

**TOWN OF LINCOLN, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2014

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TOWN OF LINCOLN, RHODE ISLAND

YEAR ENDED JUNE 30, 2014

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# TOWN OF LINCOLN, RHODE ISLAND

## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Town Council  
Town of Lincoln, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island as of and for the year ended June 30, 2014, 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 Lincoln, Rhode Island, as of June 30, 2014, 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, Schedule of Employer Contributions, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability on Pages 4 through 14, Pages 74 through 76, Page 77, Page 78, Page 79, and Page 80 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lincoln, Rhode Island's financial statements. The supplementary tax collector's annual report on Pages 81 and 82 is presented for purposes of additional analysis and is 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 supplementary tax collector's annual report and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary tax collector's annual report and Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of the Town of Lincoln, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lincoln, Rhode Island's internal control over financial reporting and compliance.

*Marcum LLP*

Providence, Rhode Island  
February 27, 2015

## **TOWN OF LINCOLN, RHODE ISLAND**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

#### **FINANCIAL HIGHLIGHTS**

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,415,032, or 8.7% of fiscal year 2015 budgeted expenditures and transfers to other funds. This is an increase of \$382,392 from the prior year unassigned General Fund balance.

The Town's General Fund had an operating surplus of \$479,161. The School Unrestricted Fund operations resulted in an operating deficit of \$1,588,033, including the use of \$800,000 of authorized spending of accumulated surplus.

The Town's General Fund ended fiscal year 2014 with a budgetary operating surplus of \$310,065. The School Department ended the year with a budgetary operating deficit of \$68,893.

The Town's budgetary surplus of \$310,065 was partially due to better than budgeted revenue from other sources and reductions in expenditures.

The School Department budgetary deficit of \$68,893 resulted in part from higher than anticipated health care costs in the self-insured program.

The Town's total long-term obligations decreased by \$2,142,871 principally from bond payments of \$2,350,000 and a net decrease in accrued claims and judgments of \$200,000 due to the resolution of some outstanding matters and offset by increase in our Net Pension Obligation and OPEB Obligations of \$8,560 and \$51,052 respectively.



## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

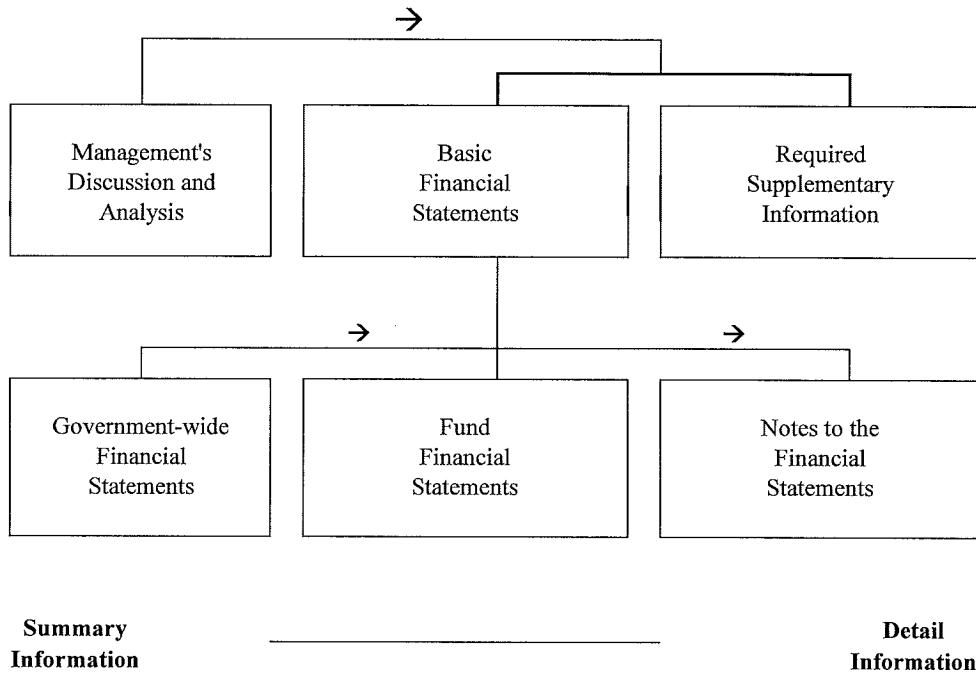


Figure A-2 summarizes the major features of the Town’s financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of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

Figure A- 2

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

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

## Government-wide Statements

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

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

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

The government-wide financial statements of the Town, which can be found on Pages 15 and 16 of this report, are divided into two categories:

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

## Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

**Governmental funds** – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

***Governmental funds (continued):***

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

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

The basic governmental fund financial statements can be found on Pages 17-20 of this report.

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

The basic proprietary funds financial statements can be found on Pages 21-24 of this report.

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

The basic fiduciary funds financial statements can be found on Pages 25-26 of this report.

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$73,796,379 at June 30, 2014.

The largest portion of the Town's net position (84.8%) reflects its investment in capital such as land, buildings, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

#### Town of Lincoln, Rhode Island Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 21,365,134	\$ 21,916,603	\$ 6,541,673	\$ 6,608,776	\$ 27,906,807	\$ 28,525,379
Capital assets	71,015,279	68,564,277	31,295,584	30,807,210	102,310,863	99,371,487
Other assets	-	61,214	-	-	-	61,214
Total assets	<u>92,380,413</u>	<u>90,542,094</u>	<u>37,837,257</u>	<u>37,415,986</u>	<u>130,217,670</u>	<u>127,958,080</u>
Deferred outflows of resources	238,040	-	-	-	238,040	-
Current liabilities	9,801,239	8,962,029	949,083	1,096,367	10,750,322	10,058,396
Noncurrent liabilities	40,372,359	42,215,451	5,536,650	5,800,650	45,909,009	48,016,101
Total liabilities	<u>50,173,598</u>	<u>51,177,480</u>	<u>6,485,733</u>	<u>6,897,017</u>	<u>56,659,331</u>	<u>58,074,497</u>
Invested in capital assets, net of related debt	37,170,330	32,914,621	25,443,218	23,829,189	62,613,548	56,743,810
Restricted	5,067,650	5,051,227	-	-	5,067,650	5,051,227
Unrestricted	206,875	1,398,766	5,908,306	6,689,780	6,115,181	8,088,546
<b>Total net position</b>	<b>\$ <u>42,444,855</u></b>	<b>\$ <u>39,364,614</u></b>	<b>\$ <u>31,351,524</u></b>	<b>\$ <u>30,518,969</u></b>	<b>\$ <u>73,796,379</u></b>	<b>\$ <u>69,883,583</u></b>

An additional portion of the Town's net position (6.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

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

## Changes in Net Position

The government's total net position increased by \$3,987,177 during the current fiscal year.

### Town of Lincoln, Rhode Island Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2012
Revenue:						
Program revenue:						
Charges for services	\$ 3,595,543	\$ 3,198,790	\$ 6,366,210	\$ 5,499,831	\$ 9,961,753	\$ 8,698,621
Operating grants and contributions	13,301,647	13,709,401	554,914	495,660	13,856,561	14,205,061
Capital grants and contributions	1,374,082	1,469,318	-	-	1,374,082	1,469,318
General revenue:						
Property taxes	52,038,267	50,602,315	-	-	52,038,267	50,602,315
Grants and contributions not restricted	8,194,693	8,125,739	-	-	8,194,693	8,125,739
Investment earnings	484,667	441,829	137,306	-	621,973	441,829
Loss on disposition of assets	(23,935)	-	-	-	(23,935)	-
Total revenue	<u>78,964,964</u>	<u>77,547,392</u>	<u>7,058,430</u>	<u>5,995,491</u>	<u>86,023,394</u>	<u>83,542,883</u>
Expenses:						
General government	1,831,274	1,873,978	-	-	1,831,274	1,873,978
Financial administration	978,973	1,193,195	-	-	978,973	1,193,195
Public safety	7,359,652	9,280,485	-	-	7,359,652	9,280,485
Public service	6,939,717	7,404,659	-	-	6,939,717	7,404,659
Public library	1,614,652	1,471,997	-	-	1,614,652	1,471,997
Interest on long-term debt	1,501,980	1,573,998	-	-	1,501,980	1,573,998
School	55,597,261	53,560,455	-	-	55,597,261	53,560,455
Sewer	-	-	926,903	885,080	926,903	885,080
Police Detail	-	-	680,521	599,530	680,521	599,530
School lunch	-	-	917,598	984,080	917,598	984,080
Water	-	-	3,687,686	3,469,040	3,687,686	3,469,040
Total expenses	<u>75,823,509</u>	<u>76,358,767</u>	<u>6,212,708</u>	<u>5,937,730</u>	<u>82,036,217</u>	<u>82,296,497</u>
Increase in net position	3,141,455	1,188,625	845,722	57,761	3,987,177	1,246,386
Net position – beginning of year	39,364,614	38,175,989	30,518,969	30,461,208	69,883,583	68,637,197
Restatement resulting from GASB 65	(61,214)	-	(13,167)	-	(74,381)	-
Net position – end of year	<u>\$ 42,444,855</u>	<u>\$ 39,364,614</u>	<u>\$ 31,351,524</u>	<u>\$ 30,518,969</u>	<u>\$ 73,796,379</u>	<u>\$ 69,883,583</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$3,141,455, accounting for 79.8% of the total growth in the Town's net position.

**Business-type activities.** Business-type activities increased the Town's net position by \$845,722, accounting for 21.2% of the total growth in the Town's net position.

## **Financial Analysis of the Government's Funds**

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

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

As of June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$12,857,974, a decrease of \$1,126,307 in comparison with the prior year. The decrease in fund balance includes a reduction of (\$185,581) related to capital outlays, net of interest earnings. The unassigned fund balance of \$6,274,399 or 48.8% of the total fund balance is available for spending at the Town's discretion. The remainder of the fund balance is committed, restricted, assigned or non-spendable to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,415,032. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 8.13% of total General Fund budgeted expenditures.

The Town's General Fund balance increased by \$479,161 during the current fiscal year as a result of revenues exceeding expenditures, offset by the transfers to the School Department of \$39,663,090 and other funds of \$1,732,952.

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

The unrestricted net position of the proprietary funds at June 30, 2014 totaled \$5,908,306, with the Water Fund making up \$3,515,389 of the total. The Water Fund, School Lunch Fund, Sewer Fund and Police Detail Fund had increases in net position of \$645,952, \$65,959, \$115,236 and \$18,575 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.



## General Fund Budgetary Highlights

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

Revenue items materially over (under) budget included: School operations aid from the State, \$126,409; Interest on Delinquent Taxes, \$129,015; Video Lottery Terminal Commissions, \$1,495,094 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund); rescue billing, \$265,072; and Inspection services, \$16,098.

Expenditure items materially over (under) budget included; Salaries (among several departments, (\$153,759); Capital Spending Authorization, (\$1,809,304); Health Insurance, (\$108,269); OPEB transfers, \$224,500.

## Capital Assets and Debt Administration

**Capital assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounted to \$102,310,863 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$2,939,376.

### Town of Lincoln, Rhode Island Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land & land improvements	\$ 30,154,603	\$ 28,151,410	\$ 177,452	\$ 177,452	\$ 30,332,055	\$ 28,328,862
Buildings & improvements	59,119,424	56,666,760	1,186,965	873,049	60,306,389	57,539,809
Vehicles	4,135,613	3,733,916	556,256	503,541	4,691,869	4,237,457
Machinery & equipment	4,580,578	4,325,843	813,410	771,735	5,393,988	5,097,578
Mains, valves, pumps, etc.			42,702,714	42,502,027	42,702,714	42,502,027
Construction in progress	183,648	701,047	1,422,874	920,371	1,606,522	1,621,418
Less accumulated depreciation	<u>(27,158,587)</u>	<u>(25,014,699)</u>	<u>(15,564,087)</u>	<u>(14,940,965)</u>	<u>(42,722,674)</u>	<u>(39,955,664)</u>
Total	<u>\$ 71,015,279</u>	<u>\$ 68,564,277</u>	<u>\$ 31,295,584</u>	<u>\$ 30,807,210</u>	<u>\$ 102,310,863</u>	<u>\$ 99,371,487</u>

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

**Long-term debt:** At the end of the fiscal year, the Town had total bonded debt outstanding of \$33,275,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

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

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$81,215,463.

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

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

The latest published unemployment rate as of November 2014 for the Town is 6.0 percent. This compares favorably to the State's average unemployment rate of 7.1 percent and is higher than the national rate of 5.8 percent. Per capita and median family incomes remain some of the highest in the State.

	<b>Per Capita</b>	<b>Median Family</b>
Lincoln	\$ 37,847	\$ 95,250
Rhode Island	\$ 30,005	\$ 72,872

At the Annual Town Financial Meeting in May 2014, the voters approved a budget for fiscal year 2015 of \$78,919,113. This budget is 1.6 % higher than the fiscal year 2014 budget. The Town's municipal departments increase was 0.64%; the School Department increase was 3.03% and Debt Service and the Resolutions funded through capital reserve funds net increase was (15.3%).

### **Requests for Information**

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

**TOWN OF LINCOLN, RHODE ISLAND**

**BASIC FINANCIAL STATEMENTS**



**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 15,639,181	\$ 1,293,141	\$ 16,932,322
Restricted cash		1,426,925	1,426,925
Investments		2,040,940	2,040,940
Accounts receivable, less allowances for doubtful accounts totaling \$423,486:			
Property taxes	2,522,487		2,522,487
Federal and state government	3,152,386	70,618	3,223,004
Assessments and user fees		730,319	730,319
Other	651,482	114,437	765,919
Prepaid expenses	66,767	20,368	87,135
Inventory		177,756	177,756
Internal balances	(667,169)	667,169	-
Capital assets not being depreciated	14,607,121	1,600,326	16,207,447
Capital assets being depreciated, net	56,408,158	29,695,258	86,103,416
<b>Total assets</b>	<b>92,380,413</b>	<b>37,837,257</b>	<b>130,217,670</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred charge on refunding	238,040		238,040
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	7,041,818	685,083	7,726,901
Unearned revenue	18,428		18,428
Long-term obligations:			
Due within one year	2,740,993	264,000	3,004,993
Due in more than one year	35,762,868	5,536,650	41,299,518
Other postemployment benefits	4,609,491		4,609,491
<b>Total liabilities</b>	<b>50,173,598</b>	<b>6,485,733</b>	<b>56,659,331</b>
<b>NET POSITION:</b>			
Net investment in capital assets	37,170,330	25,443,218	62,613,548
Restricted for:			
Capital projects	4,719,166		4,719,166
Grants	348,484		348,484
Unrestricted	206,875	5,908,306	6,115,181
<b>Total Net Position</b>	<b>\$ 42,444,855</b>	<b>\$ 31,351,524</b>	<b>\$ 73,796,379</b>

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF ACTIVITIES  
YEAR ENDED June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 1,831,274	\$ 27,070	\$ 47,138	\$ 300,000	\$ (1,457,066)		\$ (1,457,066)
Financial administration	978,973				(978,973)		(978,973)
Public library	1,614,652	14,932	191,841		(1,407,879)		(1,407,879)
Public safety	7,359,652	1,073,625	53,444		(6,232,583)		(6,232,583)
Public services	6,939,717	1,395,583	67,306		(5,476,828)		(5,476,828)
Education	55,597,261	1,084,333	12,941,918	1,074,082	(40,496,928)		(40,496,928)
Interest on long-term debt	1,501,980				(1,501,980)		(1,501,980)
Total governmental activities	75,823,509	3,595,543	13,301,647	1,374,082	(57,552,237)		(57,552,237)
<b>Business-type activities:</b>							
Water Fund	3,687,686	4,196,332				\$ 508,646	508,646
School Lunch Fund	917,598	432,319	551,238	-		65,959	65,959
Sewer Fund	926,903	1,038,463	3,676			115,236	115,236
Police Detail Fund	680,521	699,096				18,575	18,575
Total business-type activities	6,212,708	6,366,210	554,914	-		708,416	708,416
Total	\$ 82,036,217	\$ 9,961,753	\$ 13,856,561	\$ 1,374,082	(57,552,237)	708,416	(56,843,821)
<b>General revenues:</b>							
Property taxes					52,038,267	-	52,038,267
Grants and contributions not restricted to specific programs					8,194,693		8,194,693
Investment earnings					484,667	137,306	621,973
Loss on disposal of capital assets					(23,935)		(23,935)
Total general revenues					60,693,692	137,306	60,830,998
<b>Change in net position</b>					3,141,455	845,722	3,987,177
<b>Net position, beginning of year (as restated)</b>					39,303,400	30,505,802	69,809,202
<b>Net position, end of year</b>					\$ 42,444,855	\$ 31,351,524	\$ 73,796,379

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

**TOWN OF LINCOLN, RHODE ISLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

	<u>General Fund</u>	<u>School Department Funds</u>	<u>Public Building Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,957,157	\$ 7,646,449	\$ 1,839,543	\$ 196,032	\$ 15,639,181
Accounts receivable, less allowance for doubtful accounts of \$397,038:					
Property taxes	2,522,487				2,522,487
Federal and state governments	2,446,515	705,871			3,152,386
Other	488,258	150,200		13,024	651,482
Due from other funds	5,321,212	383,465		4,477,015	10,181,692
Prepaid expenditures	66,767				66,767
<b>TOTAL ASSETS</b>	<u>\$ 16,802,396</u>	<u>\$ 8,885,985</u>	<u>\$ 1,839,543</u>	<u>\$ 4,686,071</u>	<u>\$ 32,213,995</u>
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	\$ 2,235,846	\$ 4,082,331	\$ 1,764	\$ 40	\$ 6,319,981
Due to other funds	5,031,185	4,346,086	1,342,374	129,216	10,848,861
Unearned revenue				18,428	18,428
<b>TOTAL LIABILITIES</b>	<u>7,267,031</u>	<u>8,428,417</u>	<u>1,344,138</u>	<u>147,684</u>	<u>17,187,270</u>
<b>DEFERRED INFLOW OF RESOURCES:</b>					
Unavailable tax and rescue service fees	<u>2,168,751</u>				<u>2,168,751</u>
<b>FUND BALANCE:</b>					
Nonspendable	348,967				348,967
Restricted for:					
Construction Projects			495,405	4,223,761	4,719,166
Grants		97,866		408,264	506,130
Committed:	102,615	406,697			509,312
Assigned	500,000				500,000
Unassigned	6,415,032	(46,995)		(93,638)	6,274,399
<b>TOTAL FUND BALANCE</b>	<u>7,366,614</u>	<u>457,568</u>	<u>495,405</u>	<u>4,538,387</u>	<u>12,857,974</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 16,802,396</u>	<u>\$ 8,885,985</u>	<u>\$ 1,839,543</u>	<u>\$ 4,686,071</u>	<u>\$ 32,213,995</u>

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

**TOWN OF LINCOLN, RHODE ISLAND**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2014**

Total fund balances for governmental funds		\$ 12,857,974
Assets used in governmental activities which are not financial resources and, therefore, are not reported in the governmental fund statements:		
Capital assets, net	\$ 71,015,279	
Deferred charge on refunding	<u>238,040</u>	71,253,319
Some taxes and fees will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the governmental fund statements.		2,168,751
Liabilities not due and payable in the current period which therefore are not reported in the governmental fund statements:		
Bonds payable	(33,511,386)	
Capital leases	(333,563)	
Accrued IBNR claims	(135,600)	
Other postemployment benefits (OPEB), net	(4,609,491)	
Net pension obligation	(653,790)	
Compensated absences payable	(4,005,122)	
Accrued interest	<u>(586,237)</u>	<u>(43,835,189)</u>
Net Position of Governmental Activities		<u>\$ 42,444,855</u>

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>School Department Funds</b>	<b>Public Building Bond Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 52,186,384				\$ 52,186,384
Intergovernmental	9,418,523	\$ 10,805,918		\$ 410,384	20,634,825
Local revenues	2,449,267			126,687	2,575,954
Medicaid		943,598			943,598
Interest and investment income	479,564	2,537	\$ 2,206	360	484,667
Other miscellaneous		140,735			140,735
State contribution to teachers' pension plan		2,136,000			2,136,000
<b>Total revenues</b>	<b>64,533,738</b>	<b>14,028,788</b>	<b>2,206</b>	<b>537,431</b>	<b>79,102,163</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	928,606				928,606
Financial administration	730,070				730,070
Public library	1,058,184				1,058,184
Public safety	5,710,986			43,470	5,754,456
Public services	5,907,776			318,367	6,226,143
Grants and contributions	61,500				61,500
Other expenditures	4,448,455				4,448,455
Education	-	54,039,448			54,039,448
Debt service:	-				
Principal	2,350,000				2,350,000
Interest	1,520,800				1,520,800
Capital outlay	333,563		187,787	2,923,021	3,444,371
<b>Total expenditures</b>	<b>23,049,940</b>	<b>54,039,448</b>	<b>187,787</b>	<b>3,284,858</b>	<b>80,562,033</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>41,483,798</b>	<b>(40,010,660)</b>	<b>(185,581)</b>	<b>(2,747,427)</b>	<b>(1,459,870)</b>
<b>Other financing sources (uses):</b>					
Transfers from other funds	57,842	39,663,090	-	3,392,789	43,113,721
Transfers to other funds	(41,396,042)	(1,240,463)	-	(477,216)	(43,113,721)
Proceeds from lease purchase obligations	333,563			-	333,563
<b>Total other financing sources (uses)</b>	<b>(41,004,637)</b>	<b>38,422,627</b>	<b>-</b>	<b>2,915,573</b>	<b>333,563</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>479,161</b>	<b>(1,588,033)</b>	<b>(185,581)</b>	<b>168,146</b>	<b>(1,126,307)</b>
<b>Fund balance, beginning of year</b>	<b>6,887,453</b>	<b>2,045,601</b>	<b>680,986</b>	<b>4,370,241</b>	<b>13,984,281</b>
<b>Fund balance, end of year</b>	<b>\$ 7,366,614</b>	<b>\$ 457,568</b>	<b>\$ 495,405</b>	<b>\$ 4,538,387</b>	<b>\$ 12,857,974</b>

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



TOWN OF LINCOLN, RHODE ISLAND

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<b>Net change in fund balances for governmental funds</b>		\$ (1,126,307)
Governmental funds report capital outlays as expenditures. However, in the statement of activities these costs are allocated over the life of the related asset and reported as depreciation expense.		
Capital assets charged to expenditures in the fund statements	\$ 4,724,286	
Depreciation expense reported in the statement of activities	<u>(2,249,349)</u>	2,474,937
Losses resulting from the disposition of capital assets are reported in the statement of activities but do not get reported in the fund statements.		(23,935)
Proceeds from the issuance of lease purchase obligations are reported as revenue in the governmental fund statements but is reported as a long-term obligation in the government-wide statement of net position.		(333,563)
Governmental funds report deferred charges on refunding as expenditures. However, in the statement of activities these costs are allocated over the life of the related debt and reported as interest expense.		(79,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This is the decrease in deferred inflows of resources from 2013.		(113,264)
The issuance of long-term debt (including premiums or discounts) provides current resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment and refunding of bonds and notes use current financial resources, but decrease long-term liabilities in the statement of net position. Bond premiums are deferred and recorded as interest expense.		
Principal repayment on long-term debt	2,470,393	
Amortization of:		
Bond premiums	<u>76,479</u>	2,546,872
Some liabilities not requiring the use of current financial resources in governmental funds are not accrued in the governmental funds but are accrued on the statement of net position:		
Decrease in accrued claims and judgments	200,000	
Increase in Town IBNR claims	(135,600)	
Increase in Other Post-Employment Benefits (OPEB), net	(51,052)	
Increase in Net Pension Obligation (NPO)	(28,148)	
Increase in accrued compensated absences	<u>(210,826)</u>	(225,626)
Accrued interest reported in the statement of net position does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. This is the decrease in accrued interest from fiscal 2013.		<u>21,689</u>
<b>Change in net position of governmental activities</b>		<u><u>\$ 3,141,455</u></u>

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	
<b>ASSETS:</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 1,227,507	\$ 65,634			\$ 1,293,141
Restricted cash			\$ 1,426,925		1,426,925
Investments	2,040,940				2,040,940
Accounts receivable, less allowance for doubtful accounts:					
Water/Sewer usage fees	613,317		117,002		730,319
Due from other governmental units		70,618			70,618
Other		-		\$ 114,437	114,437
Due from other funds	113,695	113,001	437,045	3,428	667,169
Prepaid and other expenses	20,368				20,368
Inventory	94,833		82,923		177,756
<b>Total current assets</b>	<b>4,110,660</b>	<b>249,253</b>	<b>2,063,895</b>	<b>117,865</b>	<b>6,541,673</b>
<b>Noncurrent assets:</b>					
Capital assets not being depreciated	177,452		1,422,874		1,600,326
Capital assets being depreciated, net	20,239,735	35,616	9,403,807	16,100	29,695,258
<b>Total assets</b>	<b>24,527,847</b>	<b>284,869</b>	<b>12,890,576</b>	<b>133,965</b>	<b>37,837,257</b>
<b>LIABILITIES:</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued expenses	595,271	74,489	15,323		685,083
Current portion of long-term obligations	159,000		105,000		264,000
<b>Total current liabilities</b>	<b>754,271</b>	<b>74,489</b>	<b>120,323</b>	<b>-</b>	<b>949,083</b>
<b>Current liabilities:</b>					
Bonds and notes payable obligations	2,943,150		2,593,500		5,536,650
<b>Total liabilities</b>	<b>3,697,421</b>	<b>74,489</b>	<b>2,713,823</b>	<b>-</b>	<b>6,485,733</b>
<b>NET POSITION:</b>					
Net investment in capital assets	17,315,037		8,128,181		25,443,218
Unrestricted	3,515,389	210,380	2,048,572	133,965	5,908,306
<b>Total net position</b>	<b>\$ 20,830,426</b>	<b>\$ 210,380</b>	<b>\$ 10,176,753</b>	<b>\$ 133,965</b>	<b>\$ 31,351,524</b>

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	
Operating revenues:					
Assessments and user fees	\$ 3,117,834	\$ 432,319	\$ 1,038,463	\$ 699,096	\$ 5,287,712
Intergovernmental		551,238			551,238
Other revenues	1,078,498		3,676		1,082,174
Total operating revenues	<u>4,196,332</u>	<u>983,557</u>	<u>1,042,139</u>	<u>699,096</u>	<u>6,921,124</u>
Operating expenses:					
Maintenance and servicing	1,988,794		413,908	658,352	3,061,054
Cafeteria operations		915,723			915,723
Administration	1,254,788		157,992	22,169	1,434,949
Depreciation	360,053	1,875	282,049		643,977
Total operating expenses	<u>3,603,635</u>	<u>917,598</u>	<u>853,949</u>	<u>680,521</u>	<u>6,055,703</u>
Operating income (loss)	<u>592,697</u>	<u>65,959</u>	<u>188,190</u>	<u>18,575</u>	<u>865,421</u>
Nonoperating income (expense),					
Investment income	137,306	-			137,306
Interest expense	(84,051)		(72,954)		(157,005)
Total nonoperating expenses	<u>53,255</u>	<u>-</u>	<u>(72,954)</u>	<u>-</u>	<u>(19,699)</u>
Change in net position	645,952	65,959	115,236	18,575	845,722
Net position, beginning of year (as restated)	<u>20,184,474</u>	<u>144,421</u>	<u>10,061,517</u>	<u>115,390</u>	<u>30,505,802</u>
Net position, end of year	<u>\$ 20,830,426</u>	<u>\$ 210,380</u>	<u>\$ 10,176,753</u>	<u>\$ 133,965</u>	<u>\$ 31,351,524</u>

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

TOWN OF LINCOLN, RHODE ISLAND

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 4,188,659	\$ 950,365	\$ 1,085,293	\$ 682,113	\$ 6,906,430
Cash paid to and for employees	(1,258,676)		(157,992)	(680,521)	(2,097,189)
Cash paid to suppliers	(2,010,621)	(946,777)	(488,094)	-	(3,445,492)
Net cash provided by operating activities	<u>919,362</u>	<u>3,588</u>	<u>439,207</u>	<u>1,592</u>	<u>1,363,749</u>
Cash provided by (used in) non-capital financing activities,					
Interfund advances/balances	<u>(39,176)</u>	<u>60,015</u>	<u>(343,349)</u>	<u>14,508</u>	<u>(308,002)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(466,797)	(37,491)	(611,963)	(16,100)	(1,132,351)
Principal paid on loans	(154,000)		(103,000)		(257,000)
Interest paid on loans	(84,051)		(72,954)		(157,005)
Net cash used in capital and related financing activities	<u>(704,848)</u>	<u>(37,491)</u>	<u>(787,917)</u>	<u>(16,100)</u>	<u>(1,546,356)</u>
Cash provided by investing activities:					
Proceeds from sale of investments	223,282	-	-	-	223,282
Investment income	137,306	-	-	-	137,306
Net cash provided by investing activities	<u>360,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,588</u>
Net increase (decrease) in cash and cash equivalents	535,926	26,112	(692,059)	-	(130,021)
Cash, cash equivalents, and restricted cash, beginning of year	<u>691,581</u>	<u>39,522</u>	<u>2,118,984</u>	<u>-</u>	<u>2,850,087</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,227,507</u>	<u>\$ 65,634</u>	<u>\$ 1,426,925</u>	<u>\$ -</u>	<u>\$ 2,720,066</u>

(Continued)

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Total
	Water Fund	School Lunch Fund	Sewer Fund	Police Detail Fund	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 592,697	\$ 65,959	\$ 188,190	\$ 18,575	\$ 865,421
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	360,053	1,875	282,049	-	643,977
(Increase) decrease in:					
Accounts receivable	(7,673)	(33,192)	43,154	(16,983)	(14,694)
Prepaid expenses	(9,047)				(9,047)
Inventory	32,376				32,376
Increase (decrease) in:					
Accounts payable and accrued expenses	(49,044)	(31,054)	(74,186)	-	(154,284)
<b>Net cash provided by operating activities</b>	<b>\$ 919,362</b>	<b>\$ 3,588</b>	<b>\$ 439,207</b>	<b>\$ 1,592</b>	<b>\$ 1,363,749</b>

(Concluded)

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

**TOWN OF LINCOLN, RHODE ISLAND**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**JUNE 30, 2014**

	<b><u>Pension Trust Fund</u></b>	<b><u>OPEB Trust Fund</u></b>	<b><u>Private Purpose Trust Funds</u></b>	<b><u>Agency Funds</u></b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 85,297		\$ 33,718	\$ 401,593
Investments	20,539,936	\$ 879,052		
Receivables	-	850,000		146,019
Total assets	<u>20,625,233</u>	<u>1,729,052</u>	<u>33,718</u>	<u>547,612</u>
<b>LIABILITIES:</b>				
Other payables	18,110			
Deposits held in custody for others				547,612
Total liabilities	<u>18,110</u>	<u>-</u>	<u>-</u>	<u>547,612</u>
<b>NET POSITION:</b>				
Held in trust for pension benefits and other purposes	<u>\$ 20,607,123</u>	<u>\$ 1,729,052</u>	<u>\$ 33,718</u>	<u>\$ -</u>

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

TOWN OF LINCOLN, RHODE ISLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<b>Additions to net position:</b>			
Investment income, net:			
Interest income	\$ 223,520	\$ 708	\$ 37
Net appreciation in fair value of investments	2,874,502		
	<u>3,098,022</u>	<u>708</u>	<u>37</u>
Contributions:			
Employer	1,222,045	850,000	-
Plan members	295,986	-	-
	<u>1,518,031</u>	<u>850,000</u>	<u>-</u>
Total additions	<u>4,616,053</u>	<u>850,708</u>	<u>37</u>
<b>Deductions from Net Position:</b>			
Benefits	1,541,807	-	-
Administrative expense	214,277		
	<u>1,756,084</u>	<u>-</u>	<u>-</u>
Total deductions	<u>1,756,084</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<b>2,859,969</b>	<b>850,708</b>	<b>37</b>
<b>Net position, beginning of year</b>	<u>17,747,154</u>	<u>878,344</u>	<u>33,681</u>
<b>Net position, end of year</b>	<u>\$ 20,607,123</u>	<u>\$ 1,729,052</u>	<u>\$ 33,718</u>

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

TOWN OF LINCOLN, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies:

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

*Financial reporting entity:*

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

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

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

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

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



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Financial reporting entity (Continued)*

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

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

***Recently Issued Accounting Standards:***

During the fiscal year ended June 30, 2014 the Town implemented the following accounting pronouncements:

- ✓ GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities.
- ✓ GASB Statement No. 66 – Technical Corrections – an amendment of GASB Statements No. 10 and No. 62.
- ✓ GASB Statement No. 67 – Financial Reporting of Pension Plans – An amendment of GASB Statement No. 25.
- ✓ GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees.

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Basis of presentation:*

*Government-wide financial statements:*

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

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

*Fund financial statements:*

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Basis of presentation (Continued):*

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

*Governmental funds:*

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

*General Fund:*

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

*Special revenue funds:*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes other than debt service or capital projects. The activity of the Lincoln Public School Department has been aggregated and presented as a major fund for fiscal 2014.

*Capital projects funds:*

Capital projects funds are used to account for and report resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. For the fiscal year ended June 30, 2014, management has elected to present the Town's Public Building Bond Fund as a major governmental fund although it has not met the criteria for reporting as a major fund.

*Proprietary funds:*

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, School Lunch Fund, Sewer Fund, and the Police Detail Fund. The Town has no internal service funds.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Basis of presentation (Continued):*

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

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

*Pension trusts:*

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

*OPEB trust fund:*

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

*Private purpose trust:*

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

*Agency:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Measurement focus and basis of accounting:*

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

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

Those revenues susceptible to accrual are property taxes, special assessments, intergovernmental revenues, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received. Rescue service fees receivable, net of an allowance for doubtful accounts, are reported as deferred inflows of resources and considered unavailable in the fund statements.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Basis of presentation (continued):*

*Measurement focus and basis of accounting (continued):*

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

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

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

*Use of estimates:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Property taxes:*

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

For 2014, Rhode Island general laws restrict the Town's ability to increase its total tax levy by more than 4% over that of the preceding year.

*Intergovernmental revenues:*

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

*Cash and cash equivalents:*

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Investments:*

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

*Inter-fund transactions:*

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

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

*Capital assets:*

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



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Capital assets (continued):*

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

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

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

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

*Bond issuance costs:*

Bond issuance costs are expensed when incurred.

*Compensated absences:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Compensated absences (continued):*

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

*Long-term obligations:*

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

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

*Fund equity:*

*Government-wide and enterprise fund financial statements:*

*Net position:*

The Town's net position has been segregated into the following three components:

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

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

1. Summary of significant accounting policies (continued):

*Fund Equity (Continued):*

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

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

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

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

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment. At June 30, 2014, committed fund balance of the General Fund consisted of encumbrances totaling \$102,615.

Assigned – amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. At June 30, 2014, assigned fund balance of the General Fund consisted of a health care reserve of \$500,000.

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

Unassigned – amounts available for any purpose.

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

2. Fund balances:

The following individual funds had unassigned fund deficits as of June 30, 2014:

**Major Funds:**

School Department Funds – Computer Technology	<u>\$ 46,995</u>
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**Non-major governmental funds:**

Underage Drinking/Tobacco Grant	\$ 7
Substance Abuse Grant	37,465
Child Safety Seatbelt Fund	466
Police Vest Grant	1,415
Byrne JAG Fund	9,570
Operation Riptide	10,851
2010 Byrne Grant	6
School Capital Reserve	<u>33,858</u>
<b>Total non-major governmental funds</b>	<u><b>\$93,638</b></u>

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

3. Deposits and investments:

*Cash and cash equivalents (deposits):*

At June 30, 2014, the carrying amount of the Town's deposits, including \$1,426,925 of restricted cash, and cash held by fiduciary funds was \$18,879,855 while the bank balance was approximately \$20,038,000. Of the bank balance approximately \$4,471,000 was insured while the balance was collateralized with securities held by pledging financial institution in the Town's name. Restricted cash includes \$1,204,848 held by Rhode Island Clean Water Finance Agency (RICWFA). The amount held by RICWFA represents the balance of available loan proceeds not drawn upon as of June 30, 2014.

TOWN OF LINCOLN, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2014

3. Deposits and investments (continued):

*Cash and cash equivalents (deposits) (continued):*

At June 30, 2014, deposits are categorized as follows:

	Insured/ collateralized in Town's Name	Total Bank Balance	Carrying Amount
Deposits:			
Demand deposits	\$ 11,676,243	\$ 11,676,243	\$ 10,517,511
CD's	2,642,107	2,642,107	2,642,107
Money market	4,515,389	4,515,389	4,515,389
RICWFA	1,204,848	1,204,848	1,204,848
	<u>\$ 20,038,587</u>	<u>\$ 20,038,587</u>	<u>\$ 18,879,855</u>

*Investments:*

Investments of the Business-Type Activities consisted of the following:

	Carrying Amount	Interest Rate	Maturities	Rating
Corporate bonds	\$ 169,418	4.25%-10.37%	2018 – 2021	A1
Corporate bonds	92,624	2.6%-5.62%	2016 – 2017	A2
Corporate bonds	90,191	1.1%-4.65%	2016 - 2022	Aa2
Corporate bonds	50,672	4.95%	2020	A3
Corporate bonds	106,227	1.5%-1.75%	2017 – 2018	Aa3
Certificates of Deposit	506,800	variable	2019 -2020	Not rated
Equity Investments	380,528	N/A	N/A	Not rated
U.S. Government securities	644,480	1.25%-5.25%	2015-2020	Aaa
Total investments	<u>\$ 2,040,940</u>			

Pension Trust Fund and OPEB Trust Fund investments:

	Carrying Amount
Mutual funds	\$ 16,487,077
Group annuity	4,931,911
Total investments	<u>\$ 21,418,988</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

3. Deposits and investments (continued):

*Investments (continued):*

*Interest rate risk:*

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

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

*Credit risk:*

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

*Concentration of credit risk:*

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

*Custodial credit risk:*

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

TOWN OF LINCOLN, RHODE ISLAND  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED JUNE 30, 2014

3. Deposits and investments (continued):

*Investments (continued):*

*Custodial credit risk (continued):*

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

*Foreign currency risk:*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. The Pension Trust Fund's common collective trust investment includes an international value fund totaling \$2,080,344 as of June 30, 2014.

4. Inter-fund transactions:

Inter-fund receivables and payables at June 30, 2014 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 5,321,212	\$ 5,031,185
School Department	383,465	4,346,086
Public Building Bond Fund	0	1,342,374
Other Governmental Funds	4,477,015	129,216
Water Fund	113,695	0
School Lunch Fund	113,001	0
Sewer Fund	437,045	0
Police Detail Fund	3,428	0
<b>Total</b>	<u>\$10,848,861</u>	<u>\$10,848,861</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

4. Interfund transactions (continued)

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 or capital expenditures with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>School Department Funds</u>	<u>Other Governmental Funds</u>	<u>Total Transfer Out</u>
General Fund.....		\$39,663,090	\$1,732,952	\$41,396,042
School Department Funds....			1,240,463	1,240,463
Other Governmental Funds.....	\$ 57,842		419,374	477,216
<b><i>Total transfer in</i></b> .....	<u>\$ 57,842</u>	<u>\$39,663,090</u>	<u>\$3,392,789</u>	<u>\$43,113,721</u>



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2014

5. Capital assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 14,423,473			\$ 14,423,473
Construction in progress	701,047	\$ 183,648	\$ (701,047)	183,648
Total capital assets not being depreciated	<u>15,124,520</u>	<u>183,648</u>	<u>(701,047)</u>	<u>14,607,121</u>
Capital assets being depreciated:				
Land improvements and infrastructure	13,727,937	2,003,193	-	15,731,130
Buildings and improvements	56,666,760	2,452,664	-	59,119,424
Machinery and equipment	4,325,843	254,735	-	4,580,578
Motor vehicles	3,733,916	531,093	(129,396)	4,135,613
Total capital assets being depreciated	<u>78,454,456</u>	<u>5,241,685</u>	<u>(129,396)</u>	<u>83,566,745</u>
Less accumulated depreciation for:				
Land improvements and infrastructure	(5,493,603)	(480,193)	-	(5,973,796)
Buildings and improvements	(14,149,446)	(1,262,011)	-	(15,411,457)
Machinery and equipment	(3,113,620)	(229,477)	-	(3,343,097)
Motor vehicles	(2,258,030)	(277,668)	105,461	(2,430,237)
Total accumulated depreciation	<u>(25,014,699)</u>	<u>(2,249,349)</u>	<u>105,461</u>	<u>(27,158,587)</u>
Total capital assets being depreciated, net	<u>53,439,757</u>	<u>2,992,336</u>	<u>(23,935)</u>	<u>56,408,158</u>
Governmental activities capital assets, net	<u>\$ 68,564,277</u>	<u>\$ 3,175,984</u>	<u>\$ (724,982)</u>	<u>\$ 71,015,279</u>

Depreciation for governmental activities was charged to functions as follows:

General government	\$ 111,124
Public safety	212,011
Public service	413,699
Library	295,401
Education	1,217,114
	<u>\$ 2,249,349</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

5. Capital assets (continued):

	Beginning balances	Increases	Decreases	Ending balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	920,371	502,503	-	1,422,874
Total capital assets not being depreciated	<u>1,097,823</u>	<u>502,503</u>	<u>-</u>	<u>1,600,326</u>
Capital assets being depreciated:				
Buildings and improvements	873,049	313,916		1,186,965
Infrastructure	42,502,027	200,687		42,702,714
Machinery and equipment	771,735	41,675		813,410
Vehicles	503,541	73,570	(20,855)	556,256
Total capital assets being depreciated	<u>44,650,352</u>	<u>629,848</u>	<u>(20,855)</u>	<u>45,259,345</u>
Less accumulated depreciation for:				
Buildings and improvements	(561,693)	(19,916)		(581,609)
Infrastructure	(13,522,698)	(553,398)		(14,076,096)
Machinery and equipment	(519,436)	(29,851)		(549,287)
Vehicles	(337,138)	(40,812)	20,855	(357,095)
Total accumulated depreciation	<u>(14,940,965)</u>	<u>(643,977)</u>	<u>20,855</u>	<u>(15,564,087)</u>
Total capital assets being depreciated, net	<u>29,709,387</u>	<u>(14,129)</u>	<u>-</u>	<u>29,695,258</u>
Business-type activities capital assets, net	<u>\$ 30,807,210</u>	<u>\$ 488,374</u>	<u>\$ -</u>	<u>\$ 31,295,584</u>
Depreciation for business-type activities was charged to functions as follows:				
Water Fund			\$ 360,053	
Sewer Fund			282,049	
School Lunch Fund			1,875	
			<u>\$ 643,977</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

6. Long-term obligations:

General obligation bonds, notes and loans payable:

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

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2013 was \$2,707,182,101, limiting the amount of nonexcepted general obligation bonds outstanding to \$81,215,463. At June 30, 2014, bonds outstanding totaled \$33,275,000.

The Town has financed the acquisition of certain equipment through lease-purchase agreements. Equipment financed under capital leases has been acquired for the General Fund and recorded in the governmental activities as capital assets. Governmental activities fixed assets under capital lease of \$692,818 are recorded net of \$219,342 of accumulated depreciation at June 30, 2014. Interest expense for the year ended June 30, 2014 of \$12,589 is reported within the governmental activities, interest on long-term debt on the statement of activities.

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The net proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2014, the outstanding balance of defeased bonds is \$1,980,000.

A summary of long-term obligations at June 30, 2014 is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General obligation bonds	\$ 33,275,000		\$ 33,275,000
Premium on bond issuance	<u>236,386</u>		<u>236,386</u>
Total bonds payable	33,511,386		33,511,386
Loans payable		\$ 5,800,650	5,800,650
Capital leases	333,563		333,563
Net pension Obligation	653,790		
OPEB Obligation	4,609,491		
Accrued compensated absences	<u>4,005,122</u>		<u>4,005,122</u>
	43,113,352	5,800,650	43,650,721
Less portion due within one year	<u>2,740,993</u>	<u>264,000</u>	<u>3,004,993</u>
	<u>\$ 40,372,359</u>	<u>\$ 5,536,650</u>	<u>\$ 40,645,728</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED June 30, 2014

6. Long-term obligations (continued):

*Governmental activities:*

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2013	New Issues	Retired	Balance, June 30, 2014	Amounts Due Within One Year
<b>General obligation bonds:</b>									
Refunding	\$ 18,770,000	07/01/03	2.00-5.00%	08/01/16	\$ 1,965,000		\$ 505,000	\$ 1,460,000	\$ 495,000
School construction and renovation	35,000,000	08/01/06	4.25-5.00%	08/01/26	27,560,000		1,445,000	26,115,000	1,515,000
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	2,100,000		150,000	1,950,000	150,000
Improvements to Municipal Buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	4,000,000		250,000	3,750,000	250,000
Total general obligation bonds	<u>\$ 61,770,000</u>				35,625,000		2,350,000	33,275,000	2,410,000
Premium on bond issuance					312,865		76,479	236,386	76,479
Total bonds payable					<u>35,937,865</u>		<u>2,426,479</u>	<u>33,511,386</u>	<u>2,486,479</u>
<b>Capital leases:</b>									
Rescue vehicle	\$ 159,000	08/24/10	5.34%	08/24/13	55,856		55,856	-	-
Trash Truck	140,178	05/15/11	2.66%	05/15/14	64,537		64,537	-	-
Rescue vehicle	131,440	06/30/14	1.37%	06/18/16	-	\$ 131,440	-	131,440	65,291
Trash Truck	202,123	06/30/14	1.57%	06/18/19	-	202,123	-	202,123	39,223
Total capital leases	<u>\$ 632,741</u>				120,393	333,563	120,393	333,563	104,514
Claims and judgments					200,000		200,000	-	-
Net Pension Obligation					645,230	8,560	-	653,790	
OPEB					4,558,439	51,052	-	4,609,491	
Accrued compensated absences					3,794,296	210,826		4,005,122	150,000
Total long-term obligations					<u>\$ 45,256,223</u>	<u>\$ 604,001</u>	<u>\$ 2,746,872</u>	<u>\$ 43,113,352</u>	<u>\$ 2,740,993</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED June 30, 2014

6. Long-term obligations (continued):

*Business-type activities:*

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2013	New Issues	Retired	Balance, June 30, 2014	Amounts Due Within One Year
Loans payable are as follows:									
Enterprise fund, Sewer:									
Rhode Island Clean Water Finance Agency:									
Sewer system improvements	\$ 2,902,500	03/29/11	1.45-4.35%	09/01/31	\$ 2,801,500		\$ 103,000	\$ 2,698,500	\$ 105,000
Enterprise fund, Water:									
Rhode Island Clean Water Finance Agency:									
Water system improvements	300,000	04/19/04	3.50%	09/01/24	77,583		5,000	72,583	6,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,465,000		74,000	1,391,000	77,000
Water system improvements	1,500,000	11/06/09	0.55 - 4.15%	09/01/29	1,382,000		60,000	1,322,000	61,000
Water system improvements	362,568	02/12/10	0.36-4.09%	09/01/30	331,567		15,000	316,567	15,000
Total long-term obligations	<u>\$ 6,865,068</u>				<u>\$ 6,057,650</u>	<u>\$ -</u>	<u>\$ 257,000</u>	<u>\$ 5,800,650</u>	<u>\$ 264,000</u>

At June 30, 2014, the Sewer Fund has \$1,204,848 due from Rhode Island Clean Water Finance Agency for undrawn loan proceeds available for sewer construction and improvement projects. This amount is included as a component of the total outstanding debt obligation and reported as restricted cash on the Statement of Net Position.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

6. Long-term obligations (continued):

At June 30, 2014, annual debt service requirements to maturity for general obligation bonds, loans payable and capital leases are as follows:

General obligation bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 2,410,000	\$ 1,423,750	\$ 3,833,750
2016	2,465,000	1,322,813	3,787,813
2017	2,535,000	1,212,376	3,747,376
2018	2,130,000	1,106,432	3,236,432
2019	2,210,000	1,010,619	3,220,619
2020-2024	12,380,000	3,477,171	15,857,171
2025-2029	9,145,000	679,507	9,824,507
	<u>\$ 33,275,000</u>	<u>\$ 10,232,668</u>	<u>\$ 43,507,668</u>

Loans payable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 264,000	\$ 211,458	\$ 475,458
2016	271,000	203,849	474,849
2017	281,000	195,442	476,442
2018	289,000	186,306	475,306
2019	298,000	176,493	474,493
2020-2024	1,673,000	581,184	2,254,184
2025-2029	1,870,582	361,171	2,231,753
2030-2033	854,068	51,992	906,060
	<u>\$ 5,800,650</u>	<u>\$ 1,967,895</u>	<u>\$ 7,768,545</u>

Capital leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 104,514	\$ 4,875	\$ 109,389
2016	105,927	3,463	109,390
2017	40,403	1,934	42,337
2018	41,037	1,300	42,337
2019	41,682	655	42,337
	<u>\$ 333,563</u>	<u>\$ 12,227</u>	<u>\$ 345,790</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED June 30, 2014

7. Accounts payable and accrued expenses:

	Vendors	Trust Fund	Employees	Accrued Interest & Town IBNR	Total
<b>Governmental activities:</b>					
General Fund	\$ 1,162,573	\$ 850,000	\$ 223,273		\$ 2,235,846
School Unrestricted Fund	802,555		3,279,776		4,082,331
Public Building Bond Fund	1,764				1,764
Nonmajor funds	40				40
Reconciliation of balances in fund financial statements to government-wide financial statements				\$ 721,837	721,837
	<u>\$ 1,966,932</u>	<u>\$ 850,000</u>	<u>\$ 3,503,049</u>	<u>\$ 721,837</u>	<u>\$ 7,041,818</u>
<b>Business-type activities:</b>					
Water Fund	\$ 334,390	\$ -	\$ 260,881	\$ -	\$ 595,271
School Lunch Fund	74,489				74,489
Sewer Fund	15,323				15,323
	<u>\$ 424,202</u>	<u>\$ -</u>	<u>\$ 260,881</u>	<u>\$ -</u>	<u>\$ 685,083</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans:

The Town has adopted GASB Statement No. 67, Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25. The Statement enhances the Town's note disclosures. It was issued to improve financial reporting by state and local government pension plans.

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

Town Plan

*Plan description:*

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

As of January 1, 2014, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

Active participants	111
Inactive receiving benefits	92
Inactive with deferred benefits	<u>20</u>
Total	<u><u>223</u></u>

*Benefit provisions:*

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

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



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Town Plan (continued)

*Benefit provisions (continued):*

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

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

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 ½% before 1998. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67½% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Town Plan (continued)

*Benefit provisions (continued):*

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

*Funding policy and contributions:*

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

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

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

*Actuarial method and significant assumptions:*

The annual required contribution (ARC) was determined as part of the January 1, 2014 actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20 year closed period as a level % of pay. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using the actuarial value of the assets using a five year smoothing of appreciation and/or depreciation.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Town Plan (continued)

*Actuarial method and significant assumptions (continued):*

Retirement probability:

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Town Plan (continued)

*Actuarial method and significant assumptions (continued):*

Mortality – RP 2000 Mortality Table

Disability – none assumed

Withdrawal rate:

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

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

Future salary increases:

Salary increase rates used in the valuation are shown below:

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

Assumed rate of return – 8%

The actuarially determined employer contribution requirement for the Town Plan of \$1,227,757 was determined in accordance with the above assumptions and was based on an actuarial valuation as of January 1, 2014. The contribution consists of normal cost plus estimated expenses and one year of interest at 8%. Total contributions to the Town Plan in fiscal 2014 amounted to \$1,518,031, of which \$1,222,045 and \$295,986 was made by the Town and the plan participants, respectively. Contributions made by the Town and plan participants represented 23.78% and 5.76%, respectively, of covered payroll for the year.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Town Plan (continued)

*Annual pension costs:*

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

	2014	2013	2012
Annual pension cost	\$ 1,230,605	\$ 1,224,899	\$ 1,086,386
Contributions made	\$ 1,222,045	\$ 1,226,051	\$ 513,931
Net pension obligation	\$ 653,790	\$ 645,230	\$ 646,382
Percent of annual pension cost contributed	99.3%	100.1%	47.3%

*Funded status and funding progress:*

As of January 1, 2014, the most recent actuarial valuation date, the Town Plan was 65.3% funded. The actuarial accrued liability for benefits was \$29,350,192 and the actuarial value of assets was \$19,157,225, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,192,967. Covered payroll under the Town Plan for 2014 was \$5,139,367. The UAAL was 198.3% of covered payroll.

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

*Investment Policy*

Investments shall be made solely in the interest of the Plan with an emphasis on long-term growth of principal while avoiding excessive risk, primarily through asset diversification. Investments of the Plan shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan shall be diversified by maturity, issuer and class of security in order to eliminate the risk of loss resulting from over-concentration of assets. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

TOWN OF LINCOLN, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

*Rate of Return*

For the year ended June 30, 2014 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 16.60% assuming mid-year timing for inflows/outflows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

*Long-term expected rate of return:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Domestic fixed income	5.00%	-0.10%
Domestic equities	47.00%	4.60%
International equities	12.00%	5.60%
Real estate	6.00%	5.30%
Group annuity contract	30.00%	0.70%
Cash	0.00%	-0.50%
<b>Total</b>	<b>100.00%</b>	
<b>Long-term expected rate of return is 8.00%.</b>		

*Discount Rate:*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF LINCOLN, RHODE ISLAND  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

<b><i>Pension Trust Fund:</i></b>	<b><i>1% Decrease (7.0%)</i></b>	<b><i>Current Discount Rate (8.0%)</i></b>	<b><i>1% Increase (9.0%)</i></b>
Net Pension Liability (asset)	\$12,877,645	\$9,419,705	\$6,236,369

*Concentrations*

The pension trust fund plan held investments in the following organizations that represented 5% or more of the pension plan's fiduciary net position as of June 30, 2014.

<b>Investment:</b>	<b>Pension Trust Fair Market Value</b>	<b>% of Fiduciary Net Position</b>
John Hancock Guaranteed Annuity Contracts	\$4,931,911	24.01%

*Net Pension Liability*

The net pension liability consisted of the following components at June 30, 2014:

<b>Component:</b>	<b>Town Pension Trust Fund</b>
Total pension liability	\$30,026,828
Plan fiduciary net position	\$20,607,123
Net pension liability	\$9,419,705
Plan fiduciary net position as a percentage of the total pension liability	68.63%

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Union Plan

*Plan description:*

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

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

*Contributions required and contributions made:*

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.61 per hour for Town Hall employees; \$1.51 per hour for Library employees; \$1.90 per hour for Public Works employees; and \$13.42 per day (7/1/2013 to 12/31/2013) and \$14.75 per day (1/1/2014 to 6/30/2014) for Water employees participating in the Union Plan for the period July 1, 2013 to June 30, 2014. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2014 was \$280,547, as follows: Town Hall employees \$75,945; Public Works (incl. Sewer Dept.) employees \$136,975; Library employees \$27,271 and Water employees \$40,356.



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

*Trend information:*

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
2012	\$ 243,513	100%
2013	\$ 257,300	100%
2014	\$ 280,547	100%

Employees' Retirement System (ERS) – Defined Benefit Plan

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

Plan Description

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

Funding Policy

The funding policy is outlined in RIGL sections 16-16-22 and 36-10-2 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 3.75% of his/her compensation. The Town and the State are collectively required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The employer contribution is split and paid 40% by the State and 60% by the Town with the exception of teachers who work in federally funded programs where 100% is paid by the Town and reimbursed by the federal government. For fiscal 2014, the total employer rate was 20.68% (8.42% State share and 12.26% local share). The State share of the employer contribution rate includes the total cost of prior contribution deferrals which was .24% for fiscal 2014.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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

The Town contributed approximately \$3,153,318, \$2,945,018 and \$3,093,636 during the fiscal years 2014, 2013 and 2012, respectively, equal to 100% of the actuarially required contributions for those respective years. For financial reporting purposes, the State's share of contributions are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions to the defined benefit plan for fiscal 2014 totaled approximately \$2,035,000.

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](http://www.ersri.org)

Teachers Survivor Benefits

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

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

The Town contributed \$29,902, \$30,137 and \$31,585 during the fiscal years 2014, 2013 and 2012, respectively equal to 100% of the required contributions for those respective years.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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

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

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

*Retirement eligibility and Plan benefits*

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

*Disability Retirement Provisions*

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

*Plan Funding Policy*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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

*Required Contributions and Annual Pension Cost*

Active non police and fire members must contribute 1% of his/her compensation. Rescue personnel must contribute 8% of his/her compensation.

*Annual pension costs and net pension obligation:*

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

General Employees

	2014	2013	2012
Annual pension costs	\$ 92,510	\$ 87,017	\$ 53,434
Actual contributions:			
Employer	\$ 92,510	\$ 87,017	\$ 53,434
Percent of annual pension costs contributed	100%	100%	100.0%

Rescue

	2014	2013	2012
Annual pension costs	\$ 141,344	\$ 146,260	\$ 165,684
Actual contributions:			
Employer	\$ 141,344	\$ 146,260	\$ 165,684
Percent of annual pension costs contributed	100%	100%	100.0%

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

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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

The required contribution for fiscal 2014 was determined as part of the actuarial valuation performed as of June 30, 2011. The most recent valuation of the plans within the system was performed as of June 30, 2014. 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, 2011 and June 30, 2014 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	24 years as of June 30, 2011 21 years as of June 30, 2014
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<i>General Employees</i> June 30, 2011 - 4.0% to 8.0% June 30, 2014 – 3.5% to 7.5% <i>Police/Fire Employees</i> 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. COLA for calendar years 2014 and 2015 will be .67% and 2.73%, respectively.	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

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

Funded Status and Funding Progress

As of June 30, 2014, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	General Employee Unit
Actuarial value of assets	\$ 1,784,625
Actuarial accrued liability (AAL)	\$ 2,305,505
Unfunded AAL	\$ 520,880
Funded ratio	77.4%
Covered payroll	\$ 969,193
Unfunded AAL as a percentage of covered payroll	53.7%

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](http://www.ersri.org)

Municipal Rescue Plan

*Retirement Eligibility and Plan Benefits*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Municipal Rescue Plan (continued)

Funded Status and Funding Progress

As of June 30, 2014, the date of the most recent actuarial valuation available, the funded status of the Municipal Plan was as follows:

	Police and Fire Unit
	<hr/>
Actuarial value of assets	\$ 3,017,968
Actuarial accrued liability (AAL)	\$ 4,236,738
Unfunded AAL	\$ 1,218,770
Funded ratio	71.2%
Covered payroll	\$ 863,347
Unfunded AAL as a percentage of covered payroll	141.2%

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](http://www.ersri.org)

Notes to the Schedule of Funding Progress

*Changes affecting the June 30, 2014 actuarial valuation:*

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

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

*Changes affecting the June 30, 2011 actuarial valuation:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

8. Pension plans (continued):

Defined Contribution Plan

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

Plan Description

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

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

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

*Plan Funding Policy – Teachers*

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 7% of his/her compensation and the School Department is required to contribute 3%. The State of Rhode Island reimburses the School Department .4% of 1% of the required contribution for the Teachers Plan. The plan members and School Department contributed approximately \$1,753,804 and \$651,413, respectively, during the fiscal year ended June 30, 2014. The State's on-behalf contribution totaled approximately \$101,000 for fiscal 2014.

*Plan Funding Policy – General municipal employees*

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active non-police and fire members must contribute 5% of his/her compensation and the Town (including the School Department) is required to contribute 1%. The plan members and Town (including School Department) contributed approximately \$43,044 and \$7,659, respectively, during the fiscal year ended June 30, 2014.



TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

9. Other postemployment benefits:

In addition to pension benefits, the Town Police and School Departments provide, under the provisions of various union contracts and other employment agreements, postemployment health insurance benefits to eligible retirees for a specified maximum number of years. Eligibility is determined based on years of service, employee age, and other available healthcare coverage. The Town and School Department fund these benefits on a pay-as-you-go basis. Participants do not contribute to the Plan. During the year ended June 30, 2014, expenditures for postemployment benefits totaled \$1,357,183; 93 participants received such benefits. The Town's postemployment benefit plan does not issue a stand-alone financial report.

The Town engaged an actuary to prepare an actuarial valuation of its postemployment benefits plan as of July 1, 2013. The purpose of the valuation was to analyze the current funded position of the Town's postemployment benefits program, determine the level of contributions necessary to assure sound funding, and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The Town's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year. The following table shows the components of the annual OPEB cost, the amounts actually contributed to the plan, and changes in the Town's net OPEB obligation for the year ended June 30, 2014:

	<u>2014</u>
Annual required contribution	\$ 1,384,923
Interest on net OPEB obligation	341,883
Adjustment to annual required contribution	<u>(268,378)</u>
Annual OPEB cost	1,458,428
Contributions	<u>(1,407,376)</u>
Increase in Net OPEB obligation	51,052
Net OPEB obligation, beginning of year	<u>4,558,439</u>
Net OPEB obligation, end of year	<u>\$ 4,609,491</u>
Percent of ARC contributed in current year	<u>101.6%</u>

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

9. Other postemployment benefits (continued):

The funded status and progress of the plan as of July 1, 2013 (date of latest valuation) are as follows:

Actuarial accrued liability (AAL)	\$ 15,654,064
Actuarial value of plan assets	<u>(878,343)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,775,721</u>
Funded ratio (actuarial value of plan assets (AAL))	5.6%

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

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

- Measurement date – July 1, 2013
- Funding method – Pay-as-you-go cash basis
- Investment rate of return – 7.5% (previously 4.5%)
- Discount rate – 7.5% reflecting an unfunded obligation
- Participation – 80% of eligible school retirees and 90% of eligible Town are assumed to elect medical and dental coverage
- Health Care Cost Trend Rates – Medical 9.0% per year, decreasing to an ultimate rate of 4.5% per year after 10 years

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

9. Other postemployment benefits (continued):

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

In fiscal 2012, as part of the fiscal 2014 budgetary process, the Town budgeted funding and established an Other Postemployment Benefits (OPEB) Trust, which was authorized by the Rhode Island General Assembly on June 26, 2008.

10. Risk management:

*Rhode Island Interlocal Risk Management Trust, Inc.:*

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2014.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

11. Commitment and contingencies:

*Rhode Island Municipal Insurance Corporation:*

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

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

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to cover claims in excess of \$200,000. At June 30, 2014, the incurred but not reported claims, as determined by RIMIC's health benefit advisors based on prior history, were estimated to approximate \$526,055 (\$135,600 Town and \$390,455 School) and are included in accrued expenses of the governmental activities. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

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

Changes in the risk management liability for the fiscal years ended June 30, 2014 and June 30, 2013 are below.

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

11. Commitment and contingencies (continued):

	<u>2014</u>	<u>2013</u>
Beginning of year .....	\$ 618,952	\$ 383,770
Incurring claims .....	7,445,450	6,817,453
Less: payments on claims.....	<u>7,538,347</u>	<u>6,582,271</u>
Total IBNR at June 30.....	<u>\$ 526,055</u>	<u>\$ 618,952</u>

*Claims and judgments:*

The following matters have been asserted and are outstanding:

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

*Other contingencies:*

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

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

12. Restatement:

The net position of the Governmental Activities and Business-Type Activities have been restated as of June 30, 2013 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. Under GASB Statement #65 bond issuance 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, 2013 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, 2013 as originally stated.....	\$39,364,614
Less unamortized bond issuance costs .....	<u>(61,214)</u>
<b><i>Net position, June 30, 2013 as restated</i></b> .....	<b><u>\$39,303,400</u></b>

***Business-Type Activities:***

Net position, June 30, 2013 as originally stated.....	\$30,518,969
Less unamortized bond issuance costs .....	<u>(13,167)</u>
<b><i>Net position, June 30, 2013 as restated</i></b> .....	<b><u>\$30,505,802</u></b>

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**TOWN OF LINCOLN, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION**





**TOWN OF LINCOLN, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues:</b>				
Taxes	\$ 52,153,424	\$ 52,153,424	\$ 52,186,384	\$ 32,960
Intergovernmental	17,978,256	17,978,256	19,435,401	1,457,145
Local revenues	1,883,100	1,883,100	2,308,263	425,163
Interest and investment income	350,000	350,000	479,543	129,543
<b>Total revenues</b>	<u>72,364,780</u>	<u>72,364,780</u>	<u>74,409,591</u>	<u>2,044,811</u>
<b>Expenditures:</b>				
Current:				
General government	869,285	887,195	948,609	(61,414)
Financial administration	751,583	742,083	739,207	2,876
Public library	1,081,264	1,081,264	1,065,896	15,368
Public safety	5,644,289	5,742,910	5,664,266	78,644
Public services	5,947,511	6,010,782	5,887,873	122,909
Municipal resolutions	2,554,558	2,554,558	745,254	1,809,304
Grants and contributions	62,000	62,000	61,500	500
Other expenditures	4,528,087	4,357,785	4,448,455	(90,670)
Education	1,219,374	1,219,374	1,246,296	(26,922)
Debt service:				
Principal	2,350,000	2,350,000	2,350,000	-
Interest	1,520,800	1,520,800	1,520,800	-
<b>Total expenditures</b>	<u>26,528,751</u>	<u>26,528,751</u>	<u>24,678,156</u>	<u>1,850,595</u>
<b>Excess of revenues over expenditures, budgetary basis</b>	<u>45,836,029</u>	<u>45,836,029</u>	<u>49,731,435</u>	<u>3,895,406</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	3,773,932	3,773,932	1,991,550	(1,782,382)
Transfers to other funds	(49,609,961)	(49,609,961)	(51,412,920)	(1,802,959)
<b>Total other financing sources (uses)</b>	<u>(45,836,029)</u>	<u>(45,836,029)</u>	<u>(49,421,370)</u>	<u>(3,585,341)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses, budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	310,065	<u>\$ 310,065</u>
<b>Adjustments of budgetary basis to U.S. GAAP basis:</b>				
Increase in encumbrances from fiscal 2013			39,571	
Excess of revenues over expenditures for funds which are included in the General Fund for GAAP purposes but not for budgetary purposes.			<u>129,525</u>	
<b>Excess of revenues and other financing sources over expenditures and other financing uses, GAAP basis</b>			479,161	
<b>Fund balance, beginning of year</b>			<u>6,887,453</u>	
<b>Fund balance, end of year</b>			<u>\$ 7,366,614</u>	

**TOWN OF LINCOLN, RHODE ISLAND**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - SCHOOL UNRESTRICTED FUND  
YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Revenues:</b>				
State Aid for Education	\$ 8,946,871	\$ 8,946,871	\$ 8,983,032	\$ 36,161
Medicaid	1,000,000	1,000,000	943,598	(56,402)
Miscellaneous	-	-	128,945	128,945
<b>Total revenues</b>	<u>9,946,871</u>	<u>9,946,871</u>	<u>10,055,575</u>	<u>108,704</u>
<b>Expenditures:</b>				
Current:				
Salaries	29,768,679	29,768,679	29,379,378	389,301
Employee benefits	9,458,500	9,458,500	10,667,760	(1,209,260)
Purchased services	8,773,177	8,735,177	8,347,849	387,328
Supplies and materials	1,321,333	1,359,333	1,402,467	(43,134)
Other	68,535	68,535	58,423	10,112
Capital expenditures	194,737	194,737	191,218	3,519
<b>Total expenditures</b>	<u>49,584,961</u>	<u>49,584,961</u>	<u>50,047,095</u>	<u>(462,134)</u>
<b>Excess of expenditures over revenues, budgetary basis</b>	<u>(39,638,090)</u>	<u>(39,638,090)</u>	<u>(39,991,520)</u>	<u>(353,430)</u>
<b>Other financing source (uses):</b>				
Appropriation from Town's General Fund	39,663,090	39,663,090	39,663,090	-
Reappropriation of fund balance	-	1,500,000	1,500,000	-
Transfer to other funds	(25,000)	(1,525,000)	(1,240,463)	284,537
<b>Total other financing sources (uses):</b>	<u>39,638,090</u>	<u>39,638,090</u>	<u>39,922,627</u>	<u>284,537</u>
<b>Deficiency of revenues and other financing sources under expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (68,893)</u>	<u>\$ (68,893)</u>
<b>School Unrestricted Fund deficiency of revenues and other financing sources under expenditures - Budgetary Basis</b>			\$ (68,893)	
<b>Adjustments to reconcile to GAAP Basis:</b>				
Reappropriation of fund balance not considered other financing source for GAAP purposes			(1,500,000)	
Net activity of School Department Funds other than the Unrestricted Fund:				
School Restricted Grant Funds			27,855	
School Capital Project Funds			<u>(46,995)</u>	
<b>School Department Funds - Deficiency of revenues and other financing sources under expenditures - GAAP Basis of Accounting</b>			<u>\$ (1,588,033)</u>	
<b>GAAP basis fund balance of School Department Funds:</b>				
School Unrestricted Fund			\$ 406,697	
School Restricted Grant Funds			97,866	
School Capital Project Funds - Wireless Initiatives			<u>(46,995)</u>	
<b>Fund Balance - School Department Funds, GAAP Basis</b>			<u>\$ 457,568</u>	

TOWN OF LINCOLN, RHODE ISLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON

YEAR ENDED JUNE 30, 2014

Budget preparation and budgetary basis of accounting:

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

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

Budget compliance:

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

TOWN OF LINCOLN, RHODE ISLAND

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>(Funded) Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a % of covered payroll</u>
<b><u>TOWN PENSION PLAN</u></b>						
January 1, 2009	\$ 14,620,859	\$ 20,344,766	\$ 5,723,907	71.9%	\$ 4,943,482	115.8%
January 1, 2010	\$ 14,662,776	\$ 21,127,359	\$ 6,464,583	69.4%	\$ 5,414,398	119.4%
January 1, 2011	\$ 16,386,041	\$ 22,332,875	\$ 5,946,834	73.4%	\$ 4,988,272	119.2%
January 1, 2012	\$ 16,592,418	\$ 25,953,276	\$ 9,360,858	63.9%	\$ 4,916,103	190.4%
January 1, 2013	\$ 17,070,295	\$ 27,608,150	\$ 10,537,855	61.8%	\$ 5,068,754	207.9%
January 1, 2014	\$ 19,157,225	\$ 29,350,192	\$ 10,192,967	65.3%	\$ 5,139,367	198.3%
<b><u>STATE OF RHODE ISLAND - MUNICIPAL PENSION PLAN</u></b>						
<i>General employee unit:</i>						
June 30, 2009	\$ 1,307,918	\$ 1,483,154	\$ 175,236	88.2%	\$ 851,031	20.6%
June 30, 2010	\$ 1,267,621	\$ 1,923,482	\$ 655,861	65.9%	\$ 844,463	77.7%
June 30, 2011	\$ 1,271,215	\$ 1,796,892	\$ 525,677	70.7%	\$ 862,856	60.9%
June 30, 2012	\$ 1,329,087	\$ 1,931,318	\$ 602,231	68.8%	\$ 846,470	71.1%
June 30, 2013	\$ 1,417,984	\$ 2,032,043	\$ 614,059	69.8%	\$ 866,702	70.9%
June 30, 2014	\$ 1,784,625	\$ 2,305,505	\$ 520,880	77.4%	\$ 969,193	53.7%
<i>Police and fire unit:</i>						
June 30, 2009	\$ 2,071,497	\$ 2,923,841	\$ 852,344	70.9%	\$ 766,026	111.3%
June 30, 2010	\$ 2,183,649	\$ 3,685,597	\$ 1,501,948	59.2%	\$ 789,153	190.3%
June 30, 2011	\$ 2,358,951	\$ 3,411,196	\$ 1,052,245	69.2%	\$ 809,147	130.0%
June 30, 2012	\$ 2,555,784	\$ 3,958,072	\$ 1,402,288	64.6%	\$ 895,422	156.6%
June 30, 2013	\$ 2,711,623	\$ 4,030,978	\$ 1,319,355	67.3%	\$ 883,961	149.3%
June 30, 2014	\$ 3,017,968	\$ 4,236,738	\$ 1,218,770	71.2%	\$ 863,347	141.2%
<b><u>OTHER POSTEMPLOYMENT BENEFITS</u></b>						
June 30, 2009	\$ -	\$ 23,939,601	\$ 23,939,601	0.0%	n/a	n/a
June 30, 2010	\$ -	\$ 24,880,760	\$ 24,880,760	0.0%	n/a	n/a
July 1, 2011	\$ -	\$ 26,241,909	\$ 26,241,909	0.0%	n/a	n/a
July 1, 2012	\$ 280,005	\$ 15,778,660	\$ 15,498,655	1.8%	\$ 29,752,013	52.1%
July 1, 2013	\$ 878,343	\$ 15,654,064	\$ 14,775,721	5.6%	\$ 30,793,333	48.0%

TOWN OF LINCOLN, RHODE ISLAND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 YEAR ENDED JUNE 30, 2014

***Town Pension Plan***

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$1,227,757	99.5%
2013	\$1,222,045	100.3%
2012	\$1,086,386	47.3%
2011	\$644,463	114.3%
2010	\$644,615	74.4%
2009	\$618,012	62.1%

***OPEB***

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$1,384,923	101.6%
2013	\$1,430,251	115.2%
2012	\$2,170,685	35.1%
2011	\$2,181,418	46.2%
2010	\$1,992,852	44.4%
2009	\$1,907,362	47.6%

**TOWN OF LINCOLN, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Changes in Net Pension Liability and Related Ratios  
For the Year Ended June 30, 2014  
UNAUDITED**

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	<b>Town Pension Trust Fund</b>
Total pension liability:	
Service cost	\$ 645,295
Interest	2,250,505
Changes of benefit terms	-
Differences between expected and actual experience	82,849
Changes in assumptions	333,062
Benefit payments	<u>(1,541,807)</u>
Net change in total pension liability	1,769,904
Total pension liability - beginning	<u>28,256,924</u>
Total pension liability - ending (a)	<u>\$ 30,026,828</u>
Plan fiduciary net position:	
Contribution - employer	\$ 1,222,045
Contribution - employee	295,986
Net investment income	3,098,022
Benefit payments, including refunds of employee contributions	(1,541,807)
Administrative expenses	(214,277)
Other	-
Net change in plan fiduciary net position	<u>2,859,969</u>
Plan fiduciary net position - beginning	<u>17,747,154</u>
Plan fiduciary net position - ending (b)	<u>\$ 20,607,123</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 9,419,705</u>
Plan fiduciary net position as a percentage of the total pension liability	68.63%
Covered-employee payroll	\$ 5,139,367
Net pension liability as a percentage of covered-employee payroll	183.29%

**Notes:**

The information in this schedule is intended to show 10 years. However as of June 30, 2014 only one year is available.

TOWN OF LINCOLN, RHODE ISLAND

**Required Supplementary Information**  
**Schedules of Employer Contributions, Investment Returns, and Employer's Net Pension Liability**  
**June 30, 2014**  
**UNAUDITED**

**Schedule of Employer Contributions**

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
<b>Town Pension Trust Fund</b>	2014	\$1,227,757	\$1,222,045	(\$5,712)	\$ 5,139,367	23.78%
	2013	\$1,222,045	\$1,226,051	\$4,006	\$ 5,068,754	24.19%
	2012	\$1,086,386	\$513,931	(\$572,455)	\$ 4,916,103	10.45%
	2011	\$644,463	\$736,776	\$92,313	\$ 4,988,272	14.77%
	2010	\$644,615	\$479,429	(\$165,186)	\$ 5,414,398	8.85%
	2009	\$618,012	\$383,964	(\$234,048)	\$ 4,943,482	7.77%
	2008	\$386,977	\$343,606	(\$43,371)	\$ 4,617,858	7.44%
	2007	\$358,880	\$127	(\$358,753)	\$ 4,127,827	0.00%
	2006	\$348,818	\$789,497	\$440,679	\$ 3,744,436	21.08%
	2005	\$309,674	\$257,077	(\$52,597)	\$ 3,501,567	7.34%

**Schedule of Investment Returns**

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
<b>Town Pension Trust Fund</b>	2014	16.60%

**Schedule of Employer's Net Pension Liability**

	Year Ended June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
<b>Town Pension Trust Fund</b>	2014	\$30,026,828	\$20,607,123	\$9,419,705	68.63%	\$5,139,367	183.29%

The information in these schedules is intended to show 10 years. However as of June 30, 2014 not all information was available.

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# **TOWN OF LINCOLN, RHODE ISLAND**

## **OTHER SUPPLEMENTARY INFORMATION**



**TOWN OF LINCOLN, RHODE ISLAND**

**TAX COLLECTOR'S ANNUAL REPORT  
YEAR ENDED JUNE 30, 2014**

**Real estate and personal property taxes receivable:**

<u>Year</u>	<u>Balance, July 1, 2013</u>	<u>Current year assessment</u>	<u>Additions</u>	<u>Abatements/ adjustments</u>	<u>Amount to be collected</u>	<u>Collections</u>	<u>Balance, June 30, 2014</u>
2013		\$ 52,492,288	\$ 8,048	\$ (468,110)	\$ 52,032,226	\$ 50,229,268	\$ 1,802,958
2012	\$ 2,128,766		35,501	(15,109)	2,149,158	1,833,354	315,804
2011	314,032		4,814	(552)	318,294	124,403	193,891
2010	206,636		3,863	2,169	212,668	50,965	161,703
2009	94,102		2,526	33	96,661	16,044	80,617
2008	131,014		2,431	3,645	137,090	4,627	132,463
2007	109,776		2,408	(219)	111,965	2,165	109,800
2006	62,356			(259)	62,097	1,726	60,371
2005	2,017			12	2,029	1,469	560
2004	37,774			-	37,774	3,041	34,733
2003 and prior	54,323			(27,477)	26,846	221	26,625
<b>Total</b>	<b><u>\$ 3,140,796</u></b>	<b><u>\$ 52,492,288</u></b>	<b><u>\$ 59,591</u></b>	<b><u>\$ (505,867)</u></b>	<b><u>\$ 55,186,808</u></b>	<b><u>\$ 52,267,283</u></b>	<b>2,919,525</b>
						Less allowance for doubtful accounts	<u>(397,038)</u>
							<b><u>\$ 2,522,487</u></b>

**TOWN OF LINCOLN, RHODE ISLAND**

**TAX COLLECTOR'S ANNUAL REPORT (CONTINUED)  
YEAR ENDED June 30, 2014**

**Schedule of net assessed property value by category:**

<u>Description of property</u>	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 2,319,749,000	\$ 56,160,089
Motor vehicles	220,281,415	6,753,828
Tangible personal property	<u>145,244,242</u>	<u>5,358,060</u>
Total	2,685,274,657	68,271,977
Exemptions	<u>653,144,650</u>	<u>15,779,689</u>
Current year assessment	<u><u>\$ 2,032,130,007</u></u>	<u><u>\$ 52,492,288</u></u>

**Reconciliation of current year property tax revenue:**

Current year collections	\$ 52,267,283
Revenue collected within 60 days subsequent to year ended June 30, 2014	<u>561,205</u>
	52,828,488
Prior year 60 day rule revenue received in current year	<u>(642,104)</u>
<b>Current year real estate and personal property tax revenue</b>	<u><u>\$ 52,186,384</u></u>

# **TOWN OF LINCOLN, RHODE ISLAND**

## **SINGLE AUDIT SECTION**

This section contains information regarding federal grant activity for the year ended June 30, 2014, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and under the guidelines of the Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

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**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 Members of the Town Council  
Town of Lincoln  
Lincoln, 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 Lincoln, Rhode Island as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Lincoln, Rhode Island's basic financial statements and have issued our report thereon dated February 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Lincoln, 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 Lincoln, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Lincoln, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 Lincoln, 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 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.

*Marcum LLP*

Providence, Rhode Island  
February 27, 2015



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

To the Honorable Members of the Town Council  
Town of Lincoln  
Lincoln, Rhode Island

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Lincoln, 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 Lincoln, Rhode Island's major federal programs for the year ended June 30, 2014. The Town of Lincoln, 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 Town of Lincoln, 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 Lincoln, 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 Lincoln, Rhode Island's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Lincoln, 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, 2014.

### ***Report on Internal Control Over Compliance***

Management of the Town of Lincoln, 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 Lincoln, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Lincoln, Rhode Island's internal control over compliance.

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

*Marcum LLP*

Providence, Rhode Island  
February 27, 2015



TOWN OF LINCOLN, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Expenditures Incurred
<b>U.S. Department of Agriculture</b>		
<b>Pass through State Department of Education:</b>		
National School Lunch Program	10.555	\$ 551,238
<b>Total U.S. Department of Agriculture</b>		<u>551,238</u>
<b>U.S. Department of Housing and Urban Development</b>		
<b>Passed through the RI Department of Administration</b>		
<b>Housing and Community Development:</b>		
Community Development Block Grant	14.218	165,704
<b>Total U.S. Department of Housing and Urban Development</b>		<u>165,704</u>
<b>U.S. Department of Education</b>		
<b>Pass through the State Department of Education:</b>		
Special Education - Grants to States	84.027	781,795
ARRA - Race to the Top Incentive Grants	84.395	36,265
Special Education--Preschool Grants	84.173	24,450
Title I Grants to Local Education Agencies	84.010	281,713
Career and Technical Education - Basic Grants to States	84.048	63,352
Teaching American History	84.215X	171,321
Improving Teacher Quality State Grants	84.367	115,527
<b>Total U.S. Department of Education</b>		<u>1,474,423</u>
<b>U. S. Department of Justice</b>		
<b>Direct Programs:</b>		
JAG Program	16.738	9,667
Bulletproof Vest Partnership Program	16.607	2,303
<b>Total U.S. Department of Homeland Security</b>		<u>11,970</u>
<b>U.S. Department of Health and Human Services,</b>		
<b>Center for Disease Control and Prevention:</b>		
<b>Passed through the State of Rhode Island Department of Health:</b>		
Public Health Emergency Preparedness	93.069	2,592
<b>Total U.S. Department of Health and Human Services</b>		<u>2,592</u>
<b>U. S. Department of Transportation</b>		
<b>Pass-through RI Department of Transportation</b>		
Child Safety/Seatbelt Grant	20.613	4,712
Operation Blue Riptide	20.601	22,219
<b>Total U. S. Department of Transportation</b>		<u>26,931</u>
<b>U. S. Department of Homeland Security</b>		
<b>Pass-through RI Emergency Management Agency</b>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	79,780
<b>Total U.S. Department of Homeland Security</b>		<u>79,780</u>
<b>Total Expenditures of Federal Awards</b>		<u>\$ 2,312,638</u>

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

**TOWN OF LINCOLN, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Town of Lincoln, 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.

**NOTE 2 – BASIS OF ACCOUNTING**

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

**NOTE 3 – DETERMINATION OF MAJOR PROGRAMS**

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for the Town of Lincoln, 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, 2014, the following programs were considered major programs:

National School Lunch Program .....	CFDA 10.555
Community Development Block Grants .....	CFDA 14.228
Title 1 .....	CFDA 84.010
Improving Teacher Quality State Grants .....	CFDA 84.367
Disaster Grants Public Assistance.....	CFDA 97.036

**TOWN OF LINCOLN, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014**

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**SECTION I. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued: *Unmodified Opinion*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes        X   no

***Federal Awards***

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: *Unmodified Opinion*

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

Identification of major program:

National School Lunch Program .....	CFDA 10.555
Community Development Block Grants .....	CFDA 14.228
Title 1 .....	CFDA 84.010
Improving Teacher Quality State Grants .....	CFDA 84.367
Disaster Grants Public Assistance.....	CFDA 97.036

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes        X   no

(CONTINUED)

**TOWN OF LINCOLN, RHODE ISLAND**

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2014***

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**SECTION II. FINDINGS -- RELATED TO THE AUDIT OF FINANCIAL STATEMENTS**

**CURRENT YEAR FINDINGS:**

None

**SECTION III. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS**

**CURRENT YEAR FINDINGS:**

None

**PRIOR YEAR FINDINGS:**

None

(CONCLUDED)

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**TOWN OF LINCOLN, RHODE ISLAND**

**STATUS OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2014**

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**SECTION IV. FINANCIAL STATEMENT FINDINGS**

***Prior Year Findings:***

**2013-001:** The Town of Lincoln and the Lincoln School Department do not have adequate policies and procedures for timely reconciling of the inter-fund activity or balances. Failure to reconcile inter-fund balances and activity on a periodic basis increases the risk that the financial statements will be misstated and not filed in a timely matter. In addition, during fiscal year ended June 30, 2013 a prior period adjustment was made to reflect corrections in the inter-fund receivable between the Town and the Water Commission. **Status:** Procedures established in 2014 to monitor and complete reconciliations in a timelier manner.

**2013-002:** While capital assets are not presented on the governmental funds statements, GASB 34 requires major categories of capital assets to be presented on the government-wide statements, and depreciated over their estimated lives. Therefore, a governmental fund still must maintain adequate records of major capital assets. The Town of Lincoln has established a policy where management capitalizes all purchases of property and equipment with an original cost of \$5,000 or more. During our audit we noted instances where fixed assets with costs approximating \$5,595,000 had been placed in service, but not properly depreciated. Management corrected the error which resulted in additional depreciation expense on the government wide financial statements of approximately \$198,000. **Status:** Procedures established in 2014 to avoid recurrence of this event.