GRS table projected with Scale AA from 2000. Police – RP-2000 Combined Healthy Table with generational projection per Scale AA. All others – 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA. 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA.

Number of Participants:

At July 1, 2012 the total number of participants under the plan was 977. The plan participants include 272 current retirees and spouses of retirees (174 Town and 98 School) and 705 active employees (270 Town and 435 School).

19. RESTATEMENT

The net positions of the Governmental and Business-Type Activities have been restated as of June 30, 2012 to reflect the implementation of GASB Statement #65 – *Items Previously Reported as Assets and Liabilities*. Implementation of this new Standard resulted in the removal of bond issuance costs as an asset from the Statement of Net Position (formerly the Statement of Net Assets). Under GASB Statement #65 bond issuance costs, excluding bond insurance costs, are to be recorded as an expense in the year the costs are incurred rather than amortizing those costs over the life of the bond obligation. As a result, the unamortized bond issuance costs as of June 30, 2012 totaling \$179,740 for the Governmental Activities have been retroactively removed from the opening net position balance. The following reflects the effect of implementation of GASB Statement #65:

Governmental Activities:

Net Position, June 30, 2012 as originally stated	\$6,015,232
Less write-off of bond issuance costs, net.....	(179,740)
Net Position, June 30, 2012 as restated	<u>\$5,835,492</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis

For the Year Ended June 30, 2013

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes:			
Current taxes	\$ 64,543,558	\$ 63,809,308	\$ (734,250)
Prior taxes	1,500,000	3,388,622	1,888,622
Total taxes current and prior	66,043,558	67,197,930	1,154,372
Interest on delinquent accounts	400,000	531,789	131,789
Total property taxes	66,443,558	67,729,719	1,286,161
State & Federal Aid:			
School construction aid	983,996	1,358,440	374,444
Meal Tax	200,000	349,579	149,579
State motor vehicle phase-out	350,472	343,802	(6,670)
Telephone tax	350,000	402,567	52,567
Library aid	163,008	164,384	1,376
In lieu of property taxes	420,000	576,027	156,027
State aid to education	14,043,109	14,057,177	14,068
Medicaid reimbursement (Education Department)	400,000	935,115	535,115
School miscellaneous receipts	100,000	120,516	20,516
State community relief fund	1,025,738	1,025,738	-
Total state aid - Town	18,036,323	19,333,345	1,297,022
Licenses, fees and rents:			
Pool & fitness center	186,000	158,829	(27,171)
Notte Park	34,000	34,653	653
Data processing services	14,000	-	(14,000)
Rental of Town properties	220,000	186,053	(33,947)
Total licenses, fees and rents	454,000	379,535	(74,465)
Investment income - short term	-	1,889	1,889
Departmental revenues:			
Building inspection revenue	325,000	252,130	(72,870)
Town clerk receipts	550,000	655,038	105,038
Municipal court revenue	150,000	78,012	(71,988)
Total departmental revenues	1,025,000	985,180	(39,820)
Miscellaneous revenues:			
Housing authority - in lieu of taxes	16,500	-	(16,500)
Miscellaneous Receipts	95,000	69,352	(25,648)
Fines and Penalties	50,000	33,820	(16,180)
Tax collector costs	(50,000)	83,898	133,898
Fire reports	5,000	11	(4,989)
Sale of surplus equipment	5,000	2,000	(3,000)
EMS rescue services	1,200,000	1,035,320	(164,680)
Total miscellaneous revenues	1,321,500	1,224,401	(97,099)
Total Revenues	87,280,381	89,654,069	2,373,688

(CONTINUED)

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

For the Year Ended June 30, 2013

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:			
Legislative, judicial and general administrative:			
Administration	210,559	204,155	6,404
Town council	122,296	95,391	26,905
Town clerk	208,791	214,078	(5,287)
Legal department	325,834	409,503	(83,669)
Public Buildings	927,967	983,523	(55,556)
Board of canvassers	171,327	127,931	43,396
Human resources	35,884	30,087	5,797
Zoning board of review	13,750	4,162	9,588
Planning department /economic development	205,687	204,563	1,124
Other (departments)	86,500	83,771	2,729
Total general government	2,308,595	2,357,164	(48,569)
Department of Finance:			
Finance Director/Town Treasurer	310,826	258,981	51,845
Tax collector	247,393	299,471	(52,078)
Tax assessor	604,199	591,193	13,006
Purchasing	60,445	61,192	(747)
Auditing financial records	35,000	32,214	2,786
Total department of finance	1,257,863	1,243,051	14,812
Public Safety:			
Fire Department	8,184,826	7,903,809	281,017
Police Department	5,912,388	5,716,525	195,863
Communication Division	464,964	440,952	24,012
Division of inspections	269,516	258,587	10,929
Division of automotive repair	522,600	491,965	30,635
Civil Defense	6,823	6,714	109
Fire hydrants	200,000	193,712	6,288
Total public safety	15,561,117	15,012,264	548,853
Public Services/Works:			
Street lights	450,000	563,170	(113,170)
Beautification	3,000	767	2,233
Department of public works	1,657,153	1,618,936	38,217
Recreation department	380,703	376,153	4,550
Environmental protection	1,964,779	1,725,899	238,880
Local welfare	10,574	9,574	1,000
Total public services	4,466,209	4,294,499	171,710
Grants & Contributions:			
Grants to organizations	11,000	12,444	(1,444)
Grant to senior center	491,286	491,286	-
Grant to library	791,012	793,190	(2,178)
Total grants and contributions	1,293,298	1,296,920	(3,622)

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund - Budgetary Basis

For the Year Ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other expenditures:			
Insurance	707,575	609,300	98,275
Employee fringe benefits and unemployment compensation	9,768,000	9,930,216	(162,216)
Contingent - Deficit Reduction Plan	2,304,092	2,303,931	161
Capital equipment acquisition	-	188,500	(188,500)
Various miscellaneous - contingencies	130,000	168,145	(38,145)
Total other expenditures	<u>12,909,667</u>	<u>13,200,092</u>	<u>(290,425)</u>
Debt Service:			
Bond and note principal	2,739,850	2,739,850	-
Bond and note interest	984,413	967,359	17,054
Total debt service	<u>3,724,263</u>	<u>3,707,209</u>	<u>17,054</u>
Total expenditures	<u>41,521,012</u>	<u>41,111,199</u>	<u>409,813</u>
Excess of revenues over expenditures	<u>45,759,369</u>	<u>48,542,870</u>	<u>2,783,501</u>
Other financing sources (uses):			
Transfer to School - Town Appropriation	(31,216,260)	(31,216,260)	-
Transfer to School - State Aid for Education	(14,043,109)	(14,057,177)	(14,068)
Transfer to School - Medicaid Receipts	(400,000)	(935,115)	(535,115)
Transfer to School - Miscellaneous Receipts	(100,000)	(120,516)	(20,516)
Total other financing uses	<u>(45,759,369)</u>	<u>(46,329,068)</u>	<u>(569,699)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 2,213,802</u>	<u>\$ 2,213,802</u>

(CONCLUDED)

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

For the Year Ended June 30, 2013

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
State Aid	\$ 14,043,109	\$ 14,057,177	\$ 14,068
Medicaid Reimbursement	400,000	935,115	535,115
Miscellaneous Revenue	70,000	70,444	444
Use of property, preschool and other	30,000	50,072	20,072
Total revenues	<u>14,543,109</u>	<u>15,112,808</u>	<u>569,699</u>
Expenditures:			
Salaries	26,709,538	26,695,972	13,566
Employee benefits	10,450,000	10,169,840	280,160
Purchased services	7,036,102	8,502,247	(1,466,145)
Supplies and materials	1,386,500	1,216,031	170,469
Capital outlay	582,550	243,911	338,639
Other	45,679	41,313	4,366
Total expenditures	<u>46,210,369</u>	<u>46,869,314</u>	<u>(658,945)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(31,667,260)</u>	<u>(31,756,506)</u>	<u>(89,246)</u>
Other financing sources (uses):			
Operating transfer from the Town	31,216,260	31,216,260	-
Operating transfer - Town appropriation-Supplemental	-	-	-
Capital budget funding from capital reserve	351,000	-	(351,000)
Technology funding from E Rate	100,000	-	(100,000)
Total other financing sources (uses)	<u>31,667,260</u>	<u>31,216,260</u>	<u>(451,000)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ (540,246)</u>	<u>\$ (540,246)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2013
UNAUDITED*

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
General municipal employees pension plan.....							
	6/30/2010	\$ 26,260,322	\$ 26,570,377	\$ (310,055)	98.8%	\$ 7,249,635	-4.3%
	6/30/2011	\$ 25,878,674	\$ 25,279,111	\$ 599,563	102.4%	\$ 7,137,183	8.4%
	6/30/2012	\$ 26,129,381	\$ 25,511,034	\$ 618,347	102.4%	\$ 7,046,020	8.8%
Fire pension plan.....							
	6/30/2010	\$ 27,623,708	\$ 35,889,123	\$ (8,265,415)	77.0%	\$ 5,223,668	-158.2%
	6/30/2011	\$ 27,154,563	\$ 35,959,733	\$ (8,805,170)	75.5%	\$ 4,839,707	-181.9%
	6/30/2012	\$ 27,253,970	\$ 38,109,873	\$ (10,855,903)	71.5%	\$ 4,780,910	-227.1%

Notes to 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 assumptions 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.

The information included above was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2012 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2013 report.

Police pension plan.....							
	7/1/2007	\$ 20,331,967	\$ 29,701,976	\$ (9,370,009)	68.5%	\$ 3,833,169	-244.4%
	7/1/2010	\$ 13,748,156	\$ 30,323,300	\$ (16,575,144)	45.3%	\$ 3,583,371	-462.6%
	7/1/2012	\$ 34,253,447	\$ 36,090,353	\$ (1,836,906)	94.9%	\$ 3,751,058	-49.0%

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information
Schedule of Funding Progress OPEB
June 30, 2013
UNAUDITED*

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
General municipal employees							
OPEB.....	7/1/2008	\$ -	\$ 2,024,000	\$ (2,024,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 2,601,000	\$ (2,601,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 3,019,000	\$ (3,019,000)	0.0%	N/A	N/A
Fire Department employees							
OPEB.....	7/1/2008	\$ -	\$ 24,028,000	\$ (24,028,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 29,236,000	\$ (29,236,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 29,023,000	\$ (29,023,000)	0.0%	N/A	N/A
Police Department employees							
OPEB.....	7/1/2008	\$ -	\$ 17,363,000	\$ (17,363,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 18,683,000	\$ (18,683,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 24,869,000	\$ (24,869,000)	0.0%	N/A	N/A
School Teachers							
OPEB.....	7/1/2008	\$ -	\$ 8,105,000	\$ (8,105,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 9,278,000	\$ (9,278,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 7,637,000	\$ (7,637,000)	0.0%	N/A	N/A
Other School employees							
OPEB.....	7/1/2008	\$ -	\$ 1,238,000	\$ (1,238,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 1,480,000	\$ (1,480,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 1,679,000	\$ (1,679,000)	0.0%	N/A	N/A
Total North Providence OPEB Information	7/1/2008	\$ -	\$ 52,758,000	\$ (52,758,000)	0.0%	N/A	N/A
	7/1/2010	\$ -	\$ 61,278,000	\$ (61,278,000)	0.0%	N/A	N/A
	7/1/2012	\$ -	\$ 66,227,000	\$ (66,227,000)	0.0%	\$ 41,332,000	-160.2%

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

The information included in this schedule of funding progress was obtained from the actuarial valuation report dated January 30, 2013 prepared by Milliman. The July 1, 2012 valuation is the most recent report available as of the date of the audited financial statements.

TOWN OF NORTH PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Police Grants	Community Development Block Grants
Community Fund Program	Property Revaluation
State Drug Forfeiture	Emergency Management
Fire Alarm Tie-in	Historical Records Trust
Fire Prevention Fund	Land Trust Reserve Fund
Recording Fees Fund	Decon Grant
Substance Abuse Task Force	Fireworks Parade Fund
Recycling Fund	Stormwater Grant
Roadway Aid Grant	Comprehensive Plan Grant
Federal Energy Grant	State Energy Grant
School Restricted Funds	

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

Title I	Wallace/RIASP Grant
Champlin Grant	Project IDEA
IDEA Preschool	Title II
eRate	Perkins
Substance Abuse Task Force	Beatrice Ward Auditorium Education
RTTT Standard & Curriculum	RTTT Instructional Impr. System
RTTT Educator Effectiveness	

(CONTINUED)

TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

Capital Project Fund – This fund is used to account for \$3.5 million in bond proceeds received in fiscal 2007 to be used for various capital acquisitions and improvements including public works facility, public safety facility, recreation projects, etc... This Fund also accounts for acquisition of capital assets utilizing note obligations and lease purchase agreements.

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

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	<u>SPECIAL REVENUE FUNDS</u>							
	<u>Police Grants</u>	<u>Community Development Block Grants</u>	<u>Community Fund Program</u>	<u>Property Revaluation</u>	<u>State Drug Forfeiture</u>	<u>Emergency Management</u>	<u>Fire Alarm Tie-In</u>	<u>Historical Records Trust</u>
ASSETS								
Cash and cash equivalents		\$ 34,223			\$ 65,608			
Accounts and other receivable(net)		263,683						
Due from federal & state governments		12,325				\$ 33,870		
Due from other funds	\$ 2,118	9,464	\$ 1,237	\$ 183,608			\$ 12,399	\$ 31,383
TOTAL ASSETS	<u>\$ 2,118</u>	<u>\$ 319,695</u>	<u>\$ 1,237</u>	<u>\$ 183,608</u>	<u>\$ 65,608</u>	<u>\$ 33,870</u>	<u>\$ 12,399</u>	<u>\$ 31,383</u>
LIABILITIES								
Accounts payable	\$ 88	\$ 8,158						\$ 4,231
Due to other funds								
Unearned revenue - other		281,124						
TOTAL LIABILITIES	<u>88</u>	<u>289,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,231</u>
FUND BALANCES								
Restricted	2,030	30,413	1,237		65,608	33,870	12,399	27,152
Committed				183,608				
Unassigned								
TOTAL FUND BALANCES	<u>2,030</u>	<u>30,413</u>	<u>1,237</u>	<u>183,608</u>	<u>65,608</u>	<u>33,870</u>	<u>12,399</u>	<u>27,152</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,118</u>	<u>\$ 319,695</u>	<u>\$ 1,237</u>	<u>\$ 183,608</u>	<u>\$ 65,608</u>	<u>\$ 33,870</u>	<u>\$ 12,399</u>	<u>\$ 31,383</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	SPECIAL REVENUE FUNDS									
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Stormwater Grant	Roadway Aid Grant	Comprehensive Plan Grant
ASSETS										
Cash and cash equivalents			\$ 262,160							
Accounts and other receivable(net)				\$ 2,219					\$ 284,437	
Due from federal & state governments										
Due from other funds	\$ 56,150	\$ 129,733	2,873		\$ 38,004	\$ 4,050	\$ 169,339			
TOTAL ASSETS	\$ 56,150	\$ 129,733	\$ 265,033	\$ 2,219	\$ 38,004	\$ 4,050	\$ 169,339	\$ -	\$ 284,437	\$ -
LIABILITIES										
Accounts payable	\$ 358			\$ 46	\$ 8,216		\$ 1,397			
Due to other funds				2,173					\$ 284,437	
Unearned revenue - other					29,788					
TOTAL LIABILITIES	358	\$ -	\$ -	2,219	38,004	\$ -	1,397	\$ -	284,437	\$ -
FUND BALANCES										
Restricted	55,792		265,033	-	-	4,050				
Committed		129,733					167,942			
Unassigned										
TOTAL FUND BALANCES	55,792	129,733	265,033	-	-	4,050	167,942	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 56,150	\$ 129,733	\$ 265,033	\$ 2,219	\$ 38,004	\$ 4,050	\$ 169,339	\$ -	\$ 284,437	\$ -

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				
	Federal Energy Grant	State Energy Grant	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents			\$ 5,410	\$ 367,401	\$ 51,704	\$ 2,113	\$ 25,824	\$ 79,641	\$ 447,042
Accounts and other receivable(net)			2,899	266,582			24,183	24,183	290,765
Due from federal & state governments			169,114	501,965				-	501,965
Due from other funds	\$ 2,000	\$ 3,000	1,500,927	2,146,285	3,360			3,360	2,149,645
TOTAL ASSETS	<u>\$ 2,000</u>	<u>\$ 3,000</u>	<u>\$ 1,678,350</u>	<u>\$ 3,282,233</u>	<u>\$ 55,064</u>	<u>\$ 2,113</u>	<u>\$ 50,007</u>	<u>\$ 107,184</u>	<u>\$ 3,389,417</u>
LIABILITIES									
Accounts payable	\$ 2,000	\$ 3,000	\$ 17,197	\$ 44,691		\$ 1,777		\$ 1,777	\$ 46,468
Due to other funds			1,631,337	1,917,947		27,994		27,994	1,945,941
Unearned revenue - other				310,912				-	310,912
TOTAL LIABILITIES	<u>2,000</u>	<u>3,000</u>	<u>1,648,534</u>	<u>2,273,550</u>	<u>\$ -</u>	<u>29,771</u>	<u>\$ -</u>	<u>29,771</u>	<u>2,303,321</u>
FUND BALANCES									
Restricted	-	-	29,816	527,400	55,064			55,064	582,464
Committed				481,283			50,007	50,007	531,290
Unassigned				-		(27,658)		(27,658)	(27,658)
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>29,816</u>	<u>1,008,683</u>	<u>55,064</u>	<u>(27,658)</u>	<u>50,007</u>	<u>77,413</u>	<u>1,086,096</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,000</u>	<u>\$ 3,000</u>	<u>\$ 1,678,350</u>	<u>\$ 3,282,233</u>	<u>\$ 55,064</u>	<u>\$ 2,113</u>	<u>\$ 50,007</u>	<u>\$ 107,184</u>	<u>\$ 3,389,417</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013*

	<u>SPECIAL REVENUE FUNDS</u>							
	Police Grants	Community Development Block Grants	Community Fund Program	Property Revaluation	State Drug Forfeiture	Emergency Management	Fire Alarm Tie-In	Historical Records Trust
REVENUES:								
Interest and investment income		\$ 1,097						
Fees and assessments		6,333					\$ 17,051	\$ 26,021
Intergovernmental Contributions	\$ 37,984	90,400		\$ 183,608	\$ 21,277	\$ 84,870		
Other			\$ 1,337					
Total revenues	<u>37,984</u>	<u>97,830</u>	<u>1,337</u>	<u>183,608</u>	<u>21,277</u>	<u>84,870</u>	<u>17,051</u>	<u>26,021</u>
EXPENDITURES:								
Current:								
Public safety	37,393				265	4,546	4,652	
Education								
Other expenses		96,300	1,839					30,000
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements						84,013		
Total expenditures	<u>37,393</u>	<u>96,300</u>	<u>1,839</u>	<u>-</u>	<u>265</u>	<u>88,559</u>	<u>4,652</u>	<u>30,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>591</u>	<u>1,530</u>	<u>(502)</u>	<u>183,608</u>	<u>21,012</u>	<u>(3,689)</u>	<u>12,399</u>	<u>(3,979)</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt obligations								
Transfers in	-	5,900				3,954		
Transfers out	-							
Total other financing sources (uses)	<u>-</u>	<u>5,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954</u>	<u>-</u>	<u>-</u>
Net change in fund balances	591	7,430	(502)	183,608	21,012	265	12,399	(3,979)
Fund balances - beginning of year	1,439	22,983	1,739	-	44,596	33,605	-	31,131
Fund balances - end of year	<u>\$ 2,030</u>	<u>\$ 30,413</u>	<u>\$ 1,237</u>	<u>\$ 183,608</u>	<u>\$ 65,608</u>	<u>\$ 33,870</u>	<u>\$ 12,399</u>	<u>\$ 27,152</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS									
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Stormwater Grant	Roadway Aid Grant	Comprehensive Plan Grant
REVENUES:										
Interest and investment income										
Fees and assessments	\$ 23,351	\$ 6,000	\$ 32,792				\$ 77,831			
Intergovernmental				\$ 28,025	\$ 32,863			\$ 4,017	\$ 265,597	
Contributions						\$ 100				
Other										
Total revenues	<u>23,351</u>	<u>6,000</u>	<u>32,792</u>	<u>28,025</u>	<u>32,863</u>	<u>100</u>	<u>77,831</u>	<u>4,017</u>	<u>265,597</u>	<u>\$ -</u>
EXPENDITURES:										
Current:										
Public safety	20,203				32,863					
Education										
Other expenses			17,474	18,462		3,280	5,032	18,614		10,247
Debt Service:										
Debt service principal										
Interest expense										
Capital improvements				11,968					279,087	
Total expenditures	<u>20,203</u>	<u>-</u>	<u>17,474</u>	<u>30,430</u>	<u>32,863</u>	<u>3,280</u>	<u>5,032</u>	<u>18,614</u>	<u>279,087</u>	<u>10,247</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,148</u>	<u>6,000</u>	<u>15,318</u>	<u>(2,405)</u>	<u>-</u>	<u>(3,180)</u>	<u>72,799</u>	<u>(14,597)</u>	<u>(13,490)</u>	<u>(10,247)</u>
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of debt obligations										
Transfers in				2,405				14,597	13,490	10,247
Transfers out										
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,597</u>	<u>13,490</u>	<u>10,247</u>
Net change in fund balances	<u>3,148</u>	<u>6,000</u>	<u>15,318</u>	<u>-</u>	<u>-</u>	<u>(3,180)</u>	<u>72,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	52,644	123,733	249,715	-	-	7,230	95,143	-	-	-
Fund balances - end of year	<u>\$ 55,792</u>	<u>\$ 129,733</u>	<u>\$ 265,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,050</u>	<u>\$ 167,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS			Total Capital Project Funds	Total Nonmajor Governmental Funds
	Federal Energy Grant	State Energy Grant	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements		
REVENUES:									
Interest and investment income				\$ 1,097		\$ 12		\$ 12	\$ 1,109
Fees and assessments				189,379			\$ 41,140	41,140	230,519
Intergovernmental	\$ 121,702	\$ 106,365	\$ 2,194,547	3,171,255	\$ 169,504	337,260		506,764	3,678,019
Contributions	2,000	2,000	73,595	77,695					77,695
Other				1,337					1,337
Total revenues	123,702	108,365	2,268,142	3,440,763	169,504	337,272	41,140	547,916	3,988,679
EXPENDITURES:									
Current:									
Public safety				99,922				-	99,922
Education			2,168,012	2,168,012				-	2,168,012
Other expenses				201,248				-	201,248
Debt Service:									
Debt service principal						300,000		300,000	300,000
Interest expense								-	-
Capital improvements	123,702	145,387	156,006	800,163	521,533	133,018		654,551	1,454,714
Total expenditures	123,702	145,387	2,324,018	3,269,345	521,533	433,018	-	954,551	4,223,896
Excess (deficiency) of revenues over (under) expenditures	-	(37,022)	(55,876)	171,418	(352,029)	(95,746)	41,140	(406,635)	(235,217)
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of debt obligations								-	-
Transfers in		37,022		87,615				-	87,615
Transfers out							(14,573)	(14,573)	(14,573)
Total other financing sources (uses)	-	37,022	-	87,615	-	-	(14,573)	(14,573)	73,042
Net change in fund balances	-	-	(55,876)	259,033	(352,029)	(95,746)	26,567	(421,208)	(162,175)
Fund balances - beginning of year	-	-	85,692	749,650	407,093	68,088	23,440	498,621	1,248,271
Fund balances - end of year	\$ -	\$ -	\$ 29,816	\$ 1,008,683	\$ 55,064	\$ (27,658)	\$ 50,007	\$ 77,413	\$ 1,086,096

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

AGENCY FUNDS

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

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

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

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

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

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

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

Student Activities Fund – To account for funds held in various school programs. During fiscal 2013 the North Providence School Department was administering approximately 16 separate accounts for student activity funds.

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

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

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 41,986	\$ -	\$ 24,443	\$ 17,543
TOTAL ASSETS	\$ 41,986	\$ -	\$ 24,443	\$ 17,543
LIABILITIES:				
Deposits held in custody for others	\$ 41,986	\$ -	\$ 24,443	\$ 17,543
TOTAL LIABILITIES	\$ 41,986	\$ -	\$ 24,443	\$ 17,543
<u>Seized Property:</u>				
ASSETS:				
Cash	\$ 13,889	\$ -	\$ 10,607	\$ 3,282
TOTAL ASSETS	\$ 13,889	\$ -	\$ 10,607	\$ 3,282
LIABILITIES:				
Deposits held in custody for others	\$ 13,889	\$ -	\$ 10,607	\$ 3,282
TOTAL LIABILITIES	\$ 13,889	\$ -	\$ 10,607	\$ 3,282
<u>Low Cost Spay/Neuter:</u>				
ASSETS:				
Other receivables	\$ 590	\$ -	\$ 261	\$ 329
TOTAL ASSETS	\$ 590	\$ -	\$ 261	\$ 329
LIABILITIES:				
Deposits held in custody for others	\$ 590	\$ -	\$ 261	\$ 329
TOTAL LIABILITIES	\$ 590	\$ -	\$ 261	\$ 329
<u>Animal Care Donations:</u>				
ASSETS:				
Other receivables	\$ 8,446	\$ 1,082	\$ 1,736	\$ 7,792
TOTAL ASSETS	\$ 8,446	\$ 1,082	\$ 1,736	\$ 7,792
LIABILITIES:				
Deposits held in custody for others	\$ 8,446	\$ 1,082	\$ 1,736	\$ 7,792
TOTAL LIABILITIES	\$ 8,446	\$ 1,082	\$ 1,736	\$ 7,792
<u>Animal Care Adoptions:</u>				
ASSETS:				
Other receivables	\$ 7,109	\$ 1,318	\$ 148	\$ 8,279
TOTAL ASSETS	\$ 7,109	\$ 1,318	\$ 148	\$ 8,279
LIABILITIES:				
Deposits held in custody for others	\$ 7,109	\$ 1,318	\$ 148	\$ 8,279
TOTAL LIABILITIES	\$ 7,109	\$ 1,318	\$ 148	\$ 8,279

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Realty Tax Transfer Account:</u>				
ASSETS:				
Cash	\$ 41,662	\$ 344,275	\$ 346,859	\$ 39,078
TOTAL ASSETS	<u>\$ 41,662</u>	<u>\$ 344,275</u>	<u>\$ 346,859</u>	<u>\$ 39,078</u>
LIABILITIES:				
Deposits held in custody for others	\$ 41,662	\$ 344,275	\$ 346,859	\$ 39,078
TOTAL LIABILITIES	<u>\$ 41,662</u>	<u>\$ 344,275</u>	<u>\$ 346,859</u>	<u>\$ 39,078</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 323,356	\$ 572,340	\$ 543,996	\$ 351,700
TOTAL ASSETS	<u>\$ 323,356</u>	<u>\$ 572,340</u>	<u>\$ 543,996</u>	<u>\$ 351,700</u>
LIABILITIES:				
Deposits held in custody for others	\$ 323,356	\$ 572,340	\$ 543,996	\$ 351,700
TOTAL LIABILITIES	<u>\$ 323,356</u>	<u>\$ 572,340</u>	<u>\$ 543,996</u>	<u>\$ 351,700</u>
<u>Food Pantry Fund</u>				
ASSETS:				
Cash	\$ 50	\$ 2,250	\$ 2,000	\$ 300
TOTAL ASSETS	<u>\$ 50</u>	<u>\$ 2,250</u>	<u>\$ 2,000</u>	<u>\$ 300</u>
LIABILITIES:				
Deposits held in custody for others	\$ 50	\$ 2,250	\$ 2,000	\$ 300
TOTAL LIABILITIES	<u>\$ 50</u>	<u>\$ 2,250</u>	<u>\$ 2,000</u>	<u>\$ 300</u>
<u>Performance Bond Fund</u>				
ASSETS:				
Cash	\$ 20,964	\$ 45	\$ -	\$ 21,009
TOTAL ASSETS	<u>\$ 20,964</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 21,009</u>
LIABILITIES:				
Deposits held in custody for others	\$ 20,964	\$ 45	\$ -	\$ 21,009
TOTAL LIABILITIES	<u>\$ 20,964</u>	<u>\$ 45</u>	<u>\$ -</u>	<u>\$ 21,009</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 441,907	\$ 918,910	\$ 927,905	\$ 432,912
Other receivables	16,145	2,400	2,145	16,400
TOTAL ASSETS	<u>\$ 458,052</u>	<u>\$ 921,310</u>	<u>\$ 930,050</u>	<u>\$ 449,312</u>
LIABILITIES:				
Deposits held in custody for others	\$ 458,052	\$ 921,310	\$ 930,050	\$ 449,312
TOTAL LIABILITIES	<u>\$ 458,052</u>	<u>\$ 921,310</u>	<u>\$ 930,050</u>	<u>\$ 449,312</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

OTHER EXHIBITS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Year	Residential & Commercial Mill Rate	Property Taxes Receivable July 1, 2012	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections	Property Taxes Receivable June 30, 2013
2012	\$24.15 & \$30.85		\$ 67,468,777	\$ 64,535	\$ (208,756)	\$ 67,324,556	\$ 63,773,895	\$ 3,550,661
2011	\$24.15 & \$30.85	\$ 3,999,958		3,013	(7,420)	3,995,551	2,931,146	1,064,405
2010	\$19.65 & \$25.60	1,130,124		1,023	(1,874)	1,129,273	296,211	833,062
2009	\$19.65 & \$25.60	463,078		102	(498)	462,682	82,948	379,734
2008	\$16.75 & \$22.70	453,771		87	(424)	453,434	58,945	394,489
2007	\$16.75 & \$22.70	376,613		65		376,678	9,946	366,732
2006	\$16.55 & \$22.50	305,427				305,427	12,722	292,705
2005	\$16.55 & \$22.50	272,389				272,389	3,214	269,175
2004	\$28.71 & \$31.02	163,456				163,456	1,987	161,469
2003	\$26.32 & \$28.43	170,550			(237)	170,313	1,478	168,835
2002 and prior	various	2,102,658				2,102,658	4,169	2,098,489
Subtotal		9,438,024	\$ 50,485,821	\$ 68,825	\$ (219,209)	\$ 76,756,417	\$ 67,176,661	9,579,756
Less: estimated allowance for uncollectable accounts		(3,850,000)						(4,500,000)
Net property taxes receivable		\$ 5,588,024						\$ 5,079,756

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Schedule of Net Assessed Property Value by Category			Reconciliation of Current Year Property Tax Revenue	
Description of Property	Assessed December 31, 2011 (2012 tax roll)			
	Valuations	Levy		
Real Property	\$ 2,492,114,747	\$ 60,184,577	Current year collections	\$ 67,176,661
Motor Vehicles	237,973,310	9,982,980	Revenue received 60 days subsequent to fiscal year ending June 30, 2013	1,055,579
Tangible Property	60,611,298	4,182,180	Subtotal	68,232,240
Total assessments	2,790,699,355	74,349,737	Prior year revenue received in current year fiscal year ending June 30, 2012 - 60 day rule	(1,034,310)
Exemptions and adjustments	(393,710,388)	(6,880,960)		
Net assessed value	\$ 2,396,988,967	\$ 67,468,777	Current year property tax revenue	\$ 67,197,930

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2013, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<i>Federal Grantor</i> <i>Pass-Through Grantor</i> <i>Program title</i>	<i>Federal</i> <i>CFDA</i> <i>Number</i>	<i>Expenditures</i>
<i>U.S. Department of Energy</i>		
Passed through Rhode Island Office of Energy Resources		
Energy Efficiency and Conservations Block Grant (EECBG) - ARRA	81.128	\$ 228,067
<i>U.S. Department of Transportation</i>		
Passed through Rhode Island Department of Transportation		
Driving Under the Influence Grant	20.608	5,478
State and community highway safety	20.600	8,745
Highway Planning and Construction	20.205	265,597
Child Passenger Seat Incentive Grant	20.613	1,258
Total U.S. Department of Transportation		281,078
<i>U.S. Department of Justice</i>		
Passed through Rhode Island Department of Justice		
Equitable Sharing Program	16.922	21,003,650
Byrne Memorial Grant	16.727	15,964
Bulletproof Vest Grant	16.607	2,689
Total U.S. Department of Justice		21,022,303
<i>U.S. Department of Homeland Security</i>		
Passed through Rhode Island Emergency Management Agency		
Disaster Grants - Public Assistance	97.036	88,559
Homeland Security Grant Program	97.067	31,589
Total U.S. Department of Homeland Security		120,148
<i>U.S. Department of Health and Human Services</i>		
Passed through Rhode Island Department of Health		
Tobacco Compliance Grant	93.XXX	285
<i>U.S. Department of Housing and Urban Development</i>		
Passed through Rhode Island Office of Housing & Community Development		
Community Development Block Grant	14.228	90,400

(Continued)

(Continued)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<i>Federal Grantor</i> <i>Pass-Through Grantor</i> <i>Program title</i>	<i>Federal</i> <i>CFDA</i> <i>Number</i>		<i>Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through Rhode Island Department of Education			
Title I	84.010		913,827
Race to the Top Fund - ARRA Funding	84.395A		282,735
Title II	84.367		92,661
Perkins	84.048		93,730
Project IDEA - Part B	84.027	**	906,937
Early learning (89-313) - Preschool	84.173	**	36,042
<i>Total U.S. Department of Education</i>			<u>2,325,932</u>
<i>U.S. Department of Agriculture</i>			
Passed through Rhode Island Department of Education			
National Lunch Program	10.555	***	832,119
<i>Total U.S. Department of Agriculture</i>			<u>832,119</u>
<i>Total Federal Expenditures</i>			<u>\$ 24,900,332</u>

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

*** - Includes commodities of \$63,659 for fiscal 2013.

(Concluded)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. General

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

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$63,659 for the value of food commodities which is reported as a component of the Federal School Lunch Program. These commodities are not reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of North Providence, Rhode Island. As such, the threshold for determining Type A programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2013, the following programs were considered major programs:

Equitable Sharing Program.....	CFDA #16.922
Title I	CFDA # 84.010
Project IDEA Part B.....	CFDA # 84.027 *
Early Learning (89-313) Preschool.....	CFDA # 84.173 *
National Lunch Program	CFDA # 10.555

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Providence, Rhode Island
December 30, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report of Compliance for Each Major Federal Program

We have audited the Town of North Providence, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2013. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of North Providence, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of North Providence, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of North Providence, Rhode Island's compliance.

Needham

Taunton

Opinion on Each Major Federal Program

In our opinion, the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

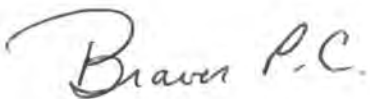
Report on Internal Control Over Compliance

Management of the Town of North Providence, Rhode Island, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of North Providence, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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

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

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



Providence, Rhode Island
December 30, 2013

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expressed an unmodified opinion on the basic financial statements of the Town of North Providence, Rhode Island.
2. No significant deficiencies relating to the audit of the financial statements were reported in the Report of Independent Auditors'.
3. No instances of noncompliance material to the financial statements of the Town of North Providence, Rhode Island were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The auditors' report on compliance for the major federal award programs for the Town of North Providence, Rhode Island expresses an unmodified opinion.
6. Audit findings relative to the major federal awards programs for the Town of North Providence, Rhode Island are reported in Part C of this schedule.
7. The programs tested as major programs were:

Equitable Sharing Program	CFDA # 16.922
Title I	CFDA # 84.010
Project IDEA Part B	CFDA # 84.027 *
Early Learning (89-313) Preschool	CFDA # 84.173 *
National Lunch Program	CFDA # 10.555

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

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

B. FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

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

Prior Year Findings:

2012-1: The Town receives various grants which are reported as non-major governmental funds in the Fund financial statements. Many of these grants are administered by personnel outside of the Town's Finance Department, including some that are administered by a contracted consultant. During our audit we noted a lack of control over the recording of the activity related to some of these grants. We noted deficiencies in recording the financial activity related to these grants which resulted in the overstatement or understatement of revenues, receivables, expenditures, and accounts payable in the internal financial records maintained by the Town.

Status: During fiscal 2013 the Town's finance personnel became more active in meeting with the contracted consultants to ensure that the administration of these grants was coordinated with the maintenance of the general ledger accounting records. The Town's finance personnel will continue to monitor the grant activity and expand the lines of communication with contracted personnel.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior Year Findings:

2012-2: Allowable Costs – Payroll Allocations

Project IDEA Part B – CFDA # 84.027 and Early Learning (89-313) Preschool – CFDA #84.173

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

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

Condition: The North Providence School Department did not maintain all time and effort reports in accordance with the requirements of OMB Circular A-87. The Department does maintain personnel files and attendance reports for federally funded employees however, these reports were not maintained for part time teacher assistants charged to the IDEA Grant Program.

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

Questioned Costs: Questioned costs relating to Project IDEA Part B program totaled approximately \$38,000.

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

Corrective Action Plan: The North Providence School Department is maintaining the time and effort reports and certifications for the majority of the required personnel. The couple of instances noted were related to part-time teacher assistants that work 100% in the program but for whom the Department failed to maintain adequate documentation. The School's Finance Director will review all personnel charged to federal programs and ensure that proper time and effort documentation is obtained and maintained to ensure compliance with the federal regulations.

Status: During fiscal 2013 the School's Finance Director established procedures to ensure that all personnel charged to federal programs were maintaining time and effort reports in accordance with the federal regulations. Our testing of the grant activity for fiscal 2013 included a review of time and effort reports for selected personnel. Reports examined were maintained in accordance with the federal requirements.

(CONCLUDED)

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