

Town of North Providence Rhode Island



Basic Financial Statements and
Required Supplementary Information
Fiscal Year Ended June 30, 2014

Including Independent Audit Report
of Certified Public Accountants

Charles A. Lombardi
Mayor

Justin Cambio
Finance Director

Prepared by Finance Department

TOWN OF NORTH PROVIDENCE

INTRODUCTORY SECTION

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2014

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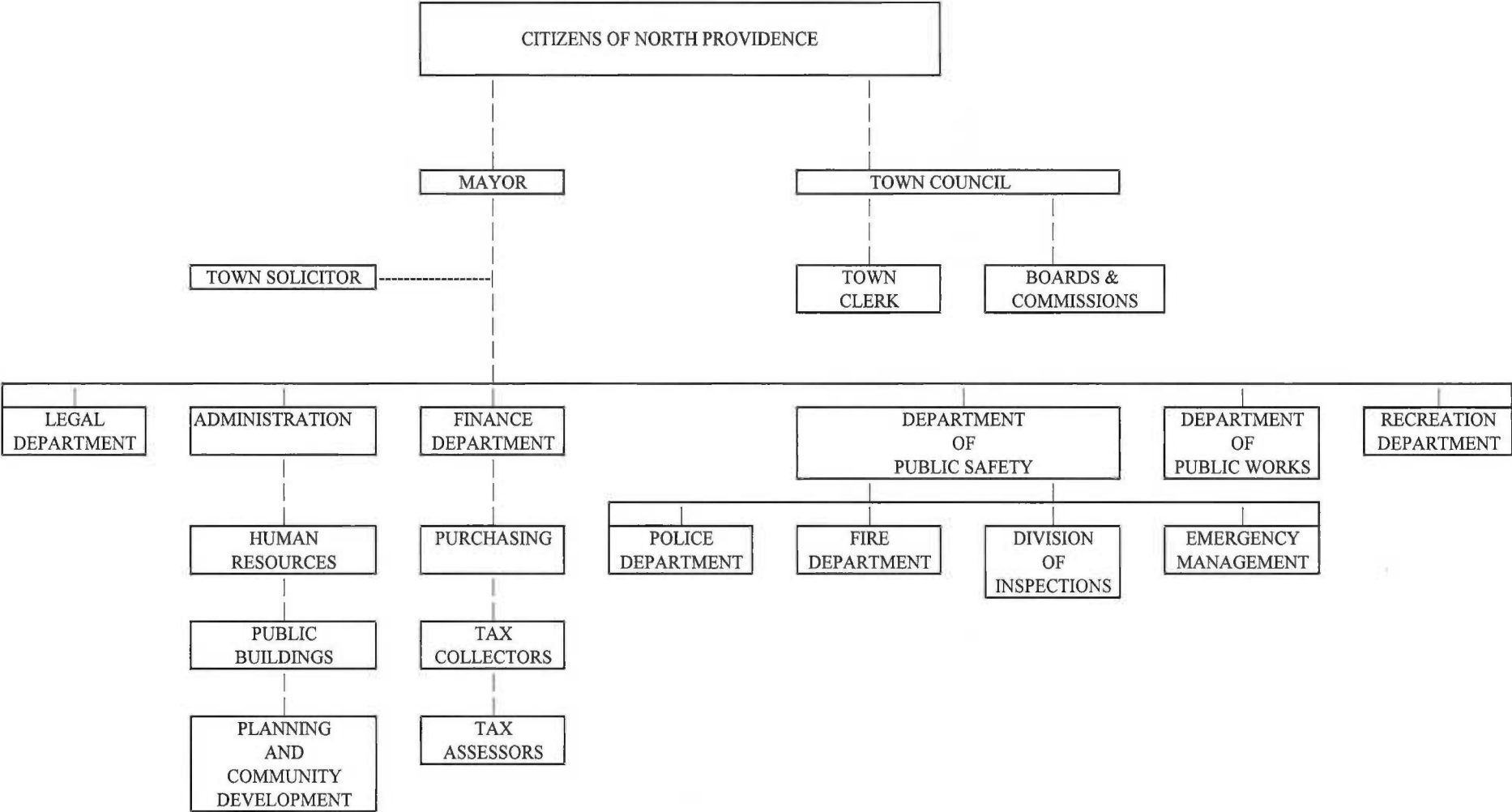
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(CONCLUDED)

TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION

June 30, 2014



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

JUNE 30, 2014

TOWN COUNCIL

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

MAYOR

Charles A. Lombardi

FINANCE DEPARTMENT

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

TOWN OF NORTH PROVIDENCE

FINANCIAL SECTION

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

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

Reporting on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 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 North Providence, 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 for Pension Plans, the Schedule of Funding Progress for OPEB Plans, 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 11, Pages 62 through 66, Page 67, Page 68, Page 69, and Page 70 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, other exhibits, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other exhibits, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2015, on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Providence, Rhode Island's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2013, were audited by Braver P.C. whose practice was combined with Marcum LLP as of January 1, 2014, and whose report dated December 30, 2013, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein for the proprietary funds as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Providence, Rhode Island
January 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

As management of the Town of North Providence, we offer readers of the Town of North Providence's financial Statements this narrative overview and analysis of financial activities of the Town of North Providence for the fiscal year ended June 30, 2014.

Financial Highlights

- On the Government-Wide Statements, the assets of the Town of North Providence exceeded its liabilities at the close of the most recent fiscal year by \$69,846,661. This is a positive improvement over last year when assets exceeded liabilities by \$69,232,554 (as restated).
- The unrestricted net position (deficit) of the governmental activities at June 30, 2014 totaled (\$91,165).
- As of year-end June 30, 2014, the Town's General Fund had a surplus unassigned fund balance of \$5,483,078. This is an increase of \$292,679 over last year's unassigned fund balance of \$5,190,399.
- As of June 30, 2014 the School Unrestricted Fund had a surplus fund balance of \$11,736.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2014, this fund had an overall net asset overage of \$32,429.
- On the budgetary basis of accounting, the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$387,606. The School Unrestricted Fund also reported an excess of revenues and other financing sources over expenditures and other financing uses of \$179,734.
- On January 30, 2014 the town's general obligation bond rating was upgraded to A3 by Moody's Investors Service. The rationale substantiating this upgrade was reflective of the town's improving financial position characterized by four years of consecutive operating surpluses through fiscal year 2013. The rating also encompasses the reduction in the local pension liability and the overall manageable outstanding debt burden. Annual debt service as a percentage of the operating budget was affordable at approximately 6.7% in fiscal year 2014.
- During fiscal year 2014 the town continued its fiscal stewardship by refinancing eligible outstanding debt to lower the interest rates without extending the payment schedule or amount borrowed thus saving hundreds of thousands of dollars over the life of the bonds.
- The town has ended fiscal year 2014 with its fifth consecutive operating surplus. Furthermore, the town was able to part ways with the historical trend of issuing tax anticipation notes without impacting operations or implementing major modification to standard protocol.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the Town of North Providence’s operations. Required Supplementary information is presented on Pages 62 through 70.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on Pages 71 through 78.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town of North Providence, assets exceeded liabilities by \$69,846,661 as of June 30, 2014.

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

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND
NET POSITION
June 30, 2014 and 2013 (as restated) (in 000’s)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 60,682	\$ 59,165	\$ 189	\$ 243	\$ 60,871	\$ 59,408
Capital Assets	62,918	62,874	61	46	62,979	62,920
Total Assets	123,600	122,039	250	289	123,850	122,328
Long-Term Liabilities	37,685	39,308	0	0	37,685	39,308
Other Liabilities	16,101	13,481	218	307	16,319	13,788
Total Liabilities	53,786	52,789	218	307	54,004	53,096
Net Position:	\$ 69,814	\$ 69,250	\$ 32	\$ (18)	\$69,846	\$69,232
Invested in capital assets, net of related debt	\$ 31,374	\$ 28,517	\$ 61	\$ 46	\$31,435	\$28,563
Restricted	38,532	39,406			38,532	39,406
Unrestricted	(92)	1,327	(29)	(64)	(121)	1,263
Total Net Position	\$ 69,814	\$ 69,250	\$ 32	\$ (18)	\$69,846	\$69,232

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

As of June 30, 2014 the Town of North Providence reports a positive (surplus) balance of \$32,429 in business-type activities (School Cafeteria Fund) while the governmental activities have total net position of \$69,814,232.

Analysis of the Town of North Providence’s Operations

The following analysis provides a summary of the Town of North Providence’s operations for the year-ended June 30, 2014 and 2013.

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

For the Fiscal Years ending June 30, 2014 and 2013 (Restated) (in 000’s)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,825	\$ 3,597	\$ 359	\$ 389	\$ 4,184	\$ 3,986
Operating Grants and Contributions	19,622	77,269	810	768	20,432	78,037
Capital Grants and Contributions	754	2,287			754	2,287
General Revenues:						
Property taxes	67,459	67,200			67,459	67,200
Motor vehicle phase-out taxes	349	344			349	344
Telephone and State PILOT	1,067	979			1,067	979
Grants and aid not restricted for a specific program	2,398	2,734			2,398	2,734
Gain on sale of surplus equipment	4	2			4	2
Unrestricted investment earnings	9	5			9	5
Transfer in (out)	(18)	(15)	18	15	0	0
Total Revenues	95,469	154,402	1,187	1,172	96,656	155,574
Expenses:						
Legislative, judicial, and administrative	14,223	13,629			14,223	13,629
Department of Finance	959	1,068			959	1,068
Public Safety	19,886	17,605			19,886	17,605
Public Services/works	4,584	4,498			4,584	4,498
Grants and contributions	1,336	1,314			1,336	1,314
Education	52,857	51,741			52,857	51,741
Interest on long-term debt	1,060	1,132			1,060	1,132
School Cafeteria			1,137	1,131	1,137	1,131
Total Expenses	94,905	90,987	1,137	1,131	96,042	92,118
Increase (decrease) in net position	564	63,415	50	41	614	63,456
Net position beginning of year	69,250	5,835	(18)	(59)	69,232	5,776
Net position (deficit) end of year	\$69,814	\$69,250	\$ 32	\$(18)	\$69,846	\$69,232

Financial Analysis of the Town of North Providence's Funds

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

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

At the end of the current fiscal year, the Town of North Providence's governmental funds reported a combined ending fund balance of \$10,118,085. Unassigned fund balance amounted to \$5,357,466 with non-spendable fund balance of \$703,411, committed fund balance of \$663,124, and restricted fund balance of \$3,394,084.

The general fund is the operating fund of the Town of North Providence. At the end of the current fiscal year, the Town's general fund ended with an increase in fund balance of \$387,606. This resulted in a cumulative surplus fund balance in the General Fund of \$6,174,227 at June 30, 2014. The unassigned portion of the fund balance/cumulative surplus was \$5,483,078.

Proprietary Funds

The Town of North Providence's proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Total net position of the proprietary fund is \$32,429 at June 30, 2014.

General Fund Budgetary Highlights

Total actual revenues exceeded budgeted revenues by \$939,763. The most significant favorable revenue variances were in the collection of property taxes and payments in lieu of property taxes. Overall, actual expenditures were over budget by \$42,619. The most significant unfavorable expenditure variances were in Street lights, Insurance and Transfer to School (for the purpose of eliminating the cumulative deficit). The combined favorable variance in both revenue accounts and expense accounts amounted to \$897,144. However excess revenue received related to the School Department was transferred to the Department and as a result the budgetary excess after transfers was \$387,606 (budgetary basis surplus).

Capital Assets and Debt and Administration

Capital Assets

The Town of North Providence's investment in capital assets for its governmental and business-type activities amounts to \$48,840,418 net of accumulated depreciation at June 30, 2014. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure.

Capital Assets and Debt and Administration (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$16,185	\$ 16,185			\$16,185	\$16,185
Buildings and improvements	23,029	23,776			23,029	23,776
Equipment, furn. & fixtures	3,566	2,102			3,566	2,102
Vehicles	2,046	1,765			2,046	1,765
Infrastructure	3,470	3,793			3,470	3,793
Land improvements	545	392			545	392
Total	<u>\$48,841</u>	<u>\$48,013</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$48,841</u>	<u>\$ 48,013</u>

Long Term Debt

At the end of the current fiscal year, the Town of North Providence had total bonded debt (net of bond premium) of \$20,219,850. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$20,220	\$25,390	\$ 0	\$0	\$20,220	\$25,390
Bond premium	554	24	0	0	554	24
Notes & Lease purchase obligations	1,273	596	0	0	1,273	596
Total obligations	<u>\$22,047</u>	<u>\$26,010</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$22,047</u>	<u>\$26,010</u>

There were no outstanding short-term obligations at June 30, 2014.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the full assessed value of all taxable property within the Town. The Town of North Providence's limit is \$71,921,300 at year-end based in the December 31, 2012 assessed value of property. The Town of North Providence's outstanding general obligation debt is \$20,219,850 at year-end, which is \$51,701,450 under the State imposed limitation.

As of June 30, 2014, the Town of North Providence's bonds are insured and hold an A3 credit rating from Moody's and an A rating from Standard & Poor's.

Additional information of the Town of North Providence's debt administration can be found in footnote 9 on Pages 40 through 42 of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- The Town of North Providence has budgeted \$92,683,964 for fiscal 2015, an increase of \$3,112,378 over fiscal 2014. The increase was principally for an increased education appropriation in the amount of \$2,160,163 and a \$944,027 increase for the town. Approximately \$1.5 million or over seventy percent of the increase for education was derived from additional state aid.
- Budgeted educational expenses are \$49,591,015 or 54%; leaving \$43,092,949 or 46% budgeted for all other purposes.
- State aid to education is budgeted at \$16,290,755 which is an increase of \$1,526,163 over fiscal 2013. State aid represents nearly one-third of the education budget.
- The locally-administered Police Pension Fund's funded ratio is currently hovering near 96% at June 30, 2014. This has resulted in a significant reduction to the Town's annual Police Pension Fund contribution which would exceed \$2.2 million annually without application of the federal forfeiture funds but has now been reduced by over sixty percent of that amount to approximately \$815,000 annually.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2014: Residential Real Estate \$27.94; Commercial Real Estate \$34.68; Tangible Property \$69.91 and Motor Vehicle \$41.95.

Request for Information

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

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TOWN OF NORTH PROVIDENCE

BASIC FINANCIAL STATEMENTS



TOWN OF NORTH PROVIDENCE RHODE ISLAND**Statement of Net Position
June 30, 2014**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 15,000,011	\$ 53,458	\$ 15,053,469
Accounts receivable, net	5,954,632		5,954,632
Internal balances	(88,969)	88,969	-
Due from federal and state governments	39,113,176	46,687	39,159,863
Prepays	703,411		703,411
Total Current Assets	60,682,261	189,114	60,871,375
Noncurrent Assets:			
Net Pension Obligation Asset	14,077,399		14,077,399
Capital assets not being depreciated	16,184,150		16,184,150
Capital assets, net of accumulated depreciation	32,656,268	61,368	32,717,636
Total Noncurrent Assets	62,917,817	61,368	62,979,185
TOTAL ASSETS	123,600,078	250,482	123,850,560
LIABILITIES:			
Current Liabilities:			
Accounts payable	2,969,319	218,053	3,187,372
Accrued liabilities	5,650,043		5,650,043
Unearned revenue	248,268		248,268
Current portion of compensated absences	950,000		950,000
Current portion of IBNR claims	742,808		742,808
Current portion of bonds and notes	5,540,264		5,540,264
Total Current Liabilities	16,100,702	218,053	16,318,755
Noncurrent Liabilities:			
Compensated absences	7,678,363		7,678,363
Net OPEB obligation	13,499,973		13,499,973
Bond and note obligations, net	16,506,808		16,506,808
Total Noncurrent Liabilities	37,685,144	-	37,685,144
TOTAL LIABILITIES	53,785,846	218,053	54,003,899
NET POSITION:			
Net investment in capital assets	31,373,889	61,368	31,435,257
Restricted	38,531,508	-	38,531,508
Unrestricted	(91,165)	(28,939)	(120,104)
TOTAL NET POSITION	\$ 69,814,232	\$ 32,429	\$ 69,846,661

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Statement of Activities
For the Year Ended June 30, 2014*

<u>Functions/Programs:</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental Activities	Business-type Activities	Total
		Services, Fees & Licenses	Grants and Contributions	Grants and Contributions			
Governmental activities:							
Legislative, judicial, and administrative	\$ 14,222,700	\$ 971,863	\$ 213,229	\$ -	\$ (13,037,608)		\$ (13,037,608)
Department of finance	959,640	67,512			(892,128)		(892,128)
Public safety	19,885,738	1,522,666	239,418	24,496	(18,099,158)		(18,099,158)
Public services	4,583,754	224,128	-	187,609	(4,172,017)		(4,172,017)
Grants and contributions	1,336,350	-	171,750	-	(1,164,600)		(1,164,600)
Education	52,857,701	1,038,779	18,997,711	541,730	(32,279,481)		(32,279,481)
Interest on long-term debt	1,059,586				(1,059,586)		(1,059,586)
Total governmental activities	94,905,469	3,824,948	19,622,108	753,835	(70,704,578)		(70,704,578)
Business-type activities:							
School Cafeteria	1,136,313	358,953	810,113			\$ 32,753	32,753
Total business-type activities	1,136,313	358,953	810,113	-	-	32,753	32,753
Total	\$ 96,041,782	\$ 4,183,901	\$ 20,432,221	\$ 753,835	(70,704,578)	32,753	(70,671,825)
General revenues:							
Property taxes					67,458,708		67,458,708
Motor vehicle phase-out taxes					348,919		348,919
Telephone and State PILOT payments					1,067,245		1,067,245
Grants and aid not restricted for a specific program					2,398,271		2,398,271
Gain on sale of surplus equipment					4,201		4,201
Unrestricted investment earnings					8,588		8,588
Transfer in (out)					(17,500)	17,500	-
Total general revenues and transfers					71,268,432	17,500	71,285,932
Change in Net Position					563,854	50,253	614,107
Net Position - beginning of year (As Restated)					69,250,378	(17,824)	69,232,554
Net Position - ending of year					\$ 69,814,232	\$ 32,429	\$ 69,846,661

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2014*

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 10,745,032	\$ 1,056,180	\$ 1,656,769	\$ 999,136	\$ 542,894	\$ 15,000,011
Accounts and other receivable, net	5,686,643	19,347			248,642	5,954,632
Due from federal and state governments	1,105,280	273,494		37,531,276	203,126	39,113,176
Prepaid expenditures	566,149	137,262			-	703,411
Due from other funds	2,105,295	3,973,542		1,528	2,847,980	8,928,345
TOTAL ASSETS	\$ 20,208,399	\$ 5,459,825	\$ 1,656,769	\$ 38,531,940	\$ 3,842,642	\$ 69,699,575
LIABILITIES:						
Accounts payable	\$ 2,524,760	\$ 362,136		\$ 432	\$ 81,991	\$ 2,969,319
Accrued liabilities	2,462,362	2,980,540			18,741	5,461,643
Due to other funds	4,693,380	2,105,413			2,218,521	9,017,314
Unearned revenue - other					248,268	248,268
TOTAL LIABILITIES	9,680,502	5,448,089	\$ -	432	2,567,521	17,696,544
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes, EMS, Fines etc.	4,353,670			37,531,276		41,884,946
FUND BALANCES:						
Nonspendable	566,149	137,262				703,411
Restricted			1,656,769	1,000,232	737,083	3,394,084
Committed	125,000				538,124	663,124
Unassigned	5,483,078	(125,526)			(86)	5,357,466
TOTAL FUND BALANCES	6,174,227	11,736	1,656,769	1,000,232	1,275,121	10,118,085
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,208,399	\$ 5,459,825	\$ 1,656,769	\$ 38,531,940	\$ 3,842,642	\$ 69,699,575

(CONTINUED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2014*

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

Total Fund Balance reported in Exhibit B-1	\$ 10,118,085
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund Balance Sheet - represents net capital assets at June 30, 2014	48,840,418
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position.	(44,918,216)
Net Pension Obligation Asset represents the amount funded to the Police Pension Plan in excess of the required contributions. This amount is recorded as an expenditure in the Governmental Funds when paid while it is recorded as an asset as applicable in the Government Statement of Net Position.	14,077,399
Unearned tax and other miscellaneous revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	41,884,946
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net Position and not the Governmental Fund Balance Sheet at June 30, 2014.	(188,400)
Total Net Position reported in Exhibit A-1	<u>\$ 69,814,232</u>

(CONCLUDED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2014**

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 67,564,924				\$ 250,000	\$ 67,814,924
Intergovernmental	3,986,185	\$ 14,996,162		\$ 546,800	3,016,385	22,545,532
Licenses and fees	357,507				160,462	517,969
Investment income	2,923		\$ 91	2,221	3,353	8,588
Departmental	1,018,597					1,018,597
Contributions					247,500	247,500
State on behalf pension contribution		1,919,208				1,919,208
Medicaid reimbursement		909,334				909,334
Miscellaneous	1,296,272	129,445		24,496	838	1,451,051
TOTAL REVENUES	74,226,408	17,954,149	91	573,517	3,678,538	96,432,703
EXPENDITURES:						
Current:						
Legislative, judicial, and administrative	2,246,665					2,246,665
Department of finance	946,584					946,584
Public safety	15,923,497			83,182	176,861	16,183,540
Public services/works	4,301,906					4,301,906
Grants and contributions	1,327,054					1,327,054
Education		49,048,747			1,995,650	51,044,397
Other	11,130,470				467,647	11,598,117
Debt Service:						
Principal	15,059,451	236,064	2,095,000		-	17,390,515
Interest and other costs	884,254		177,244		-	1,061,498
Bond issuance costs	143,814					143,814
Capital:						
Capital expenditures	-	420,064		817,958	1,911,418	3,149,440
TOTAL EXPENDITURES	51,963,695	49,704,875	2,272,244	901,140	4,551,576	109,393,530
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	22,262,713	(31,750,726)	(2,272,153)	(327,623)	(873,038)	(12,960,827)
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt obligations	11,800,000				1,098,182	12,898,182
Premium from issuance of debt obligations	542,013					542,013
Transfers in		31,930,460	2,305,281		6,390	34,242,131
Transfers out	(34,217,120)	-	-		(42,511)	(34,259,631)
TOTAL OTHER FINANCING SOURCES (USES)	(21,875,107)	31,930,460	2,305,281	-	1,062,061	13,422,695
NET CHANGE IN FUND BALANCES	387,606	179,734	33,128	(327,623)	189,023	461,868
FUND BALANCE BEGINNING OF YEAR	5,786,621	(167,998)	1,623,641	1,327,855	1,086,098	9,656,217
FUND BALANCE AT END OF YEAR	\$ 6,174,227	\$ 11,736	\$ 1,656,769	\$ 1,000,232	\$ 1,275,121	\$ 10,118,085

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 461,868
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	827,710
Proceeds from issuance of long-term debt and premium is reported as an other financing source in the Fund Statements. However these proceeds are reported as long-term obligations in the Government-wide statements.	(13,440,195)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	17,390,515
Governmental funds report employer contributions to pension plans as expenditures when paid. However, if the contributions made to the plan are less than the annual pension cost then the shortfall reduces the Net Pension Obligation Asset and an expense is recorded in the Statement of Activities. This is the amount by which the Net Pension Obligation Asset decreased during the year ended June 30, 2014 resulting in the recording of an expense in the Government-wide Statement of Activities.	(783,523)
Governmental funds do not report estimated accrued IBNR claims as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2013.	(244,392)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unearned tax and other revenue decreased from fiscal 2013.	(1,557,093)
Allowance for doubtful accounts on tax & other receivables is not reported in the governmental fund statement of revenue, expenditures and changes in fund balances. The change in the allowance is included in the fund balance sheet as a contra to both receivables and deferred revenue. The increase in the allowance provision is recorded against revenue in the statement of activities.	611,213
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the decrease in the accrual for the year ended June 30, 2014 versus June 30, 2013.	133,600
Net OPEB obligation is a long-term liability reported in the government-wide financial statements but not reported in the fund statements as it is not expected to be paid with current measurable and available resources. Accordingly, the increase in this obligation is reported as an expenditure in the government-wide statement of activities. The net OPEB obligation increased in fiscal 2014.	(2,325,743)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount bond premium amortized and which is recorded as a reduction of interest expense in the government-wide statement of activities.	12,126
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	(522,232)
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 563,854</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Net Position
 Proprietary Funds
 June 30, 2014
 (With Comparative Totals for June 30, 2013)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 53,458	\$ 109,315
Due from other funds	88,969	89,883
Due from federal and state governments	46,687	43,647
Total Current Assets	<u>189,114</u>	<u>242,845</u>
Noncurrent Assets:		
Equipment	181,144	151,281
Less accumulated depreciation	(119,776)	(105,292)
Total Noncurrent Assets	<u>61,368</u>	<u>45,989</u>
TOTAL ASSETS	<u>250,482</u>	<u>288,834</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	218,053	306,658
TOTAL LIABILITIES	<u>218,053</u>	<u>306,658</u>
NET POSITION:		
Net investment in capital assets	61,368	45,989
Unrestricted	(28,939)	(63,813)
TOTAL NET POSITION	<u>\$ 32,429</u>	<u>\$ (17,824)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
Operating revenues:		
Federal & State Grants for free and reduced lunch	\$ 810,113	\$ 768,460
Charges for usage and service	358,953	389,310
Total Operating Revenues	<u>1,169,066</u>	<u>1,157,770</u>
Operating expenses:		
Management operations costs	1,121,818	1,118,674
Maintenance and other costs	11	458
Depreciation expense	14,484	11,497
Total Operating Expenses	<u>1,136,313</u>	<u>1,130,629</u>
Operating income	32,753	27,141
Transfers in	<u>17,500</u>	<u>14,573</u>
Change in Net Position	50,253	41,714
Net Position at beginning of year	<u>(17,824)</u>	<u>(59,538)</u>
Net Position at end of year	<u>\$ 32,429</u>	<u>\$ (17,824)</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014
(With Comparative Totals for the Year Ended June 30, 2013)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 358,953	\$ 389,310
Cash received from State and Federal Grants	807,073	750,414
Cash paid to suppliers for goods and services and other operating payments	(1,210,434)	(997,652)
Net cash provided (used) by operating activities	<u>(44,408)</u>	<u>142,072</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
(Increase) decrease in amounts due from other funds	914	(87,846)
Net cash provided (used) by noncapital financing activities	<u>914</u>	<u>(87,846)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfer in from Kids Club Special Revenue Fund	17,500	14,573
Acquisition of capital assets	(29,863)	(57,486)
Net cash used by capital and related financing activities	<u>(12,363)</u>	<u>(42,913)</u>
Net increase (decrease) in cash and cash equivalents	(55,857)	11,313
Cash and cash equivalents, beginning of year	109,315	98,002
Cash and cash equivalents, end of year	<u>\$ 53,458</u>	<u>\$ 109,315</u>
Reconciliation of operating income to net cash used for operating activities:		
Operating income	\$ 32,753	\$ 27,141
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	14,484	11,497
(Increase) decrease in:		
Intergovernmental receivables	(3,040)	(18,046)
Increase (decrease) in:		
Accounts payable	(88,605)	121,480
Net cash provided (used) by operating activities	<u>\$ (44,408)</u>	<u>\$ 142,072</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Police Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 535,597	\$ 507,665
Investments	37,990,026	-
Receivables	43,021	18,197
TOTAL ASSETS	<u>38,568,644</u>	<u>525,862</u>
LIABILITIES		
Accrued expenses	142,408	
Deposits held in custody for others		525,862
TOTAL LIABILITIES	<u>142,408</u>	<u>525,862</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 38,426,236</u>	<u>\$ -</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2014

	Police Pension Trust Fund
ADDITIONS:	
Contributions - employer	\$ 849,111
Contributions - plan members	284,314
Investment income - includes realized and unrealized gains and losses	4,844,311
TOTAL ADDITIONS	<u>5,977,736</u>
DEDUCTIONS:	
Benefits paid	1,737,897
Investment expense	105,336
TOTAL DEDUCTIONS	<u>1,843,233</u>
CHANGE IN NET POSITION	4,134,503
NET POSITION - BEGINNING OF YEAR	34,291,733
NET POSITION - END OF YEAR	<u>\$ 38,426,236</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The financial statements do not include any component units.

Basis of Presentation

Government-Wide Financial Statements

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

and

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Debt Service Funds

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

Special Revenue Funds

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Capital Projects Funds

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

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes nine agency funds at June 30, 2014. Agency funds are custodial in nature (i.e. assets equal liabilities), and do not involve the measurement of results of operations. The agency funds are as follows:

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

Private-Purpose Trust Funds

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

Pension Trust Funds

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description.
Debt Service Fund:	This fund is used to report transfers from the General Fund that are restricted for principal and interest payments on the deficit reduction bond. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Special Revenue Funds: School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Federal Forfeiture Fund	This fund is used to report all financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Proprietary Funds: School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Non-Major:	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-five (35) Special Revenue Funds which are considered to be non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains three (3) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

Cash and Cash Equivalents

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

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

Investments

The Town invests in various types of investments, which are stated at fair value.

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to \$5,036,818 at June 30, 2014. The allowance for uncollectible accounts includes \$3,580,000 for property taxes, \$505,169 for tax lien property, \$135,649 for municipal court fines, \$731,000 for EMS rescue billings, and \$85,000 for first time home buyer loans offered through the CDBG program. Major receivable balances for the governmental activities include property taxes (approximately 79% of the gross receivable balance at June 30, 2014).

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes

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

Prepays

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

Capital Assets

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

Government-Wide Statements

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

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

Government-Wide Statements (Continued)

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

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2014 the Town of North Providence, Rhode Island did not have any items that meet the definition of deferred outflow of resources.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate section represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2014 the Town of North Providence, Rhode Island had items that qualified as a deferred inflow of resources in the governmental funds balance sheet. The unavailable revenue – property taxes, Emergency Medical Services (EMS), Court Fines, and Federal Forfeiture Funds represents amounts which the Town considers unavailable to meet current expenditures. The property taxes receivables which are assessed on December 31, 2012 and prior and are not collected within 60 days of June 30, 2014. Net unavailable revenue – property taxes included in the fund financial statements were \$3,667,961 at June 30, 2014. This amount is deferred and will be recognized as an inflow of resources in the year(s) in which the amounts become available. The EMS billings, Municipal Court Fines, and Federal Forfeiture Funds receivable (net of an allowance) which were not considered available at June 30, 2014 totaled \$639,174, \$46,535, and \$37,531,276 respectively. Due to the uncertainty of collections, the Town recognizes the EMS and Municipal Court fines as revenue when collected.

These deferred inflows on the fund financial statements are reported as revenue in the government-wide statements.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions

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

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

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

Net Position/Fund Balance

Net Position

Net position is classified in three components:

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

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

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

Fund Balance

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

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

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

Compensated Absences

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$44,918,216 are as follows:

Bonds payable, including bond premium.....	\$20,773,991
Note and lease purchase obligations.....	1,273,081
Accrued IBNR claims.....	742,808
Net OPEB Obligation.....	13,499,973
Compensated absences.....	<u>8,628,363</u>
Total.....	<u>\$44,918,216</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$827,710 difference are as follows:

Capital outlays capitalized Government-wide.....	\$2,742,864
Depreciation expense.....	<u>(1,915,154)</u>
Net adjustment – increase net position.....	<u>\$ 827,710</u>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this (\$1,557,093) difference are as follows (before affect of allowance):

Unavailable revenue - ending.....	\$ 46,331,595
Unavailable revenue – beginning.....	<u>(47,888,688)</u>
Net adjustment –decrease net position.....	<u>(\$ 1,557,093)</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards

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

- GASB Statement No. 67 – Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25.

The following are recently issued governmental accounting standards which will be applicable 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 – Government Combinations and Disposals of Government Operations, effective for the fiscal year ending June 30, 2015.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, effective for the fiscal year ending June 30, 2015.

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

2. BUDGETARY PROCESS

(a) Adoption

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

3. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2014 was \$16,096,731 (including Fiduciary Funds of \$1,043,262) while the bank balance was approximately \$16,826,000. Of the bank balance, approximately \$1,030,000 was covered by federal depository insurance and the remaining amount was collateralized.

Investments

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

At June 30, 2014 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund totaled \$37,990,026. These investments consisted of the following:

	<u>Fair</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 18,592,151	n/a	n/a	not rated
Common Stock – Equities	9,912,229	n/a	n/a	not rated
Corporate Bonds	1,347,691	.85% - 8%	6/2015-8/2022	A2
Corporate Bonds	128,921	2.2%	8/2016	AA2
Corporate Bonds	306,368	5.25%-5.5%	1/2018-3/2018	AA3
Corporate Bonds	627,113	5.75%-7.9%	4/2018-2/2039	A1
Corporate Bonds	373,964	1%-4.95%	5/2018-3/2019	AA1
Corporate Bonds	183,774	3.5%-8.625%	5/2021-9/2029	AAA
Corporate Bonds	109,736	4.5%	1/2022	A3
Government Bonds	2,371,841	.25%-4.625%	5/2015-2/2042	AAA
Government Asset Backed/CMO	2,408,692	2.5%-6%	4/2018-3/2044	not rated
Corporate Mortgage/Asset Backed	671,077	.21%-5.22%	4/2019-8/2045	AAA
Foreign Bonds	278,471	3.125%-5.9%	10/2015-9/2017	A2
Foreign Bonds	109,257	0%-5.625%	9/2016-10/2016	A1
Foreign Bonds	178,867	1.8%	11/2016	AA2
Foreign Bonds	389,874	4.13% - 6.38%	1/2021-12/2038	AA1
Total	<u>\$ 37,990,026</u>			

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2014 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although virtually all of the investments are held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

Custodial Credit Risk

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

4. PROPERTY TAXES

During the year ended June 30, 2014, the Town received \$348,919 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$41.95 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008, 2008-2009, and 2009-2010 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$41.95.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

4. PROPERTY TAXES (Continued)

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

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

Net property taxes levied for fiscal year 2014 were based on a net assessed value of approximately \$2,397,378,000 at December 31, 2012 and amounted to approximately \$67,737,000. Collections on this assessment through June 30, 2014 amounted to approximately \$64,386,000, which represents approximately 95% of the total tax levy.

The Town recognizes property tax revenues in accordance with GAAP on the Fund statements. Unpaid property taxes as of June 30, 2014 (\$4,680,710) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,580,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2014 are recorded as unavailable revenue and amounted to \$3,667,961 at June 30, 2013. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2014 (due to their collection within the 60 days immediately following June 30, 2014) amounted to \$1,012,749.

5. ACCOUNTS RECEIVABLE

At June 30, 2014 General Fund accounts receivable on the fund statements consisted of the following:

	Receivable Balance	Allowance	Net Receivable
Property taxes	\$ 8,260,710	(\$3,580,000)	\$4,680,710
Tax lien property	505,169	(505,169)	0
Municipal Court fees	182,184	(135,649)	46,535
EMS Rescue billings	1,370,174	(731,000)	639,174
Other receivables	320,224	(0)	320,224
Total	\$10,638,461	(\$4,951,818)	\$5,686,643

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. CAPITAL ASSETS

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

	Balances <u>7/1/13</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/14</u>
Governmental Activity:				
Nondepreciable Assets:				
Land	\$16,184,150			\$16,184,150
Total nondepreciable assets	<u>16,184,150</u>	\$ 0	\$ 0	<u>16,184,150</u>
Depreciable Assets:				
Buildings and improvements	45,681,624	71,000		45,752,624
Land improvements	608,621	182,559		791,180
Vehicles	6,443,377	663,745		7,107,122
Equipment, furniture and fixtures	4,096,229	1,825,560		5,921,789
Infrastructure	<u>7,608,924</u>	0		<u>7,608,924</u>
Total depreciable assets	<u>64,438,775</u>	<u>2,742,864</u>	0	<u>67,181,639</u>
Total cost	<u>80,622,925</u>	<u>2,742,864</u>	0	<u>83,365,789</u>
Accumulated Depreciation:				
Buildings and improvements	(21,905,823)	(817,983)		(22,723,806)
Land improvements	(217,114)	(28,956)		(246,070)
Vehicles	(4,677,526)	(383,986)		(5,061,512)
Equipment, furniture and fixtures	(1,994,144)	(361,315)		(2,355,459)
Infrastructure	<u>(3,815,610)</u>	<u>(322,914)</u>		<u>(4,138,524)</u>
Total accumulated depreciation	<u>(32,610,217)</u>	<u>(1,915,154)</u>	0	<u>(34,525,371)</u>
Net capital assets	<u>\$48,012,708</u>	\$ 827,710	\$ 0	<u>\$48,840,418</u>
Business- type Activities:				
Machinery, equipment and furniture	\$151,281	\$29,863		\$ 181,144
Accumulated Depreciation:				
Machinery, equipment and furniture	<u>(105,292)</u>	<u>(14,484)</u>		<u>(119,776)</u>
Net capital assets	<u>\$ 45,989</u>	<u>\$15,379</u>	\$ 0	<u>\$ 61,368</u>

Depreciation expense for the year ended June 30, 2014 was charged to the following functions/programs of the Town:

Governmental Activities:	
Legislative, judicial, and administrative	\$ 84,353
Public safety	662,505
Public services/works	272,524
Grants and Contributions	194,540
Education	<u>701,232</u>
Total	<u>\$ 1,915,154</u>
Business-type Activities:	
School Cafeteria Fund	<u>\$14,483</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2014:

General Fund:

State of Rhode Island..... \$ 1,105,280

School Unrestricted Fund:

State of Rhode Island – EDS – Medicaid Funding 180,772
Rhode Island Department of Education (RIDE)..... 92,722

Federal Forfeiture Fund:

U.S. Department of Justice 37,531,276

Non-Major Governmental Funds:

State of Rhode Island (RIDE) 203,126

School Cafeteria Fund:

State of Rhode Island..... 46,687

Total all fund types \$39,159,863

8. INTERFUND BALANCES

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2014 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$2,105,295	\$4,693,380
School Unrestricted Fund.....	3,973,542	2,105,413
Federal Forfeiture Fund	1,528	0
Total Major Governmental Funds	<u>6,080,365</u>	<u>6,798,793</u>
Non-major Governmental Funds:		
Special Revenue Funds	2,758,622	2,198,248
Capital Project Funds.....	89,358	20,273
Total Non-Major Governmental Funds	<u>2,847,980</u>	<u>2,218,521</u>
Proprietary Funds:		
School Cafeteria Fund	<u>88,969</u>	0
Total Interfund Balances	<u>\$9,017,314</u>	<u>\$9,017,314</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. LONG-TERM DEBT

(a) At June 30, 2014, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2013	Additions	Retirements	Outstanding June 30, 2014	Due Within One Year
Governmental activities:									
General obligation bonds:									
General Obligation Bonds	10/15/03	\$16,500,000	10/15/23	2.0% - 4.55%	\$11,000,000		\$11,000,000	\$ 0	\$ 0
Rhode Island Clean Water	06/01/94	1,597,000	09/01/14	4.03%	159,700		79,850	79,850	79,850
General Obligation Refunding	06/29/01	17,165,000	09/15/14	2.7-4.7%	3,265,000		1,595,000	1,670,000	1,670,000
General Obligation Bonds	10/01/01	4,500,000	09/15/21	4.52-4.56%	2,025,000		2,025,000	0	0
General Obligation Bond	02/15/07	3,500,000	6/12 & 6/27	4.0-5.375%	2,450,000		175,000	2,275,000	175,000
Premium on deficit reduction bond	07/15/10	60,632			24,254		12,126	12,128	0
Deficit Funding Bond	07/15/10	10,500,000	07/15/15	2.8-4.12%	6,490,000		2,095,000	4,395,000	2,160,000
RIHEBC Refunding Bond	12/19/13	9,635,000	11/15/23	1.0% - 5.0%		\$ 9,635,000	0	9,635,000	795,000
General Obligation Refunding	2/27/14	2,165,000	9/15/23	.63% - 3.77%		2,165,000	0	2,165,000	285,000
Premium on Refunding Bond	12/19/13	542,013				542,013	0	542,013	0
Total general obligation bonds		<u>\$66,164,645</u>			<u>25,413,954</u>	<u>12,342,013</u>	<u>16,981,976</u>	<u>20,773,991</u>	<u>5,164,850</u>
Notes and lease purchase obligations:									
Telephone Lease (Town)	04/01/09	\$ 59,437	04/01/14	7.00%	10,107		10,107	0	0
Back Hoe Loader	09/10/11	84,300	09/10/15	2.70%	50,556		16,405	34,151	16,848
2012 Ladder Truck	09/09/11	667,854	09/09/21	2.90%	534,901		60,367	474,534	62,118
2014 Pumper Truck	03/14/14	407,695	03/14/23	3.75%		407,695	49,000	358,695	34,243
2014 Appraisal Equipment	01/10/14	142,100	02/15/16	4.32%		142,100	48,722	93,378	45,702
Laptops (School)	10/01/13	356,273	11/01/14	6.34%		356,273	182,858	173,415	173,415
Server and equipment (School)	11/01/13	192,114	11/01/16	7.05%		192,114	53,206	138,908	43,088
Total lease purchase obligations ..		<u>\$ 1,909,773</u>			<u>595,564</u>	<u>1,098,182</u>	<u>420,665</u>	<u>1,273,081</u>	<u>375,414</u>
Compensated absences					8,106,131	522,232	0	8,628,363	950,000
Net OPEB obligation					11,174,230	2,325,743	0	13,499,973	0
IBNR claims					498,416	742,808	498,416	742,808	742,808
					<u>19,778,777</u>	<u>3,590,783</u>	<u>498,416</u>	<u>22,871,144</u>	<u>1,692,808</u>
Governmental activities long-term liabilities					<u>\$45,788,295</u>	<u>\$17,030,978</u>	<u>\$17,901,057</u>	<u>\$44,918,216</u>	<u>\$7,233,072</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

9. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap can not exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$71,921,300 which is 3% of the assessed value of property at December 31, 2012 (\$2,397,378,000). The Town's total bonded debt at June 30, 2014 was \$20,219,850 which is less than the maximum amount allowed. Also some of the Town's bonded debt may be exempt from the 3% calculation resulting in additional amounts available within the cap. The total long-term debt of the Town (\$44,918,216) represents approximately 1.9% of the assessed value of the taxable property of the Town at June 30, 2014.

Interest accrued on debt obligations is reported as a liability and expense in the government-wide financial statements. However, it is not reported in the Fund Statements until it is paid with measurable and available resources. Accrued interest expense recorded for the tax anticipation note obligations and long-term debt obligations of the Governmental Activities was approximately \$188,400 at June 30, 2014.

Compensated absences of \$8,628,363 at June 30, 2014 represent vested sick, personal, and vacation time earned by employees as of June 30, 2014 in accordance with their applicable employment contracts. This balance is comprised of \$5,917,156 for Town personnel and \$2,711,207 for School Department personnel.

(c) Debt Service Requirements

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

Governmental Activities

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,540,264	\$ 697,419	\$ 6,237,683
2016	3,720,652	536,961	4,257,613
2017	1,442,225	452,937	1,895,162
2018	1,430,921	403,602	1,834,523
2019	1,474,319	352,629	1,826,948
2020 – 2024	7,359,550	876,367	8,235,917
2025 – 2027	525,000	44,538	569,538
Total	<u>\$21,492,931</u>	<u>\$3,364,453</u>	<u>\$24,857,384</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, would not be reflected in the financial statements of the Town of North Providence, Rhode Island. The Town does not have any defeased bonds outstanding at June 30, 2014.

During 2014 the Town entered into two current refunding agreements. The estimated present value economic savings resulting from these current refunding obligations was approximately \$712,000.

(e) Schedule of long-term debt by purpose at June 30, 2014 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds and premium.....	\$16,366,863	36%
Deficit reduction bond and bond premium.....	4,407,128	10%
Lease purchase obligations	1,273,081	3%
Net OPEB obligation	13,499,973	30%
IBNR claims	742,808	2%
Compensated absences	8,628,363	19%
Total	<u>\$44,918,216</u>	<u>100%</u>

10. **FUND BALANCES (DEFICITS)**

(a) **Fund Balances**

As stated in Note 1, Fund Balance may be classified as one of five categories: Nonspendable, Restricted, Committed, Assigned, or Unassigned. The detail of the composition of Nonspendable, Restricted, and Committed Fund Balance is as follows:

At June 30, 2014 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Prepaid expenditures – health care deposits.....	\$ 549,500
Miscellaneous prepaid expenditures.....	<u>16,649</u>
Total General Fund	<u>566,149</u>

School Unrestricted Fund:

Insurance premiums.....	23,302
Student database service and other expenditures	<u>113,960</u>
Total School Unrestricted Fund	<u>137,262</u>
Total Major Governmental Funds	<u>\$703,411</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

10. **FUND BALANCES (DEFICITS) (Continued)**

(a) **Fund Balances (Continued)**

At June 30, 2014 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

Debt Service Fund:

Funds restricted for debt service payments
on the deficit reduction bond obligation \$1,656,769

Federal Forfeiture Fund:

Restricted for law enforcement expenditures 1,000,232
Total Major Governmental Funds 2,657,001

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Community development programs 71,212
Police/Public safety programs..... 266,535
Preservation of records and technology 312,671
Community events 4,050

Capital Projects Funds:

Town capital projects 70,932
Educational facilities and equipment..... 11,683
Total NonMajor Governmental Fund 737,083

Total Restricted Fund Balance \$3,394,084

At June 30, 2014 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Supplement fiscal 2015 operating budget \$ 125,000

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Land acquisition and preservation 136,232
OPEB Reserve..... 250,000
Recycling program 150,471

Capital Projects Funds:

Elementary School improvements 1,421
Total NonMajor Governmental Fund 538,124

Total Committed Fund Balance \$ 663,124

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had deficit fund balance at June 30, 2014:

Nonmajor Governmental Fund:

Decon Grant..... \$86

The deficit fund balance in the Decon Grant Fund is expected to be cleared through an appropriation from the Town's General Fund or future donations.

The following individual funds had operating deficits for the fiscal year ending June 30, 2014:

Major Governmental Funds

Federal Forfeiture Fund \$ 327,623

Nonmajor Governmental Funds:

Special Revenue Funds

Community Fund Program..... \$ 1,013
 Property Revaluation Fund 183,608
 State Drug Forfeiture..... 11,081
 Emergency Management..... 12,698
 Recording Fees Fund..... 8,537
 Decon Grant..... 86
 Recycling Fund 17,471
 School Restricted Fund..... 29,816

Capital Project Funds

School Capital Reserve 43,381
 Kids Klub School Improvements..... 48,587

Total deficits non-major governmental funds \$356,278

11. INTERFUND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer Out</u>	School Unrestricted Fund	Proprietary Funds	Non-major Governmental Funds	Debt Service Fund	Total Transfer Out
General Fund.....	\$31,911,839			\$2,305,281	\$34,217,120
Nonmajor Govt Funds .	18,621	\$17,500	\$6,390		42,511
Total transfer in	<u>\$31,930,460</u>	<u>\$17,500</u>	<u>\$6,390</u>	<u>\$2,305,281</u>	<u>\$34,259,631</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

12. **DEFINED BENEFIT PENSION PLANS**

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

The Town of North Providence participates in the Municipal Employees' Retirement System of the State of Rhode Island ("System"), an agent multiple employer defined benefit plan. The System includes a normal plan for general employees and both a normal and optional plan for police and fire personnel. Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution plan components. General employees participate in a hybrid plan that combines both a defined benefit plan and a defined contribution plan. Town Fire employees participate only in the defined benefit plan unless they do not participate in Social Security in which case they also participate in the defined contribution plan.

Plan Description

All full-time Town general employees and non-certified employees of the School Department participate in MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for the general and non-certified school employees covered by the System for the year ended June 30, 2014 was approximately \$6,700,000 and the Town-wide payroll was approximately \$43,900,000.

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

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

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

Plan Funding

The funding policy is outlined in RIGL sections 45-21-41, 45-21-42, and 45-21-52 (which can be amended by the Rhode Island General Assembly). Effective July 1, 2012 General employees are required by State Statute to contribute 1 percent of their annual earnings. The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2014 was 7.4%.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2014 was approximately \$495,000 for general employees (\$300,000 Town and \$195,000 for School Department). General municipal employees covered under this plan were required to contribute approximately \$67,000 for fiscal 2014.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 69,400	100%	\$0
2013	\$439,000	100%	\$0
2014	\$495,000	100%	\$0

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2013 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

The required contribution for fiscal 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, 2013. 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, 2013 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 22 years as of June 30, 2013
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 4.00% to 8.00%
	<u>Fire Employees</u> 4.25% to 14.25%
Inflation	2.75%
Cost of Living Adjustments are equal to the average five-year fund asset performance (percent) greater than 5.5% up to a maximum of 4% - the COLA is to be applied to the first \$25,000 of benefits, indexed over time. COLA is delayed until the later of Social Security eligibility age or 3 years after retirement. For MERS Police and Fire, COLA is delayed until the later of age 55 or 3 years after retirement. A 2% COLA is assumed after July 1, 2012.	

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the General Municipal Employees' Pension Plan with a valuation date of June 30, 2013 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded (overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	\$26,837,749	\$26,006,440	(\$831,309)	103.2%	\$7,014,891	(11.9 %)

(b) Municipal Fire Pension Plan

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

Plan Description

All full-time Town Fire employees participate in the MERS, an agent multiple-employer defined benefit plan administered by the Employees' Retirement System of Rhode Island (the System). The plan provides retirement, death and disability benefits and an optional cost of living adjustment (COLA) as outlined in Chapter 45-21.2 of the Rhode Island General Laws (RIGL). The benefits may be amended by the Rhode Island General Assembly. The payroll for fire employees covered by the System for the year ended June 30, 2014 was approximately \$5,300,000 and the Town-wide payroll was approximately \$43,900,000.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Fire Pension Plan (Continued)

Plan Description (Continued)

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

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

Plan Funding

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

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

The Town is required to contribute at an actuarially determined rate expressed as a percentage of total compensation paid to the active membership. The rate for the fiscal year ended June 30, 2014 was 19.72%.

The annual required contribution for the Town which equals the annual pension cost for the year ended June 30, 2014 was approximately \$1,042,000 for fire personnel. Fire employees covered under this plan were required to contribute approximately \$373,000 for fiscal 2014.

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$567,000	100%	\$0
2013	\$843,000	100%	\$0
2014	\$1,042,000	100%	\$0

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2013 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

The required contribution for fiscal 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, 2013. The actuarial methods and assumptions used in those valuations for the fire plan are summarized and presented in the table on Page 46.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(b) Municipal Fire Pension Plan (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Fire Employees' Pension Plan with a valuation date of June 30, 2013 which is the most recent report available from the State who administers this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2013	\$28,189,469	\$39,379,956	\$11,190,487	71.6%	\$5,154,554	217.1%

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

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

Plan Description

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

The payroll for employees covered by the System for the year ended June 30, 2014 was approximately \$22,000,000.

Funding Policy

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Funding Policy (Continued)

The Town contributed approximately \$2,785,000, \$2,470,000, and \$2,776,000 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 the contributions are reflected as on-behalf payments and are included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined benefit plan for the fiscal year ended June 30, 2014 amounted to approximately \$1,829,000.

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

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

The System issues an annual financial report that includes financial statements and required supplementary information for all of the plans it administers. These reports include all trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. The June 30, 2013 report is the most recent available report and it may be obtained from the administrative offices of the State of Rhode Island Retirement Board, 50 Service Ave, Warwick, Rhode Island or on-line at www.ersri.org.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

(d) **Police Pension Plan**

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2014. The covered payroll for employees covered by the plan for the year ended June 30, 2014 was approximately \$3,600,000 while the Town-wide payroll for the year ended June 30, 2014 was approximately \$43,900,000.

Plan Description

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

Participants are eligible for non-occupational disability benefits after 7 years of service. Occupational disability benefits are provided to all employees immediately. Non-occupational disability benefits are 50% of average compensation as of the disability date while occupational disability benefits are equal to 66.67% of average compensation as of the date of disability. Pre-Retirement Spouse's Death Benefit is immediate. The spouse is entitled to 40% of final average salary plus 10% for dependent children, subject to a maximum of 50%. If no surviving spouse, 15% of final average salary for each dependent subject to maximum of 45% and ceasing when the last child has attained his/her 18th birthday. The benefit is payable immediately following the death of the participant. The plan provides benefits prior and subsequent to retirement. The death benefit prior to retirement is \$400 times the number of years of service, subject to a minimum of \$2,000 and a maximum of \$8,000, but no less than the employee accumulation. If death occurs after termination of employment, only the employee accumulation is payable. The death benefit subsequent to retirement is determined as above reduced by ¼ for each year subsequent to retirement, subject to a minimum of \$2,000 or the employee accumulation less annuity payments received. If employment is terminated prior to his/her retirement date, only the employee accumulation less payments received is payable.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police Pension Plan (Continued)

Contributions Required and Contributions Made

Under the provisions of the plan, employees are required to contribute 8% of their compensation. The plan actuarial valuation dated July 1, 2012 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2014. The Town's annual required contribution for the fiscal year ended June 30, 2014 was \$849,111. The Town contributed 100% of the annual required contribution for fiscal 2014.

The Town's annual pension cost (APC) and net pension benefit obligation (asset) (NPO) for the Police Pension Fund for the year ended June 30, 2014 was as follows:

Annual required contribution (ARC).....	\$ 849,111
Interest on net pension obligation.....	(1,077,417)
Adjustment to ARC.....	<u>1,860,940</u>
Annual pension cost (APC).....	1,632,634
Town contributions made.....	<u>849,111</u>
Decrease in net pension obligation asset.....	783,523
Net pension benefit obligation (asset), June 30, 2013.....	<u>(14,860,922)</u>
Net pension benefit obligation (asset), June 30, 2014.....	<u>(\$14,077,399)</u>

Three-Year Trend Information

Fiscal Year Ending	Town Contribution	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
6/30/2014	\$849,111	\$1,632,634	52.01%	(\$14,077,399)
6/30/2013	\$22,318,088	\$1,759,277	1268.59%	(\$14,860,922)
6/30/2012	\$ 1,568,500	\$1,680,529	93.33%	\$ 5,697,889

The net pension obligation asset of \$14,077,399 at June 30, 2014 is included as a non-current asset in the government-wide Statement of Net Position.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

Actuarial Methods and Assumptions:

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2012 which was used to determine the fiscal 2014 annual required contribution and July 1, 2014 which is the most recent report available. There were no changes to the actuarial methods and assumptions between the July 1, 2012 and the July 1, 2014 valuations. The schedule of funding progress is presented in the Required Supplementary Information Section of these financial statements as RSI-3.

Entry Age Normal Method

Investment Return – 7.25%

Inflation – 2.75%

Amortization Period – Open 10 year period

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

Payroll Growth Rate – 3.50%

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

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

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

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

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

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

Plan Expenses - None

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

12. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Police Pension Plan (Continued)

Funded Status of Plan

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the Police Pension Plans with a valuation date of July 1, 2014, which is the most recent report available from the Actuary hired by the Town to conduct a valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2012	\$37,854,440	\$39,484,542	\$1,630,102	95.9%	\$3,674,659	44.4%

13. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS

The Town adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. This Statement is applicable for the Police Pension Trust Fund which is reported in the basic financial statements as a Fiduciary Trust Fund. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. The information below is required by GASB Statement No. 67 as additional disclosures related to the Police Pension Plan (Fiduciary Trust Fund) which is more fully described in Note 12.

Plan Administration

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

Investment Policy

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

13. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Concentrations

At June 30, 2014 the Town's Police Pension Trust Fund investments were diversified in such a manner where no one investment accounted for 5% or more of the of the pension plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2014 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 14.28%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

Estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions noted below were determined by the investment consulting practice of the Town's actuary as of June 30, 2013. The long-term expected rate of return was determined to be 7.25%. Long-term expected Geometric Real Rate of Return for each major asset class as of June 30, 2014 are summarized in the following table.

Asset Class:	Long-Term Expected Rate of Return
Cash	.49%
Intermediate Term Bonds	1.46%
High Yield Bonds	3.90%
Large Cap U.S. Equities	4.39%
Mid Cap U.S. Equities	4.49%
Small Cap U.S. Equities	4.63%
Developed Foreign Equities	4.39%
Emerging Market Equities	4.88%
Real Estate (REITS)	3.90%
Assumed Inflation - Mean	2.75%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Real Mean Return	3.99%
Portfolio Nominal Mean Return	6.75%
Portfolio Standard Deviation	11.70%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

13. GASB 67 – FINANCIAL REPORTING FOR PENSION PLANS (Continued)

Net Pension Liability

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

Component:	Police Pension Plan Trust Fund
Total pension liability	\$39,613,979
Plan fiduciary net position	\$38,426,236
Net pension liability	\$1,187,743
Plan fiduciary net position as a percentage of the total pension liability	97%

Discount Rate

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

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

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

Police Pension Trust Fund:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (asset)	\$6,920,467	\$1,187,743	(\$3,043,412)

14. DEFINED CONTRIBUTION PENSION PLAN

Plan Description:

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

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

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

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

14. DEFINED CONTRIBUTION PENSION PLAN (Continued)

Plan Funding Policy:

The funding policy is outlined in RIGL chapter 36-10.3 (which can be amended by the Rhode Island General Assembly). Active plan members must contribute 5% of his/her compensation and the Town is required to contribute 1%. The plan members and Town contributed approximately \$1,525,000 and \$305,000, respectively, during the fiscal year ended June 30, 2014. The employer contribution of \$305,000 consisted of approximately \$41,000 for general municipal employees, \$36,000 for noncertified school employees, and \$228,000 for certified teachers.

Although the Town (School Department) is required to contribute 1% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2014 amounted to approximately \$90,000.

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

15. DEFERRED COMPENSATION PLAN

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

16. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN

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

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2014 the stop loss insurance contract covered all claims exceeding \$160,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2014 the Town has estimated a liability for incurred but not reported claims (IBNR) based on an estimate of actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2014. Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2014 were as follows:

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

Approximate changes in the balances of self insured claims liabilities as of and during the year ended June 30, 2013 were as follows:

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

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2014 but which were not reported until after year-end. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Position as they are not expected to be paid with current measurable and available resources at June 30, 2014. The IBNR claims outstanding at June 30, 2014 are comprised of \$340,900 and \$401,908 related to Town and School employees, respectively.

At June 30, 2014 the Town of North Providence has a deposit with the Plan Administrator totaling \$549,500. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in nonspendable fund balance in the governmental activities of the Fund Statements.

17. COMMITMENTS AND CONTINGENCIES

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

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

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Position at June 30, 2014.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

18. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 12 through 14, the Town provides post employment health care benefits and dental in accordance with certain union contracts. These benefits are currently recognized on a pay-as-you go basis. A description of these OPEB benefits, by employee group is described below:

ELIGIBILITY:

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

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

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

General Employees:

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

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

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

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

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – Other Post-Employment Benefits Program July 1, 2014 Valuation*. This report dated October 20, 2014 can be obtained by contacting the Town's Finance Department.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

18. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy:

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
ARC.....	\$5,332,000	\$4,955,000	\$4,686,000
Net OPEB Cost.....	\$5,286,743	\$4,955,000	\$4,696,569

The current year expenditures for these post-retirement benefits are recognized on a pay-as-you-go basis, as the monthly costs for the benefits become due. During the year ended June 30, 2014, expenditures of approximately \$2,961,000 were recognized for post-retirement benefits. The post-retirement benefits incurred were paid on-behalf of approximately 175 Town retirees and/or spouses, and approximately 75 School retirees and/or spouses. Current year estimated expenditures represent approximately 56% of the ARC.

As noted above the Town did not comply with the funding requirements for the fiscal year ended June 30, 2014 which was determined by the actuarial valuation report with a valuation date of July 1, 2012. As a result, the government-wide financial statements include a long-term liability of \$13,499,973 and an expense for this Net OPEB Obligation (NOO) of \$2,325,743. The NOO at June 30, 2014 was calculated as follows:

Annual Required Contribution	\$ 5,332,000
Interest on the NOO	446,969
Adjustment to ARC	<u>(492,226)</u>
Annual OPEB Cost.....	5,286,743
Contributions made during fiscal 2014	<u>(2,961,000)</u>
Increase in NOO	2,325,743
NOO at June 30, 2013.....	<u>11,174,230</u>
NOO at June 30, 2014.....	<u>\$ 13,499,973</u>

Funded Status of Plan:

The required supplementary information which follows the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Listed below are the details of the funding progress of the OPEB Plan with a valuation date of July 1, 2014 which is the most recent report available from the actuary who was hired by the Town to value the plan.

- Actuarial value of assets - \$0
- Actuarial accrued liability (AAL) - \$63,164,000
- Unfunded actuarial accrued liability (UAAL) - \$63,164,000
- Funded ratio – 0.00%
- Annual covered payroll – \$37,460,000
- UAAL as percent of payroll – 169%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

18. OTHER POST EMPLOYMENT BENEFITS (Continued)

Funded Status of Plan (Continued):

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

Actuarial Assumptions:

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

Number of Participants:

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

19. RESTATEMENT

Net position of the governmental activities in the government-wide financial statements has been restated to reflect the correction of an error in the recognition of revenue related to the Federal Forfeiture Fund. The fiscal 2013 Statement of Net Position reported \$38,078,076 as unearned revenue when it should have been recognized as revenue in accordance with GASB Statement 33. Accordingly, the net position at June 30, 2013 was increased from \$31,172,302 to \$69,250,378.

20. FEDERAL FORFEITURE FUND

The Federal Forfeiture Fund includes \$37,531,276 due from federal and state governments. This amount has also been reported as unavailable revenue at June 30, 2014 for the fund financial statements. This receivable and deferred inflow of resources represents the remaining proceeds from the Google settlement to be drawn down and utilized in future periods in accordance with the provisions stipulated by the Department of Justice.

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

REQUIRED SUPPLEMENTARY INFORMATION



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

For the Year Ended June 30, 2014

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes:			
Current taxes	\$ 63,918,855	\$ 64,355,577	\$ 436,722
Prior taxes	2,500,000	2,953,872	453,872
Total taxes current and prior	66,418,855	67,309,449	890,594
Interest on delinquent accounts	450,000	505,475	55,475
Total property taxes	66,868,855	67,814,924	946,069
State & Federal Aid:			
School construction aid	1,308,700	1,083,312	(225,388)
Meal Tax	353,145	315,708	(37,437)
State motor vehicle phase-out	347,631	348,919	1,288
Telephone tax	386,059	435,538	49,479
Library aid	171,750	171,750	-
In lieu of property taxes	513,047	631,707	118,660
State aid to education	14,764,592	14,996,162	231,570
Medicaid reimbursement (Education Department)	850,000	909,334	59,334
School miscellaneous receipts	100,000	129,445	29,445
State community relief fund	1,254,507	999,251	(255,256)
Total state aid - Town	20,049,431	20,021,126	(28,305)
Licenses, fees and rents:			
Pool & fitness center	220,000	150,953	(69,047)
Notte Park	-	32,561	32,561
Data processing services	14,000	-	(14,000)
Rental of Town properties	220,000	173,993	(46,007)
Total licenses, fees and rents	454,000	357,507	(96,493)
Investment income - short term	-	2,923	2,923
Departmental revenues:			
Building inspection revenue	278,800	301,937	23,137
Town clerk receipts	570,000	640,435	70,435
Municipal court revenue	115,000	76,225	(38,775)
Total departmental revenues	963,800	1,018,597	54,797
Miscellaneous revenues:			
Housing authority - in lieu of taxes	25,500	-	(25,500)
Miscellaneous Receipts	50,000	49,705	(295)
Fines and Penalties	-	37,502	37,502
Tax collector costs	-	67,512	67,512
Fire reports	5,000	-	(5,000)
Sale of surplus equipment	10,000	4,201	(5,799)
EMS rescue services	1,145,000	1,137,352	(7,648)
Total miscellaneous revenues	1,235,500	1,296,272	60,772
Total Revenues	89,571,586	90,511,349	939,763

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

For the Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Legislative, judicial and general administrative:			
Administration	213,864	190,591	23,273
Town council	132,296	137,707	(5,411)
Town clerk	213,251	183,472	29,779
Legal department	341,834	390,293	(48,459)
Public Buildings	915,928	951,619	(35,691)
Board of canvassers	83,461	79,744	3,717
Human resources	35,918	44,084	(8,166)
Zoning board of review	13,750	13,426	324
Planning department /economic development	208,719	177,128	31,591
Other (departments)	85,000	78,601	6,399
Total general government	2,244,021	2,246,665	(2,644)
Department of Finance:			
Finance Director/Town Treasurer	324,327	294,990	29,337
Tax collector	303,921	332,909	(28,988)
Tax assessor	277,448	270,471	6,977
Purchasing	62,016	61,731	285
Auditing financial records	32,200	35,205	(3,005)
Total department of finance	999,912	995,306	4,606
Public Safety:			
Fire Department	8,449,285	8,546,789	(97,504)
Police Department	6,008,780	6,107,625	(98,845)
Communication Division	464,523	461,862	2,661
Division of inspections	280,633	244,118	36,515
Division of automotive repair	509,234	460,086	49,148
Civil Defense	6,903	12,803	(5,900)
Fire hydrants	200,000	209,688	(9,688)
Total public safety	15,919,358	16,042,971	(123,613)
Public Services/Works:			
Street lights	450,000	643,091	(193,091)
Beautification	3,000	4,032	(1,032)
Department of public works	1,641,956	1,536,578	105,378
Recreation department	383,319	384,803	(1,484)
Environmental protection	1,835,650	1,746,586	89,064
Local welfare	10,574	9,611	963
Total public services/works	4,324,499	4,324,701	(202)
Grants & Contributions:			
Grants to organizations	13,800	11,637	2,163
Grant to senior center	505,686	514,186	(8,500)
Grant to library	801,012	801,231	(219)
Total grants and contributions	1,320,498	1,327,054	(6,556)

(CONTINUED)

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

For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other expenditures:			
Insurance	707,000	808,742	(101,742)
Employee fringe benefits and unemployment compensation	10,520,111	9,963,888	556,223
Contingent - Deficit Reduction Plan	2,305,281	2,305,281	-
Contingent - Consultant	120,000	88,350	31,650
Contingent - Miscellaneous	10,000	519,490	(509,490)
Total other expenditures	<u>13,662,392</u>	<u>13,685,751</u>	<u>(23,359)</u>
Debt Service:			
Bond and note principal	2,849,850	2,849,850	-
Bond and note interest	820,204	711,055	109,149
Total debt service	<u>3,670,054</u>	<u>3,560,905</u>	<u>109,149</u>
Total expenditures	<u>42,140,734</u>	<u>42,183,353</u>	<u>(42,619)</u>
Excess of revenues over expenditures	<u>47,430,852</u>	<u>48,327,996</u>	<u>897,144</u>
Other financing sources (uses):			
Transfer to School - Town Appropriation	(31,716,260)	(31,905,449)	(189,189)
Transfer to School - State Aid for Education	(14,764,592)	(14,996,162)	(231,570)
Transfer to School - Medicaid Receipts	(850,000)	(909,334)	(59,334)
Transfer to School - Miscellaneous Receipts	(100,000)	(129,445)	(29,445)
Total other financing uses	<u>(47,430,852)</u>	<u>(47,940,390)</u>	<u>(509,538)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 387,606</u>	<u>\$ 387,606</u>

(CONCLUDED)

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

For the Year Ended June 30, 2014

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
State Aid	\$ 14,996,162	\$ 14,996,162	\$ -
Medicaid Reimbursement	850,000	909,334	59,334
Miscellaneous Revenue	100,000	121,616	21,616
Use of property, preschool and other	-	7,829	7,829
Total revenues	15,946,162	16,034,941	88,779
Expenditures:			
Salaries	26,626,415	26,225,590	400,825
Employee benefits	10,013,392	10,588,537	(575,145)
Purchased services	9,058,405	9,047,946	10,459
Supplies and materials	1,484,500	1,461,740	22,760
Capital outlay	833,210	420,064	413,146
Other	71,500	41,790	29,710
Total expenditures	48,087,422	47,785,667	301,755
Excess of revenues over (under) expenditures before other financing sources (uses)	(32,141,260)	(31,750,726)	390,534
Other financing sources (uses):			
Operating transfer from the Town	31,716,260	31,716,260	-
Operating transfer - Town appropriation-Supplemental	-	189,189	189,189
Capital budget funding from Capital Reserve Fund	400,000	-	(400,000)
Technology funding from Erate Fund	25,000	25,011	11
Total other financing sources (uses)	32,141,260	31,930,460	(210,800)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 179,734	\$ 179,734

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

For the Year Ended June 30, 2014

	<u>Revenues & Other Financing Source</u>	<u>Expenditures & Other Financing Uses</u>
Town General Fund:		
Total per budgetary basis of accounting - RSI-1	\$ 90,511,349	\$ 90,123,743
State Aid, Medicaid, and Miscellaneous receipts for Education included as part of the General Fund for budget purposes but for GAAP basis is reported directly in the School Unrestricted Fund in accordance with GASB Statement #54. Budget purposes include these amounts as appropriations to the School Department.	(16,034,941)	(16,034,941)
Prior year tax revenue budgeted as part of the General Fund but reported directly on the OPEB Reserve Fund for GAAP purposes in accordance with GASB Statement #54. Budget purposes included an expenditure to the OPEB Reserve Fund.	(250,000)	(250,000)
Proceeds from issuance of debt obligations and premiums as well as the use of these funds is not included in the budgetary basis but are reported as components of the GAAP basis statements.	<u>12,342,013</u>	<u>12,342,013</u>
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 86,568,421</u>	<u>\$ 86,180,815</u>
School Unrestricted Fund:		
Total per budgetary basis of accounting - RSI-2	\$ 47,965,401	\$ 47,785,667
State on-behalf pension contribution which is recorded for GAAP purposes but which is not included in the budgetary basis of accounting. This on-behalf contribution includes both the contribution towards the defined benefit plan and defined contribution plans administered by the State of Rhode Island.	<u>1,919,208</u>	<u>1,919,208</u>
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 49,884,609</u>	<u>\$ 49,704,875</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Funding Progress For Pension Plans
June 30, 2014
UNAUDITED

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funding Excess (Deficit)	Funded Ratio	Covered Payroll	Funding Excess (Deficit) as a percentage of Covered Payroll
General municipal employees							
pension plan.....	6/30/2008	\$ 27,486,433	\$ 22,054,179	\$ 5,432,254	124.6%	\$ 7,070,071	76.8%
	6/30/2009	\$ 27,063,016	\$ 23,197,133	\$ 3,865,883	116.7%	\$ 7,197,732	53.7%
	6/30/2010	\$ 26,260,322	\$ 26,570,377	\$ (310,055)	98.8%	\$ 7,249,635	-4.3%
	6/30/2011	\$ 25,878,674	\$ 25,279,111	\$ 599,563	102.4%	\$ 7,137,183	8.4%
	6/30/2012	\$ 26,129,381	\$ 25,511,034	\$ 618,347	102.4%	\$ 7,046,020	8.8%
	6/30/2013	\$ 26,837,749	\$ 26,006,440	\$ 831,309	103.2%	\$ 7,014,891	11.9%
Fire pension plan.....							
	6/30/2008	\$ 27,521,038	\$ 28,699,306	\$ (1,178,268)	95.9%	\$ 5,636,596	-20.9%
	6/30/2009	\$ 27,898,425	\$ 30,293,297	\$ (2,394,872)	92.1%	\$ 5,251,101	-45.6%
	6/30/2010	\$ 27,623,708	\$ 35,889,123	\$ (8,265,415)	77.0%	\$ 5,223,668	-158.2%
	6/30/2011	\$ 27,154,563	\$ 35,959,733	\$ (8,805,170)	75.5%	\$ 4,839,707	-181.9%
	6/30/2012	\$ 27,253,970	\$ 38,109,873	\$ (10,855,903)	71.5%	\$ 4,780,910	-227.1%
	6/30/2013	\$ 28,189,469	\$ 39,379,956	\$ (11,190,487)	71.6%	\$ 5,154,554	-217.1%
<p><i>The information included above was obtained from the annual actuarial valuation report of the State of Rhode Island's Employee Retirement System for each of the dates indicated. The June 30, 2013 report is the most recent report available as of the date of the audited financial statements. The State of Rhode Island's Employee Retirement System is currently in the process of compiling the information to complete the June 30, 2014 report.</i></p>							
Police pension plan.....							
	7/1/2010	\$ 13,748,156	\$ 30,323,300	\$ (16,575,144)	45.3%	\$ 3,583,371	-462.6%
	7/1/2012	\$ 34,253,447	\$ 36,090,353	\$ (1,836,906)	94.9%	\$ 3,751,058	-49.0%
	7/1/2014	\$ 37,854,440	\$ 39,484,542	\$ (1,630,102)	95.9%	\$ 3,674,659	-44.4%

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
 Schedule of Funding Progress OPEB
 June 30, 2014
 UNAUDITED

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

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

Assumption Changes in the July 1, 2014 Valuation:

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

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

	Police Pension Trust Fund 2014
Total pension liability:	
Service cost	\$ 906,358
Interest	2,745,438
Effect of economic/demographic gains or (losses)	(115,439)
Benefit payments	<u>(1,737,897)</u>
Net change in total pension liability	1,798,460
Total pension liability - beginning	<u>37,815,519</u>
Total pension liability - ending (a)	<u><u>\$ 39,613,979</u></u>
Plan fiduciary net position:	
Contribution - employer	\$ 849,111
Contribution - employee	284,314
Net investment income	4,844,311
Benefit payments, including refunds of employee contributions	(1,737,897)
Administrative expenses	<u>(105,336)</u>
Net change in plan fiduciary net position	4,134,503
Plan fiduciary net position - beginning	<u>34,291,733</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 38,426,236</u></u>
Plan's net pension liability - ending (a)-(b)	<u><u>\$ 1,187,743</u></u>
Plan fiduciary net position as a percentage of the total pension liability	97.00%
Covered-employee payroll	\$ 3,751,058
Net pension liability as a percentage of covered-employee payroll	31.66%

Notes:

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

TOWN OF NORTH PROVIDENCE, 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
Police Pension Trust Fund	2014	\$849,111	\$849,111	\$0	\$ 3,751,058	22.64%

Schedule of Investment Returns

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

Schedule of Employer's Net Pension Liability

	Year Ended June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
Police Pension Trust Fund	2014	\$39,613,979	\$38,426,236	\$1,187,743	97.00%	\$ 3,751,058	31.66%

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

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TOWN OF NORTH PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION



TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Title I	Feinstein Foundation
Champlin Grant	Project IDEA
Preschool Grant	Title II
Title III	Perkins
Perkins Marine	Perkins Technology
Beatrice Ward Auditorium	eRate
RTTT Standard & Curriculum	RTTT Instructional Improvement
RTTT Educator Effectiveness	RTTT Human Capital

(CONTINUED)

TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

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

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

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	<u>SPECIAL REVENUE FUNDS</u>									
	Police Grants	Community Development Block Grants	Community Fund Program	Property Revaluation	State Drug Forfeiture	Federal Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	Historical Records Trust	
ASSETS										
Cash and cash equivalents		\$ 69,161			\$ 54,527	\$ 101,376				
Accounts and other receivable(net)		248,268								
Due from federal & state governments	\$ 9,629	69,726								
Due from other funds			\$ 224				\$ 33,547	\$ 25,714	\$ 59,100	
TOTAL ASSETS	\$ 9,629	\$ 387,155	\$ 224	\$ -	\$ 54,527	\$ 101,376	\$ 33,547	\$ 25,714	\$ 59,100	
LIABILITIES										
Accounts payable		\$ 25,224					\$ 12,375	\$ 5,938	\$ 2,925	
Accrued liabilities		3,741								
Due to other funds	\$ 6,290	38,710								
Unearned revenue - other		248,268								
TOTAL LIABILITIES	6,290	315,943	\$ -	\$ -	\$ -	\$ -	\$ 12,375	5,938	2,925	
FUND BALANCES										
Restricted	3,339	71,212	224		54,527	101,376	21,172	19,776	56,175	
Committed										
Unassigned										
TOTAL FUND BALANCES	3,339	71,212	224	-	54,527	101,376	21,172	19,776	56,175	
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,629	\$ 387,155	\$ 224	\$ -	\$ 54,527	\$ 101,376	\$ 33,547	\$ 25,714	\$ 59,100	

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	SPECIAL REVENUE FUNDS							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
ASSETS								
Cash and cash equivalents			\$ 284,453					
Accounts and other receivable(net)				\$ 9,690	\$ 775			
Due from federal & state governments					2,233	\$ 4,050	\$ 151,265	\$ 2,080
Due from other funds	\$ 64,041	\$ 136,232						
TOTAL ASSETS	\$ 64,041	\$ 136,232	\$ 284,453	\$ 9,690	\$ 3,008	\$ 4,050	\$ 151,265	\$ 2,080
LIABILITIES								
Accounts payable			\$ 690	\$ 86	\$ 3,008		\$ 794	
Accrued liabilities								
Due to other funds			27,267	9,690				
Unearned revenue - other								
TOTAL LIABILITIES	\$ -	\$ -	\$ 27,957	9,776	3,008	\$ -	794	\$ -
FUND BALANCES								
Restricted	64,041		256,496		-	4,050		2,080
Committed		136,232					150,471	
Unassigned				(86)				
TOTAL FUND BALANCES	64,041	136,232	256,496	(86)	-	4,050	150,471	2,080
TOTAL LIABILITIES AND FUND BALANCES	\$ 64,041	\$ 136,232	\$ 284,453	\$ 9,690	\$ 3,008	\$ 4,050	\$ 151,265	\$ 2,080

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				
	Roadway Aid Grant	OPEB Reserve Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents				\$ 509,517	\$ 31,956		\$ 1,421	\$ 33,377	\$ 542,894
Accounts and other receivable(net)			\$ 374	248,642				-	248,642
Due from federal & state governments			113,306	203,126				-	203,126
Due from other funds		\$ 250,000	2,030,136	2,758,622		\$ 89,358		89,358	2,847,980
TOTAL ASSETS	\$ -	\$ 250,000	\$ 2,143,816	\$ 3,719,907	\$ 31,956	\$ 89,358	\$ 1,421	\$ 122,735	\$ 3,842,642
LIABILITIES									
Accounts payable			\$ 12,525	\$ 63,565		\$ 18,426		\$ 18,426	\$ 81,991
Accrued liabilities			15,000	18,741				-	18,741
Due to other funds			2,116,291	2,198,248	\$ 20,273			20,273	2,218,521
Unearned revenue - other				248,268				-	248,268
TOTAL LIABILITIES	\$ -	\$ -	\$ 2,143,816	\$ 2,528,822	\$ 20,273	\$ 18,426	\$ -	\$ 38,699	\$ 2,567,521
FUND BALANCES									
Restricted	-			654,468	11,683	70,932		82,615	737,083
Committed		250,000		536,703			1,421	1,421	538,124
Unassigned				(86)				-	(86)
TOTAL FUND BALANCES	-	250,000	-	1,191,085	11,683	70,932	1,421	84,036	1,275,121
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 250,000	\$ 2,143,816	\$ 3,719,907	\$ 31,956	\$ 89,358	\$ 1,421	\$ 122,735	\$ 3,842,642

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS								
	Police Grants	Community Development Block Grants	Community Fund Program	Property Revaluation	State Drug Forfeiture	Federal Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	Historical Records Trust
REVENUES:									
Intergovernmental	\$ 61,022	\$ 213,229			\$ 4,629	\$ 101,376	\$ 500		
Prior year taxes									
Interest and investment income		2,731			126				
Fees and assessments		5,398						\$ 17,066	\$ 29,023
Contributions			\$ 1,000						
Other			396						
Total revenues	61,022	221,358	1,396	\$ -	4,755	101,376	500	17,066	29,023
EXPENDITURES:									
Current:									
Public safety	59,714				15,836		13,198	9,690	
Education									
Other expenses		180,559	2,409	183,608					
Debt Service:									
Debt service principal									
Interest expense									
Capital improvements									
Total expenditures	59,714	180,559	2,409	183,608	15,836	-	13,198	9,690	-
Excess (deficiency) of revenues over (under) expenditures	1,308	40,799	(1,013)	(183,608)	(11,081)	101,376	(12,698)	7,376	29,023
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of debt obligations									
Transfers in									
Transfers out									
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net change in fund balances	1,308	40,799	(1,013)	(183,608)	(11,081)	101,376	(12,698)	7,376	29,023
Fund balances - beginning of year	2,031	30,413	1,237	183,608	65,608	-	33,870	12,400	27,152
Fund balances - end of year	\$ 3,339	\$ 71,212	\$ 224	\$ -	\$ 54,527	\$ 101,376	\$ 21,172	\$ 19,776	\$ 56,175

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
REVENUES:								
Intergovernmental				\$ 14,331	\$ 54,118			\$ 2,000
Prior year taxes								
Interest and investment income			\$ 436					
Fees and assessments	\$ 32,554	\$ 6,500	29,307				\$ 40,614	
Contributions								
Other				362				80
Total revenues	32,554	6,500	29,743	14,693	54,118	\$ -	40,614	2,080
EXPENDITURES:								
Current:								
Public safety	24,305				54,118	-		
Education								
Other expenses			38,280	4,706			58,085	
Debt Service:								
Debt service principal								
Interest expense								
Capital improvements				10,073				
Total expenditures	24,305	-	38,280	14,779	54,118	-	58,085	-
Excess (deficiency) of revenues over (under) expenditures	8,249	6,500	(8,537)	(86)	-	-	(17,471)	2,080
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt obligations								
Transfers in								
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	8,249	6,500	(8,537)	(86)	-	-	(17,471)	2,080
Fund balances - beginning of year	55,792	129,732	265,033	-	-	4,050	167,942	-
Fund balances - end of year	\$ 64,041	\$ 136,232	\$ 256,496	\$ (86)	\$ -	\$ 4,050	\$ 150,471	\$ 2,080

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				
	Roadway Aid Grant	OPEB Reserve Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Total Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:									
Intergovernmental	\$ 11,109		\$ 2,012,341	\$ 2,474,655	\$ 541,730			\$ 541,730	\$ 3,016,385
Prior year taxes		\$ 250,000		250,000				-	250,000
Interest and investment income				3,293			\$ 60	60	3,353
Fees and assessments				160,462				-	160,462
Contributions			70,000	71,000		\$ 176,500		176,500	247,500
Other				838				-	838
Total revenues	11,109	250,000	2,082,341	2,960,248	541,730	176,500	60	718,290	3,678,538
EXPENDITURES:									
Current:									
Public safety				176,861				-	176,861
Education			1,995,650	1,995,650				-	1,995,650
Other expenses				467,647				-	467,647
Debt Service:									
Debt service principal								-	-
Interest expense								-	-
Capital improvements	17,499		91,496	119,068	1,133,498	627,705	31,147	1,792,350	1,911,418
Total expenditures	17,499	-	2,087,146	2,759,226	1,133,498	627,705	31,147	1,792,350	4,551,576
Excess (deficiency) of revenues over (under) expenditures	(6,390)	250,000	(4,805)	201,022	(591,768)	(451,205)	(31,087)	(1,074,060)	(873,038)
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of debt obligations					548,387	549,795		1,098,182	1,098,182
Transfers in	6,390			6,390				-	6,390
Transfers out			(25,011)	(25,011)			(17,500)	(17,500)	(42,511)
Total other financing sources (uses)	6,390	-	(25,011)	(18,621)	548,387	549,795	(17,500)	1,080,682	1,062,061
Net change in fund balances	-	250,000	(29,816)	182,401	(43,381)	98,590	(48,587)	6,622	189,023
Fund balances - beginning of year	-	-	29,816	1,008,684	55,064	(27,658)	50,008	77,414	1,086,098
Fund balances - end of year	\$ -	\$ 250,000	\$ -	\$ 1,191,085	\$ 11,683	\$ 70,932	\$ 1,421	\$ 84,036	\$ 1,275,121

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

AGENCY FUNDS

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

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

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

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

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

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

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

Student Activities Fund – To account for funds held in various school programs. During fiscal 2014 the North Providence School Department was administering approximately 16 separate accounts for student activity funds.

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

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

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Unclaimed Estates</u>				
ASSETS:				
Cash	\$ 17,543	\$ -	\$ 17,543	\$ -
TOTAL ASSETS	\$ 17,543	\$ -	\$ 17,543	\$ -
LIABILITIES:				
Deposits held in custody for others	\$ 17,543	\$ -	\$ 17,543	\$ -
TOTAL LIABILITIES	\$ 17,543	\$ -	\$ 17,543	\$ -
<u>Seized Property:</u>				
ASSETS:				
Cash	\$ 3,282	\$ 48,258	\$ -	\$ 51,540
TOTAL ASSETS	\$ 3,282	\$ 48,258	\$ -	\$ 51,540
LIABILITIES:				
Deposits held in custody for others	\$ 3,282	\$ 48,258	\$ -	\$ 51,540
TOTAL LIABILITIES	\$ 3,282	\$ 48,258	\$ -	\$ 51,540
<u>Low Cost Spay/Neuter:</u>				
ASSETS:				
Other receivables	\$ 329	\$ 1,266	\$ -	\$ 1,595
TOTAL ASSETS	\$ 329	\$ 1,266	\$ -	\$ 1,595
LIABILITIES:				
Deposits held in custody for others	\$ 329	\$ 1,266	\$ -	\$ 1,595
TOTAL LIABILITIES	\$ 329	\$ 1,266	\$ -	\$ 1,595
<u>Animal Care Donations:</u>				
ASSETS:				
Other receivables	\$ 7,792	\$ 2,997	\$ 2,512	\$ 8,277
TOTAL ASSETS	\$ 7,792	\$ 2,997	\$ 2,512	\$ 8,277
LIABILITIES:				
Deposits held in custody for others	\$ 7,792	\$ 2,997	\$ 2,512	\$ 8,277
TOTAL LIABILITIES	\$ 7,792	\$ 2,997	\$ 2,512	\$ 8,277
<u>Animal Care Adoptions:</u>				
ASSETS:				
Other receivables	\$ 8,279	\$ 1,200	\$ 1,154	\$ 8,325
TOTAL ASSETS	\$ 8,279	\$ 1,200	\$ 1,154	\$ 8,325
LIABILITIES:				
Deposits held in custody for others	\$ 8,279	\$ 1,200	\$ 1,154	\$ 8,325
TOTAL LIABILITIES	\$ 8,279	\$ 1,200	\$ 1,154	\$ 8,325

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Realty Tax Transfer Account:</u>				
ASSETS:				
Cash	\$ 39,078	\$ 397,148	\$ 355,162	\$ 81,064
TOTAL ASSETS	\$ 39,078	\$ 397,148	\$ 355,162	\$ 81,064
LIABILITIES:				
Deposits held in custody for others	\$ 39,078	\$ 397,148	\$ 355,162	\$ 81,064
TOTAL LIABILITIES	\$ 39,078	\$ 397,148	\$ 355,162	\$ 81,064
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 351,700	\$ 521,224	\$ 518,964	\$ 353,960
TOTAL ASSETS	\$ 351,700	\$ 521,224	\$ 518,964	\$ 353,960
LIABILITIES:				
Deposits held in custody for others	\$ 351,700	\$ 521,224	\$ 518,964	\$ 353,960
TOTAL LIABILITIES	\$ 351,700	\$ 521,224	\$ 518,964	\$ 353,960
<u>Food Pantry Fund</u>				
ASSETS:				
Cash	\$ 300	\$ 2,150	\$ 2,400	\$ 50
TOTAL ASSETS	\$ 300	\$ 2,150	\$ 2,400	\$ 50
LIABILITIES:				
Deposits held in custody for others	\$ 300	\$ 2,150	\$ 2,400	\$ 50
TOTAL LIABILITIES	\$ 300	\$ 2,150	\$ 2,400	\$ 50
<u>Performance Bond Fund</u>				
ASSETS:				
Cash	\$ 21,009	\$ 42	\$ -	\$ 21,051
TOTAL ASSETS	\$ 21,009	\$ 42	\$ -	\$ 21,051
LIABILITIES:				
Deposits held in custody for others	\$ 21,009	\$ 42	\$ -	\$ 21,051
TOTAL LIABILITIES	\$ 21,009	\$ 42	\$ -	\$ 21,051
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 432,912	\$ 968,822	\$ 894,069	\$ 507,665
Other receivables	16,400	5,463	3,666	18,197
TOTAL ASSETS	\$ 449,312	\$ 974,285	\$ 897,735	\$ 525,862
LIABILITIES:				
Deposits held in custody for others	\$ 449,312	\$ 974,285	\$ 897,735	\$ 525,862
TOTAL LIABILITIES	\$ 449,312	\$ 974,285	\$ 897,735	\$ 525,862

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

OTHER EXHIBITS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Year</u>	<u>Residential & Commercial Mill Rate</u>	<u>Property Taxes Receivable July 1, 2013</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2014</u>
2013	\$24.29 & \$31.03		\$67,737,041	\$ 73,404	\$ (50,458)	\$ 67,759,987	\$ 64,386,008	\$ 3,373,979
2012	\$24.15 & \$30.85	\$ 3,550,661		8,408	(25,185)	3,533,884	2,527,801	1,006,083
2011	\$24.15 & \$30.85	1,064,405		6,309	(1,205)	1,069,509	262,498	807,011
2010	\$19.65 & \$25.60	833,062		4,680	(323)	837,419	113,432	723,987
2009	\$19.65 & \$25.60	379,734		1,465	(111)	381,088	23,781	357,307
2008	\$16.75 & \$22.70	394,489				394,489	18,910	375,579
2007	\$16.75 & \$22.70	366,732				366,732	9,215	357,517
2006	\$16.55 & \$22.50	292,705				292,705	5,568	287,137
2005	\$16.55 & \$22.50	269,175				269,175	1,532	267,643
2004	\$28.71 & \$31.02	161,469				161,469	1,883	159,586
2003	\$26.32 & \$28.43	168,835				168,835	1,133	167,702
2002 and prior	various	2,098,489			(1,720,792)	377,697	518	377,179
Subtotal		9,579,756	\$ 67,737,041	\$ 94,266	\$ (1,798,074)	\$ 75,612,989	\$ 67,352,279	8,260,710
Less: estimated allowance for uncollectable accounts		(4,500,000)						(3,580,000)
Net property taxes receivable		\$ 5,079,756						\$ 4,680,710

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Schedule of Net Assessed Property Value by Category</u>			<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2012 (2013 tax roll)</u>			
	<u>Valuations</u>	<u>Levy</u>		
Real Property	\$ 2,494,000,976	\$ 63,476,778	Current year collections	\$ 67,352,279
Motor Vehicles	237,737,491	9,973,088	Revenue received 60 days subsequent to fiscal year ending June 30, 2014	<u>1,012,749</u>
Tangible Property	58,961,406	4,092,511	Subtotal	68,365,028
Total assessments	<u>2,790,699,873</u>	<u>77,542,377</u>	Prior year revenue received in current year fiscal year ending June 30, 2013 - 60 day rule	<u>(1,055,579)</u>
Exemptions and adjustments	<u>(393,322,018)</u>	<u>(9,805,336)</u>		
Net assessed value	<u>\$ 2,397,377,855</u>	<u>\$ 67,737,041</u>	Current year property tax revenue	<u>\$ 67,309,449</u>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

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."

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements, and have issued our report thereon dated January 29, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of North Providence, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

Response to Finding

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Providence, Rhode Island
January 29, 2015

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

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

Report of Compliance for Each Major Federal Program

We have audited the Town of North Providence, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2014. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Marcum LLP

Providence, Rhode Island
January 29, 2015

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

Federal Grantor Pass-Through Grantor <u>Program title</u>	Federal CFDA Number	<u>Expenditures</u>
U.S. Department of Transportation		
Passed through Rhode Island Department of Transportation		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	\$ 9,285
State and community highway safety	20.600	21,454
Highway Planning and Construction	20.205	3,989
Safety Belt Performance Grants	20.609	6,241
Child Safety and Child Booster Seats Incentive Grants	20.613	1,319
Total U.S. Department of Transportation		<u>42,288</u>
U.S. Department of Justice		
Equitable Sharing Program	16.922	901,140
Passed through Rhode Island Department of Justice		
Enforcing Underage Drinking Laws Program - Byrne Memorial Grant	16.727	11,658
Bulletproof Vest Partnership Program	16.607	5,490
Total U.S. Department of Justice		<u>918,288</u>
U.S. Department of Homeland Security		
Passed through Rhode Island Emergency Management Agency		
Homeland Security Grant Program	97.067	<u>14,779</u>
U.S. Department of Health and Human Services		
Passed through Rhode Island Department of Health		
Tobacco Compliance Grant	93.XXX	<u>278</u>
U.S. Department of Housing and Urban Development		
Passed through Rhode Island Office of Housing & Community Development		
Community Development Block Grant	14.228	<u>213,229</u>
U.S. Department of Education		
Passed through Rhode Island Department of Education		
Special Education Grants to States - Project IDEA - Part B	84.027	848,980
Special Education Preschool Grants	84.173	17,971
Special Education Cluster		<u>866,951</u>
Title I Grants to Local Educational Agencies	84.010	676,059
Race to the Top Fund - ARRA Funding	84.395	170,611
Improving Teacher Quality State Grants - Title II	84.367	181,176
English Language Acquisition State Grants - Title III	84.365	15,738
Career and Technical Education - Basic Grants to States	84.048	101,805
Total U.S. Department of Education		<u>2,012,340</u>

(Continued)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

Federal Grantor Pass-Through Grantor <u>Program title</u>	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed through Rhode Island Department of Education		
National School Lunch Program	10.555	656,129
School Breakfast Program	10.553	<u>125,424</u>
School Lunch and Breakfast Cluster		781,553
Fresh Fruit and Vegetable Program	10.582	28,560
Commodity Supplemental Food Program	10.565	<u>85,587</u>
Total U.S. Department of Agriculture		<u>895,700</u>
Total Federal Expenditures		<u>\$ 4,096,902</u>

(Concluded)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of North Providence, Rhode Island. 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*.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The accompanying Schedule of Expenditures of Federal Awards also includes \$85,587 for the value of food commodities. These commodities have not been reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. Determination of Major Programs

The determination of major federal financial assistance programs was based upon the overall level of expenditures for all federal programs for the Town of North Providence, Rhode Island. As such, the threshold for determining Type A programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2014, the following programs were considered major programs:

Equitable Sharing Program	CFDA # 16.922
Title I	CFDA # 84.010
Special Education Cluster:	
Project IDEA – Part B	CFDA # 84.027
Preschool Grants	CFDA # 84.173

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *Unmodified Opinion*

Internal control over financial reporting:

- Material Weakness identified? yes no
 - Significant Deficiency identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material Weakness identified? yes no
- Significant Deficiency identified? yes 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 no

Identification of major program:

Special Education Cluster:	
Special Education Grants to States.....	CFDA #84.027
Special Education Preschool Grants.....	CFDA #84.173
Equitable Sharing Program.....	CFDA #16.922
Title I Grants to Local Educational Agencies.....	CFDA #84.010

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

Auditee qualified as low-risk auditee? yes no

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

SECTION II. FINANCIAL STATEMENT FINDINGS

Current Year Findings:

2014-001 – Town Ordinance

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

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

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

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

Recommendation: Based on our inquiries with Town Officials and management there appears to be concerns over ambiguities in this Ordinance and how the requirements coincide with the provisions of the legislative Town Charter and Rhode Island State Law. Accordingly, we recommend that management of the Town and School Department meet with the members of the Town Council and legal counsel to determine the applicability and legality of the requirements of this Ordinance.

View of Responsible Official and Corrective Action: See Page 91 for response.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None noted.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014**

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

None were reported.

(CONCLUDED)

TOWN OF
NORTH PROVIDENCE



STATE OF
RHODE ISLAND

GIUSTINO CAMBIO
Finance Director

DEPARTMENT OF FINANCE

CHARLES A. LOMBARDI
Mayor

In response to fiscal year 2014 audit finding 2014-001 labeled "Town Ordinance". The cause of the finding is that "management currently does not have a policy or procedures in place to monitor all capital acquisitions to ensure the approval by the Town Council before incurring the expenditure" and this "could potentially result in a violation" of a town ordinance. Accordingly, your firm recommends "that management of the Town and School Department meet with the members of the Town Council and legal counsel to determine the applicability and legality of" these requirements.

In response, management and a representative of the School Department plan to consult with legal counsel to review the ordinance and address its ambiguities as well as potential conflicts with state laws inclusive of the Town Charter.

Sincerely,


Justin Cambio
Finance Director


John McNamee
School Business Manager