

TOWN OF LINCOLN, RHODE ISLAND

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

Town of Lincoln, Rhode Island
ANNUAL FINANCIAL STATEMENTS

June 30, 2016

Table of Contents

| | |
|--|----|
| <i>Independent Auditors' Report</i> | 1 |
| Management's Discussion and Analysis (MD&A) | 4 |
| Government-Wide Financial Statements: | 14 |
| Statement of Position | 14 |
| Statement of Activities | 16 |
| Governmental Financial Statements: | 18 |
| <i>Governmental Funds:</i> | 18 |
| Balance Sheet | 18 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 19 |
| Reconciliation of Governmental Fund Balances to Statement of Net Position | 20 |
| Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities | 21 |
| <i>Proprietary Funds:</i> | 22 |
| Statement of Net Positions | 22 |
| Statement of Revenues, Expenses and Changes in Net Position | 23 |
| Statement of Cash Flows | 24 |
| <i>Fiduciary Funds:</i> | 26 |
| Statement of Net Position | 26 |
| Statement of Changes in Net Position | 27 |
| Notes to the Financial Statements | 28 |
| Required Supplementary Information | 78 |
| Other Post-Employment Benefits - Schedule of Funding Progress | 78 |
| Other Post-Employment Benefits - Schedule of Contributions | 79 |
| Schedule of the Town's Proportionate Share of the Net Pension Liability - Employees' Retirement System | 80 |
| Schedule of the Town's Contribution - Employees' Retirement System | 81 |
| Schedule of Changes in Net Pension Liability and Related Ratios - Municipal Employees' Retirement System General Employee Plan | 82 |
| Schedule of Contributions Municipal Employees' Retirement System General Employee Plan | 83 |
| Schedule of Changes to the Town's Net Pension Liability and Related Ratios - Municipal Employees' Retirement System - Rescue Employee Plan | 84 |
| Schedule of Contributions Municipal Employees' Retirement System Rescue Employee Plan | 85 |
| Notes to MERS | 86 |

Town of Lincoln, Rhode Island
ANNUAL FINANCIAL STATEMENTS

June 30, 2016

| | |
|--|----|
| Schedule of Town's Proportionate Share of Net Pension Liability - Teachers' Survivors Benefit Plan | 87 |
| Schedule of Town's Contributions - Teachers Survivors Benefit Plan | 88 |
| Schedule of Town's Net Pension Liability and Related Ratios - Town Pension Plan..... | 89 |
| Schedule of Contributions - Town Pension Plan..... | 91 |
| Schedule of Investment Returns - Town Pension Plan | 92 |
| Budgetary Comparison Schedule - General Fund..... | 93 |
| Budgetary Comparison Schedule - School Unrestricted Fund..... | 94 |
| Notes to the Required Supplementary Information - Budgetary Comparison Schedule..... | 95 |
| Other Supplementary Information | 97 |
| Annual Tax Collectors Report..... | 97 |

CERTIFIED PUBLIC ACCOUNTANTS

126 President Avenue

Fall River, MA 02720

TEL. (508) 675-7889

FAX (508) 675-7859

www.hague-sahady.com

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island as of and for the year ended June 30, 2016, 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.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lincoln, Rhode Island, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress, Schedule of Employer Contributions, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lincoln, Rhode Island's financial statements. The supplementary tax collector's annual report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance, and is also not a required part of the financial statements.

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

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Town of Lincoln, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Lincoln, Rhode Island's internal control over financial reporting and compliance.

Hague, Sabady & Co. PC

Fall River, Massachusetts
December 14, 2016

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Management of the Town of Lincoln (the Town) provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

FINANCIAL HIGHLIGHTS

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$6,180,175, or 7.9% of fiscal year 2016 budgeted expenditures and transfers to other funds. This is an increase of \$415,969 over the prior year unassigned General Fund balance.

The Town's General Fund had an operating surplus of \$459,620. The School Unrestricted Fund operations resulted in an operating surplus of \$862,340.

The Town's General Fund ended fiscal year 2016 with a budgetary operating deficit of \$476,170. The School Unrestricted fund ended the year with a budgetary operating surplus of \$57,921.

The Town's budgetary surplus of \$476,170 resulted in part from higher tax revenue received than was budgeted as well as increased rescue revenue which the Town budgets for conservatively.

The School Unrestricted fund budgetary surplus of \$57,921 resulted in part from savings related to salaries and employee benefits.

The Town's total governmental long-term obligations increased by \$402,615 principally from bond payments of \$2,790,000 and a net increase in pension liability of \$3,316,049.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Lincoln's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus the individual components of the Town's government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Statements

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

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

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

The government-wide financial statements of the Town, which can be found on pages 14 through 17 of this report, are divided into two categories:

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

Fund Financial Statements

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

The basic governmental fund financial statements can be found on pages 18-21 of this report.

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

The basic proprietary funds financial statements can be found on pages 22-25 of this report.

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

The basic fiduciary funds financial statements can be found on pages 26-27 of this report.

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

Relationship of Statements and Schedules included in this Report

Table 1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, the Town has included a section with combining statements that provide details about the Town's non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

| | | |
|-------------------------------------|-------------------|--|
| Basic Financial Statements & RSI | Financial Section | MD&A |
| | | Government-wide Statements |
| | | (Major) Fund Financial Statements |
| | | Notes to Financial Statements |
| | | RSI other than MD&A |
| | | Info. on nonmajor funds & other supplementary info. not required |

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Relationship of Statements and Schedules included in this Report (Continued)

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

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

Government-Wide 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, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$37,516,371 at June 30, 2016.

Net investment in capital assets, comprises \$74,211,219. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is still outstanding. The town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in capital assets is report

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Government-Wide Financial Analysis (Continued)

net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net position totaling \$3,248,817, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$672,924 is permanently restricted and is nonexpendable. Unrestricted net position, totaling (\$39,943,665), may be used to meet the government's ongoing obligations to citizens and creditors.

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Current assets | \$ 33,147,180 | \$ 36,414,873 | \$ 8,643,842 | \$ 6,672,336 | \$ 41,791,022 | \$ 43,087,209 |
| Non current assets | 81,546,646 | 78,357,280 | 32,065,982 | 31,893,344 | 113,612,628 | 110,250,624 |
| Total assets | 114,693,826 | 114,772,153 | 40,709,824 | 38,565,680 | 155,403,650 | 153,337,833 |
| Deferred outflows of resources | | | | | | |
| Net pension activity | 5,266,373 | 8,846,506 | - | - | 5,266,373 | 8,846,506 |
| Other deferred outflows | 1,312,726 | 158,692 | - | - | 1,312,726 | 158,692 |
| Total deferred outflows of resources | 6,579,099 | 9,005,198 | - | - | 6,579,099 | 9,005,198 |
| Liabilities | | | | | | |
| Current liabilities | 21,166,744 | 22,031,591 | 1,439,853 | 1,027,502 | 22,606,597 | 23,059,093 |
| Long-term liabilities | 95,191,680 | 94,611,280 | 5,838,650 | 5,265,650 | 101,030,330 | 99,876,930 |
| Total liabilities | 116,358,424 | 116,642,871 | 7,278,503 | 6,293,152 | 123,636,927 | 122,936,023 |
| Deferred inflows of resources | | | | | | |
| Net pension activity | 527,758 | 6,216,754 | - | - | 527,758 | 6,216,754 |
| Other deferred inflows | 230,961 | 320,334 | 70,732 | 71,343 | 301,693 | 391,677 |
| Total deferred inflows of resources | 758,719 | 6,537,088 | 70,732 | 71,343 | 829,451 | 6,608,431 |
| Net Position | | | | | | |
| Investment in capital assets, net of related debt | 48,320,906 | 39,068,841 | 25,890,313 | 26,292,198 | 74,211,219 | 65,361,039 |
| Restricted | 3,248,817 | 6,274,621 | - | - | 3,248,817 | 6,274,621 |
| Unrestricted | (47,413,941) | (44,746,070) | 7,470,276 | 5,908,987 | (39,943,665) | (38,837,083) |
| Total net position | \$ 4,155,782 | \$ 597,392 | \$ 33,360,589 | \$ 32,201,185 | \$ 37,516,371 | \$ 32,798,577 |

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Changes in Net Position

The government's total net position increased by \$4,717,794 during the current fiscal year.

| | Changes in Net Position | | | | | |
|---|-------------------------|-------------------|--------------------------|----------------------|----------------------|----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for service | \$ 2,584,147 | \$ 2,500,159 | \$ 5,663,733 | \$ 5,482,719 | \$ 8,247,880 | \$ 7,982,878 |
| Operating grants & contributions | 5,192,818 | 3,966,058 | 1,656,878 | 1,570,954 | 6,849,696 | 5,537,012 |
| Capital grants & contributions | 469,515 | 416,640 | - | - | 469,515 | 416,640 |
| General Revenues: | | | | | | |
| Property taxes | 53,364,861 | 53,163,211 | - | - | 53,364,861 | 53,163,211 |
| State aid to town | 1,755,619 | 1,971,015 | - | - | 1,755,619 | 1,971,015 |
| State aid to education | 11,357,523 | 10,965,203 | - | - | 11,357,523 | 10,965,203 |
| Other revenue | 8,181,678 | 8,598,154 | 7,208 | - | 8,188,886 | 8,598,154 |
| Earnings on investments | 489,022 | 417,219 | 16,256 | 20,835 | 505,278 | 438,054 |
| Total revenue | <u>83,395,183</u> | <u>81,997,659</u> | <u>7,344,075</u> | <u>7,074,508</u> | <u>90,739,258</u> | <u>89,072,167</u> |
| Expenses | | | | | | |
| General government | 344,829 | 9,216,108 | - | - | 344,829 | 9,216,108 |
| Financial administration | 1,136,990 | 977,374 | - | - | 1,136,990 | 977,374 |
| Public library | 584,948 | 1,692,876 | - | - | 584,948 | 1,692,876 |
| Public safety | 8,618,889 | 7,300,737 | - | - | 8,618,889 | 7,300,737 |
| Public services | 9,674,121 | 7,288,435 | - | - | 9,674,121 | 7,288,435 |
| Education | 58,770,012 | 55,214,957 | - | - | 58,770,012 | 55,214,957 |
| Interest on debt | 729,978 | 1,399,260 | - | - | 729,978 | 1,399,260 |
| Water | - | - | 3,279,334 | 3,510,828 | 3,279,334 | 3,510,828 |
| Sewer | - | - | 1,191,802 | 1,110,679 | 1,191,802 | 1,110,679 |
| School lunch | - | - | 861,232 | 869,620 | 861,232 | 869,620 |
| Police detail | - | - | 829,329 | 711,149 | 1,559,307 | 2,110,409 |
| Total expenses | <u>79,859,767</u> | <u>83,089,747</u> | <u>6,161,697</u> | <u>6,202,276</u> | <u>86,751,442</u> | <u>90,691,283</u> |
| Increase(decrease) in net assets | | | | | | |
| before transfers | 3,535,416 | (1,092,088) | 1,182,378 | 872,232 | 4,717,794 | (219,856) |
| Transfers in | 22,974 | 22,571 | - | - | 22,974 | 22,571 |
| Transfers out | - | - | (22,974) | (22,571) | (22,974) | (22,571) |
| Increase(decrease) in net position | 3,558,390 | (1,069,517) | 1,159,404 | 849,661 | 4,717,794 | (219,856) |
| Net position, July 1, restated | <u>597,392</u> | <u>1,666,909</u> | <u>32,201,185</u> | <u>31,351,524</u> | <u>32,798,577</u> | <u>33,018,433</u> |
| Net position, June 30 | <u>\$ 4,155,782</u> | <u>\$ 597,392</u> | <u>\$ 33,360,589</u> | <u>\$ 32,201,185</u> | <u>\$ 37,516,371</u> | <u>\$ 32,798,577</u> |

Governmental activities. Governmental activities decreased the Town's net position by \$3,558,390.

Business-type activities. Business-type activities increased the Town's net position by \$1,159,404.

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Financial Analysis of the Government's Funds

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

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

As of June 30, 2016, the Town's governmental funds reported combined ending fund balances of \$12,219,613, a decrease of \$2,573,498 in comparison with the prior year. The unassigned fund balance of \$6,031,738 or 49.3% of the total fund balance is available for spending at the Town's discretion. The remainder of the fund balance is committed, restricted, assigned or non-spendable to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,180,175. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.6% of total General Fund budgeted expenditures.

The Town's General Fund balance increased by \$459,620 during the current fiscal year as a result of expenditure exceeding revenues, including transfers to the School Department of \$40,715,952.

Proprietary Funds:

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

The unrestricted net position of the proprietary funds at June 30, 2016 totaled \$7,470,276, with the Water Fund making up \$5,405,226 of the total. The Water Fund, Sewer Fund, School Lunch Fund, and Police Detail Fund had changes in net position of \$1,372,418, (\$245,668), \$149 and \$32,505 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

General Fund Budgetary Highlights

The Financial Town meeting held in May 2015 approved an operating budget of \$67,192,635, including other financing sources of \$3,108,999.

Revenue items materially over (under) budget included: General Property Taxes, \$405,041; Medicaid reimbursement, (\$230,353); Video Lottery and Table Game Commissions, \$2,465,151 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund at year end); rescue billing, \$250,876; and School Housing Aid, (\$363,726).

Expenditure items materially (over) under budget included; Health Insurance, (\$214,879); OPEB transfers, \$640,000.

Capital Assets and Debt Administration

Capital Assets: The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$109,033,557 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$4,970,494.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 15,268,174 | \$ 14,423,473 | \$ 177,452 | \$ 177,452 | \$ 15,445,626 | \$ 14,600,925 |
| Construction in progress | 2,088,677 | 2,484,986 | 2,503,329 | 2,215,128 | 4,592,006 | 4,700,114 |
| Infrastructure and land improvements, net | 11,574,144 | 10,161,394 | 28,256,278 | 28,526,974 | 39,830,422 | 38,688,368 |
| Building & improvements, net | 45,469,227 | 42,552,274 | 543,737 | 527,137 | 46,012,964 | 43,079,411 |
| Machinery and equipment, net | 936,998 | 1,040,456 | 411,976 | 282,603 | 1,348,974 | 1,323,059 |
| Vehicles, net | 1,630,355 | 1,507,136 | 173,210 | 164,050 | 1,803,565 | 1,671,186 |
| Total | \$ 76,967,575 | \$ 72,169,719 | \$ 32,065,982 | \$ 31,893,344 | \$ 109,033,557 | \$ 104,063,063 |

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2016

Long-term debt: At the end of the fiscal year, the Town had total bonded debt outstanding of \$27,110,000. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. All general obligation debt currently outstanding was approved by a vote of the citizens.

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

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$82,129,147.

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Bonds and notes | \$ 27,110,000 | \$ 29,900,000 | \$ 6,113,650 | \$ 5,536,650 | \$ 33,223,650 | \$ 35,436,650 |
| Capital leases | 123,122 | 229,049 | - | - | 123,122 | 229,049 |
| Total | <u>\$ 27,233,122</u> | <u>\$ 30,129,049</u> | <u>\$ 6,113,650</u> | <u>\$ 5,536,650</u> | <u>\$ 33,346,772</u> | <u>\$ 35,665,699</u> |

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

Economic Factors and Next Year's Budgets and Rates

The latest published unemployment rate as of October 2016 for the Town is 4.0 percent. This compares favorably to the State's average unemployment rate of 5.5 percent and is higher than the national rate of 4.9 percent. Per capita and median family incomes remain some of the highest in the State.

At the Annual Town Financial Meeting in May 2016, the voters approved a budget for fiscal year 2017 of \$77,822,344. This budget is .31 % higher than the fiscal year 2016 budget. The Town's municipal departments increase was 3.53%; the School Department increase was 1.26% and Debt Service and the Resolutions funded through capital reserve funds net increase was 4.12%.

Requests for Information

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

TOWN OF LINCOLN, RHODE ISLAND

Statement of Net Position

June 30, 2016

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Cash and investments | \$ 15,854,501 | \$ 6,463,063 | \$ 22,317,564 |
| Receivables, net | | | |
| Personal property taxes | 2,999,823 | - | 2,999,823 |
| User charges | - | 961,014 | 961,014 |
| Intergovernmental | 3,493,857 | 36,473 | 3,530,330 |
| Departmental and other | 901,387 | - | 901,387 |
| Due from other funds | 9,590,740 | 966,891 | 10,557,631 |
| Other assets | 306,872 | 216,401 | 523,273 |
| TSB - net pension asset | 4,579,071 | - | 4,579,071 |
| Capital assets: | | | |
| Nondepreciable assets | 17,356,851 | 2,680,781 | 20,037,632 |
| Depreciable assets, net | 59,610,724 | 29,385,201 | 88,995,925 |
| Total capital assets | 76,967,575 | 32,065,982 | 109,033,557 |
| Total assets | 114,693,826 | 40,709,824 | 155,403,650 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Town Pension, net of related inflows | 3,637,025 | - | 3,637,025 |
| TSB, net of related inflows | 1,139,759 | - | 1,139,759 |
| MERS, net of related inflows | 489,589 | - | 489,589 |
| Loss on refunding | 1,312,726 | - | 1,312,726 |
| Total assets and deferred outflows of resources | \$ 121,272,925 | \$ 40,709,824 | \$ 161,982,749 |

The accompanying notes are an integral part of this statement

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Statement of Net Position

June 30, 2016

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total |
| LIABILITIES | | | |
| Accounts payable and accrued expenses | \$ 6,680,720 | \$ 1,102,834 | \$ 7,783,554 |
| Other liabilities | 375 | - | 375 |
| Accrued interest | 457,050 | 62,019 | 519,069 |
| Due to other funds | 11,321,816 | - | 11,321,816 |
| Current portion of capital leases | 40,403 | - | 40,403 |
| Current portion of bonds and loans payable | 2,470,000 | 275,000 | 2,745,000 |
| Current portion of bond premium | 144,969 | - | 144,969 |
| Current portion of compensated absences | 51,411 | - | 51,411 |
| Portion due or payable in more than one year: | | | |
| Capital leases | 82,719 | - | 82,719 |
| Other commitments | 135,600 | - | 135,600 |
| Bonds and loans payable | 24,640,000 | 5,838,650 | 30,478,650 |
| Bond premium | 2,124,254 | - | 2,124,254 |
| Compensated absences | 4,298,123 | - | 4,298,123 |
| Other post-employment benefit obligation | 4,905,300 | - | 4,905,300 |
| Police net pension liability | 14,881,207 | - | 14,881,207 |
| ERS net pension liability | 42,119,410 | - | 42,119,410 |
| MERS net pension liability | 2,005,067 | - | 2,005,067 |
| Total liabilities | 116,358,424 | 7,278,503 | 123,636,927 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| ERS, net of related outflows | 527,758 | - | 527,758 |
| Other deferred revenue | 230,961 | - | 230,961 |
| Bond premium | - | 70,732 | 70,732 |
| Total deferred inflows of resources | 758,719 | 70,732 | 829,451 |
| NET POSITION | | | |
| Net investment in capital assets | 48,320,906 | 25,890,313 | 74,211,219 |
| Restricted | 3,248,817 | - | 3,248,817 |
| Unrestricted | (47,413,941) | 7,470,276 | (39,943,665) |
| Total liabilities, deferred inflows or resources and net position | \$ 121,272,925 | \$ 40,709,824 | \$ 161,982,749 |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2016

| | <u>Net (Expense) Revenue and Changes in Net Position</u> | | | | | | |
|---|--|-----------------------------|---|---|--------------------------------|---------------------------------|------------------------|
| | <u>Program Revenues</u> | | | | <u>Primary Government</u> | | |
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
| Governmental Activities | | | | | | | |
| General government | \$ 344,829 | \$ 376,522 | \$ 34,867 | \$ - | \$ 66,560 | \$ - | \$ 66,560 |
| Financial administration | 1,136,990 | - | - | - | (1,136,990) | - | (1,136,990) |
| Public library | 584,948 | 10,120 | - | - | (574,828) | - | (574,828) |
| Public safety | 8,618,889 | 1,232,983 | 183,884 | - | (7,202,022) | - | (7,202,022) |
| Public services | 9,674,121 | 893,009 | 130,327 | 400,039 | (8,250,746) | - | (8,250,746) |
| Education | 55,275,985 | 71,513 | 1,349,713 | 69,476 | (53,785,283) | - | (53,785,283) |
| State contribution to teachers pension plan | 3,494,027 | - | 3,494,027 | - | - | - | - |
| Interest on debt | 729,978 | - | - | - | (729,978) | - | (729,978) |
| Total governmental activities | <u>79,859,767</u> | <u>2,584,147</u> | <u>5,192,818</u> | <u>469,515</u> | <u>(71,613,287)</u> | <u>-</u> | <u>(71,613,287)</u> |
| Business-Type Activities | | | | | | | |
| Water fund | 3,279,334 | 3,459,901 | 1,191,851 | - | - | 1,372,418 | 1,372,418 |
| Sewer fund | 1,191,802 | 922,670 | - | - | - | (269,132) | (269,132) |
| School lunch fund | 861,232 | 396,354 | 465,027 | - | - | 149 | 149 |
| Police detail fund | 829,329 | 884,808 | - | - | - | 55,479 | 55,479 |
| Total business-type activities | <u>6,161,697</u> | <u>5,663,733</u> | <u>1,656,878</u> | <u>-</u> | <u>-</u> | <u>1,158,914</u> | <u>1,158,914</u> |
| Total Town of Lincoln | <u>\$ 86,021,464</u> | <u>\$ 8,247,880</u> | <u>\$ 6,849,696</u> | <u>\$ 469,515</u> | <u>\$ (71,613,287)</u> | <u>\$ 1,158,914</u> | <u>\$ (70,454,373)</u> |

The accompanying notes are an integral part of this statement

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Statement of Activities

For the Year Ended June 30, 2016

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| General revenues | | | |
| Real estate and personal property, net of reserve for abatements | \$ 53,364,861 | \$ - | \$ 53,364,861 |
| Meals and hotel tax | 734,495 | - | 734,495 |
| Video lottery | 6,398,106 | - | 6,398,106 |
| Table game commissions | 1,267,045 | - | 1,267,045 |
| School housing aid | 923,274 | - | 923,274 |
| Interest received | 489,022 | - | 489,022 |
| Incentive aid | 103,489 | - | 103,489 |
| State aid to education | 10,434,249 | - | 10,434,249 |
| Motor vehicle phase out | 198,583 | - | 198,583 |
| Library aid | 195,339 | - | 195,339 |
| Airport aid | 25,000 | - | 25,000 |
| Medicaid | 719,052 | - | 719,052 |
| Miscellaneous | 285,312 | 23,464 | 308,776 |
| Recycling aid | 10,876 | - | 10,876 |
| Total general revenues | <u>75,148,703</u> | <u>23,464</u> | <u>75,172,167</u> |
| Transfers in | 22,974 | - | 22,974 |
| Transfers out | - | (22,974) | (22,974) |
| Total general revenues, special items, and transfers | <u>75,171,677</u> | <u>490</u> | <u>75,172,167</u> |
| Changes in net position | 3,558,390 | 1,159,404 | 4,717,794 |
| Net position - July 1, 2015, restated | <u>597,392</u> | <u>32,201,185</u> | <u>32,798,577</u> |
| Net position - June 30, 2016 | <u>\$ 4,155,782</u> | <u>\$ 33,360,589</u> | <u>\$ 37,516,371</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Governmental Funds
Balance Sheet

June 30, 2016

| | Major Fund | | Non-Major | Total |
|---|-------------------------|------------------------------|-------------------------------|-------------------------------|
| | General Fund | School Department | Governmental Funds | Governmental Funds |
| Assets | | | | |
| Cash and investments | \$ 15,232,855 | \$ 432,720 | \$ 188,926 | \$ 15,854,501 |
| Receivables: | | | | |
| Property taxes, net | 2,784,476 | - | - | 2,784,476 |
| Intergovernmental | 1,920,841 | 1,150,018 | 422,998 | 3,493,857 |
| Other | 641,714 | 249,460 | 10,213 | 901,387 |
| Due from other funds | 62,714 | 6,024,033 | 3,503,993 | 9,590,740 |
| Prepaid expenses | 63,039 | 243,833 | - | 306,872 |
| Total assets | <u>20,705,639</u> | <u>8,100,064</u> | <u>4,126,130</u> | <u>32,931,833</u> |
| Deferred outflows of resources | | | | |
| None | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 20,705,639</u> | <u>\$ 8,100,064</u> | <u>\$ 4,126,130</u> | <u>\$ 32,931,833</u> |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 1,077,768 | \$ 5,301,273 | \$ 301,679 | \$ 6,680,720 |
| Due to federal and state government | - | - | - | - |
| Other liabilities | - | - | 375 | 375 |
| Deposits held for debt service | - | - | - | - |
| Due to other funds | 9,571,873 | 1,390,720 | 359,223 | 11,321,816 |
| Total liabilities | <u>10,649,641</u> | <u>6,691,993</u> | <u>661,277</u> | <u>18,002,911</u> |
| Deferred inflows of resources | | | | |
| Deferred property taxes | 2,478,348 | - | - | 2,478,348 |
| Other deferred revenue | 215,347 | - | 15,614 | 230,961 |
| Total deferred inflows of resources | <u>2,693,695</u> | <u>-</u> | <u>15,614</u> | <u>2,709,309</u> |
| Fund balance | | | | |
| Nonspendable | 429,091 | 243,833 | - | 672,924 |
| Restricted | - | 157,094 | 3,091,723 | 3,248,817 |
| Committed | 253,037 | 1,054,711 | 458,386 | 1,766,134 |
| Assigned | 500,000 | - | - | 500,000 |
| Unassigned | 6,180,175 | (47,567) | (100,870) | 6,031,738 |
| Total fund balance | <u>7,362,303</u> | <u>1,408,071</u> | <u>3,449,239</u> | <u>12,219,613</u> |
| Total liabilities, deferred inflows of resources, and fund balance | <u>\$ 20,705,639</u> | <u>\$ 8,100,064</u> | <u>\$ 4,126,130</u> | <u>\$ 32,931,833</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2016

| | Major Fund | | Non-Major | Total |
|---|---------------------|---------------------|---------------------|----------------------|
| | General Fund | School Department | Governmental Funds | Governmental Funds |
| Revenues | | | | |
| General property taxes and interest | \$ 53,693,646 | \$ - | \$ - | \$ 53,693,646 |
| Other local and departmental revenue | 2,512,634 | - | - | 2,512,634 |
| Intergovernmental | 10,042,830 | 11,811,551 | 616,825 | 22,471,206 |
| Interest received | 486,811 | 2,113 | 98 | 489,022 |
| State contribution to pension plan | - | 2,233,961 | - | 2,233,961 |
| Medicaid | - | 719,052 | - | 719,052 |
| Other revenue | - | 212,090 | 132,291 | 344,381 |
| Total revenue | <u>66,735,921</u> | <u>14,978,767</u> | <u>749,214</u> | <u>82,463,902</u> |
| Expenditures | | | | |
| General government | 820,921 | - | 85,873 | 906,794 |
| Financial administration | 865,311 | - | - | 865,311 |
| Public library | 1,067,059 | - | 166,899 | 1,233,958 |
| Public safety | 5,968,803 | - | 2,009,960 | 7,978,763 |
| Public services | 5,835,789 | - | 4,018,166 | 9,853,955 |
| Grants and contributions | 60,500 | - | - | 60,500 |
| Other expenditures | 4,862,140 | - | - | 4,862,140 |
| Education | - | 53,372,595 | 43,634 | 53,416,229 |
| State contributin to pension plan | - | 2,233,961 | - | 2,233,961 |
| Capital outlay | - | - | 24,088 | 24,088 |
| Debt service | | | | |
| Principal | 2,790,000 | - | - | 2,790,000 |
| Interest | 834,675 | - | - | 834,675 |
| Total expenditures | <u>23,105,198</u> | <u>55,606,556</u> | <u>6,348,620</u> | <u>85,060,374</u> |
| Excess (deficiency) of revenues over expenditures | 43,630,723 | (40,627,789) | (5,599,406) | (2,596,472) |
| Other financing sources (uses) | | | | |
| Transfers in | 928,543 | 40,715,952 | 3,406,668 | 45,051,163 |
| Transfers out | <u>(44,099,646)</u> | <u>-</u> | <u>(928,543)</u> | <u>(45,028,189)</u> |
| Other financing sources (uses) | <u>(43,171,103)</u> | <u>40,715,952</u> | <u>2,478,125</u> | <u>22,974</u> |
| Excess of revenue and other sources over expenditures and other uses | | | | |
| | 459,620 | 88,163 | (3,121,281) | (2,573,498) |
| Fund balance, July 1, 2015 | <u>6,902,683</u> | <u>1,319,908</u> | <u>6,570,520</u> | <u>14,793,111</u> |
| Fund balance, June 30, 2016 | <u>\$ 7,362,303</u> | <u>\$ 1,408,071</u> | <u>\$ 3,449,239</u> | <u>\$ 12,219,613</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Reconciliation of Governmental Fund Balances
to Statement of Net Position

June 30, 2016

| | |
|---|---------------------|
| Total governmental fund balances | \$ 12,219,613 |
| Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Capital assets, net | 76,967,575 |
| TSB net pension asset | 4,579,071 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds. | 2,693,695 |
| Other long-term assets related to net pension activity and therefore, are deferred inflows of resources in the funds. | (7,826,104) |
| Other long-term liabilities related to net pension activity and therefore, are deferred outflows of resources in the funds. | 12,564,719 |
| Long term liabilities relating to bond premiums amortized over the life of the bond | (2,269,223) |
| In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due. | (457,050) |
| Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds | |
| Bonds and notes payable | (25,797,274) |
| Capital leases | (123,122) |
| Compensated absences | (4,349,534) |
| Other postemployment benefits | (4,905,300) |
| Town net pension liability | (14,881,207) |
| ERS net pension liability | (42,119,410) |
| MERS net pension liability | (2,005,067) |
| Other commitments | <u>(135,600)</u> |
| Net position of governmental activities | <u>\$ 4,155,782</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities

For the Year Ended June 30, 2016

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds | \$ (2,573,498) |
| 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. | 4,797,856 |
| Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources. | (328,785) |
| The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 4,049,961 |
| Bond premiums for long term debt are amortized over the course of the payable but are not reported as an expenditure on governmental fund statements | 299,551 |
| In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due. | 104,697 |
| Some expenses reported in the Statement of Activities, such as compensated absences, do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds. | (50,434) |
| The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds | (227,526) |
| The net pension liability expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds | <u>(2,513,432)</u> |
| Change in net position of governmental activities | <u>\$ 3,558,390</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Proprietary Funds Statement of Net Position

June 30, 2016

| | Water Fund | Sewer Fund | School Lunch Fund | Police Detail Fund | Total |
|---|----------------------|----------------------|-------------------|--------------------|----------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 5,066,282 | \$ 1,313,581 | \$ 83,200 | \$ - | \$ 6,463,063 |
| Due from other funds | 251,971 | 541,624 | 112,818 | 60,478 | 966,891 |
| Receivables, net: | | | | | |
| User fees, less allowance for doubtful accounts | 759,729 | 118,806 | - | 82,479 | 961,014 |
| Intergovernmental | - | - | 36,473 | - | 36,473 |
| Other assets | 183,688 | 32,713 | - | - | 216,401 |
| Total current assets | 6,261,670 | 2,006,724 | 232,491 | 142,957 | 8,643,842 |
| Non-current assets | | | | | |
| Nondepreciable | 177,452 | 2,503,329 | - | - | 2,680,781 |
| Depreciable, net | 20,438,195 | 8,871,531 | 27,878 | 47,597 | 29,385,201 |
| Total non-current assets | 20,615,647 | 11,374,860 | 27,878 | 47,597 | 32,065,982 |
| Total assets | 26,877,317 | 13,381,584 | 260,369 | 190,554 | 40,709,824 |
| Deferred outflows of resources | | | | | |
| None | - | - | - | - | - |
| Total assets and deferred outflows of resources | \$ 26,877,317 | \$ 13,381,584 | \$ 260,369 | \$ 190,554 | \$ 40,709,824 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued expenses | \$ 794,131 | \$ 226,084 | \$ 82,619 | \$ - | \$ 1,102,834 |
| Accrued interest payable | 29,077 | 32,942 | - | - | 62,019 |
| Current portion of bonds & notes payable | 163,000 | 112,000 | - | - | 275,000 |
| Total current liabilities | 986,208 | 371,026 | 82,619 | - | 1,439,853 |
| Non-current liabilities: | | | | | |
| Bonds and loans payable | 2,617,150 | 3,221,500 | - | - | 5,838,650 |
| Total non-current liabilities | 2,617,150 | 3,221,500 | - | - | 5,838,650 |
| Total liabilities | 3,603,358 | 3,592,526 | 82,619 | - | 7,278,503 |
| Deferred inflows of resources | | | | | |
| Unearned revenue | 62,313 | 8,419 | - | - | 70,732 |
| Net position | | | | | |
| Net investment in capital assets | 17,806,420 | 8,008,418 | 27,878 | 47,597 | 25,890,313 |
| Restricted | - | - | - | - | - |
| Unrestricted | 5,405,226 | 1,772,221 | 149,872 | 142,957 | 7,470,276 |
| Total net position | \$ 23,211,646 | \$ 9,780,639 | \$ 177,750 | \$ 190,554 | \$ 33,360,589 |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2016

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>School Lunch Fund</u> | <u>Police Detail Fund</u> | <u>Total</u> |
|---|----------------------|---------------------|--------------------------|---------------------------|----------------------|
| Operating revenues | | | | | |
| User fees and charges | \$ 3,459,901 | \$ 922,670 | \$ 396,354 | \$ 884,808 | \$ 5,663,733 |
| Intergovernmental | - | - | 465,027 | - | 465,027 |
| Other revenues | 1,191,851 | 7,208 | - | - | 1,199,059 |
| Interest and penalties | - | 16,256 | - | - | 16,256 |
| | <u>4,651,752</u> | <u>946,134</u> | <u>861,381</u> | <u>884,808</u> | <u>7,344,075</u> |
| Operating expenses | | | | | |
| Administrative | 896,300 | 332,973 | - | 817,515 | 2,046,788 |
| Maintenance and servicing | 2,012,567 | - | - | - | 2,012,567 |
| Operating supplies | - | 280,201 | - | - | 280,201 |
| Fixed and general charges | - | 189,780 | - | - | 189,780 |
| Cafeteria | - | - | 857,243 | - | 857,243 |
| Depreciation and amortization | 390,819 | 285,722 | 3,989 | 11,814 | 692,344 |
| | <u>3,299,686</u> | <u>1,088,676</u> | <u>861,232</u> | <u>829,329</u> | <u>6,078,923</u> |
| Operating income (loss) | <u>1,352,066</u> | <u>(142,542)</u> | <u>149</u> | <u>55,479</u> | <u>1,265,152</u> |
| Nonoperating revenues (expenses) | | | | | |
| Interest expense | 20,352 | (103,126) | - | - | (82,774) |
| Income (loss) before transfers | <u>1,372,418</u> | <u>(245,668)</u> | <u>149</u> | <u>55,479</u> | <u>1,182,378</u> |
| Transfers | | | | | |
| Transfers in - operating | - | - | - | - | - |
| Transfers out - operating | - | - | - | (22,974) | (22,974) |
| Total Transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>(22,974)</u> | <u>(22,974)</u> |
| Change in net position | 1,372,418 | (245,668) | 149 | 32,505 | 1,159,404 |
| Net position, July 1, 2015 | <u>21,839,228</u> | <u>10,026,307</u> | <u>177,601</u> | <u>158,049</u> | <u>32,201,185</u> |
| Net position, June 30, 2016 | <u>\$ 23,211,646</u> | <u>\$ 9,780,639</u> | <u>\$ 177,750</u> | <u>\$ 190,554</u> | <u>\$ 33,360,589</u> |

The accompanying notes are an integral part of this statement

TOWN OF LINCOLN, RHODE ISLAND

Proprietary Funds
Statement of Cash Flows

For the Year Ended June 30, 2016

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>School Lunch Fund</u> | <u>Police Detail Fund</u> | <u>Total</u> |
|--|---------------------|---------------------|--------------------------|---------------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Cash received from customers | \$ 1,206,192 | \$ 946,134 | \$ 396,354 | \$ 916,512 | \$ 3,465,192 |
| Cash received from government | - | - | 463,945 | - | 463,945 |
| Cash received from (to) other funds | (108,912) | (95,189) | 311 | (51,400) | (255,190) |
| Payments to suppliers and employees | <u>570,829</u> | <u>(593,806)</u> | <u>(842,141)</u> | <u>(817,515)</u> | <u>(1,682,633)</u> |
| Net cash provided (used) by operating activities | <u>1,668,109</u> | <u>257,139</u> | <u>18,469</u> | <u>47,597</u> | <u>1,991,314</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition of capital assets | (476,375) | (344,216) | - | (47,597) | (868,188) |
| Principal paid on capital debt | (163,000) | (108,000) | - | - | (271,000) |
| Acquisition of capital debt | - | 848,000 | - | - | 848,000 |
| Interest paid on capital debt | <u>(77,747)</u> | <u>(104,073)</u> | <u>-</u> | <u>-</u> | <u>(181,820)</u> |
| Net cash used by capital and related financing activities | <u>(717,122)</u> | <u>291,711</u> | <u>-</u> | <u>(47,597)</u> | <u>(473,008)</u> |
| Cash flows from investing activities: | | | | | |
| Interest and dividends | <u>96,569</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>96,569</u> |
| Net cash used by investing activities | <u>96,569</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>96,569</u> |
| Net increase in cash and cash equivalents | 1,047,556 | 548,850 | 18,469 | - | 1,614,875 |
| Balances-beginning of the year | <u>4,018,726</u> | <u>764,731</u> | <u>64,731</u> | <u>-</u> | <u>4,848,188</u> |
| Balances-end of the year | <u>\$ 5,066,282</u> | <u>\$ 1,313,581</u> | <u>\$ 83,200</u> | <u>\$ -</u> | <u>\$ 6,463,063</u> |
| Displayed as: | | | | | |
| Cash and cash equivalents | <u>\$ 5,066,282</u> | <u>\$ 1,313,581</u> | <u>\$ 83,200</u> | <u>\$ -</u> | <u>\$ 6,463,063</u> |

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Proprietary Funds
Statement of Cash Flows

For the Year Ended June 30, 2016

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

| | <u>Water Fund</u> | <u>Sewer Fund</u> | <u>School Lunch Fund</u> | <u>Police Detail Fund</u> | <u>Total</u> |
|--|---------------------|-------------------|------------------------------|-------------------------------|---------------------|
| Operating income (loss) | \$ 1,352,066 | \$ (142,542) | \$ 149 | \$ 55,479 | \$ 1,265,152 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 390,819 | 285,722 | 3,989 | 11,814 | 692,344 |
| Change in assets and liabilities: | | | | | |
| (Increase) decrease in user charges receivable: | (46,521) | (8,419) | - | 8,730 | (46,210) |
| (Increase) decrease in other receivables | (90,323) | - | (1,082) | - | (91,405) |
| (Increase) decrease in other assets | 10,368 | (16,936) | - | - | (6,568) |
| (Increase) decrease in due from other funds | (108,912) | (95,189) | 311 | (28,426) | (232,216) |
| Increase (decrease) accounts payable and accrued expenses | 169,642 | 226,084 | 15,102 | - | 410,828 |
| Increase decrease in deferred revenue | (9,030) | 8,419 | - | - | (611) |
| Net cash provided (used) by operating activities | <u>\$ 1,668,109</u> | <u>\$ 257,139</u> | <u>\$ 18,469</u> | <u>\$ 47,597</u> | <u>\$ 1,991,314</u> |

TOWN OF LINCOLN, RHODE ISLAND

Fiduciary Funds
Statement of Net Position

June 30, 2016

| | Pension Trust Fund | OPEB Trust | Private Purpose Trust Funds | Agency Funds | Total Fiduciary Funds |
|---|-------------------------------|-----------------------|--|---------------------|--------------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 29,916 | \$ - | \$ 33,806 | \$ 422,027 | \$ 485,749 |
| Investments | 21,748,344 | 2,280,930 | - | - | 24,029,274 |
| Due from other funds | - | 631,300 | - | 187,118 | 818,418 |
| Total assets | <u>21,778,260</u> | <u>2,912,230</u> | <u>33,806</u> | <u>609,145</u> | <u>25,333,441</u> |
| Deferred outflows of resources | | | | | |
| None | - | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 21,778,260</u> | <u>\$ 2,912,230</u> | <u>\$ 33,806</u> | <u>\$ 609,145</u> | <u>\$ 25,333,441</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 275 | \$ - | \$ - | \$ 2,075 | \$ 2,350 |
| Due to other funds | - | - | - | 54,233 | 54,233 |
| Deposits held | - | - | - | 607,070 | 607,070 |
| Total liabilities | <u>275</u> | <u>-</u> | <u>-</u> | <u>663,378</u> | <u>663,653</u> |
| Deferred inflows of resources | | | | | |
| None | - | - | - | - | - |
| Net Position | | | | | |
| Restricted | <u>21,777,985</u> | <u>2,912,230</u> | <u>33,806</u> | <u>(54,233)</u> | <u>24,669,788</u> |
| Total net position | <u>21,777,985</u> | <u>2,912,230</u> | <u>33,806</u> | <u>(54,233)</u> | <u>24,669,788</u> |
| Total liabilities and net position | <u>\$ 21,778,260</u> | <u>\$ 2,912,230</u> | <u>\$ 33,806</u> | <u>\$ 609,145</u> | <u>\$ 25,333,441</u> |

TOWN OF LINCOLN, RHODE ISLAND

Fiduciary Funds
Statement of Changes in Net Position

For the Year Ended June 30, 2016

| | Police Pension Trust | OPEB Trust | Private Purpose Trust Funds | Total Fiduciary Funds |
|--|---------------------------------|-----------------------|--|--------------------------------------|
| Additions | | | | |
| Employer contributions | \$ 1,374,183 | \$ - | \$ - | \$ 1,374,183 |
| Plan member contributions | 310,604 | - | - | 310,604 |
| Investment income (net of related fees) | <u>717,815</u> | <u>744,964</u> | <u>48</u> | <u>1,462,827</u> |
| Total additions | <u>2,402,602</u> | <u>744,964</u> | <u>48</u> | <u>3,147,614</u> |
| Deductions | | | | |
| Benefits paid | 1,715,565 | - | - | 1,715,565 |
| Administrative expenses | <u>147,788</u> | <u>11,635</u> | <u>-</u> | <u>159,423</u> |
| Total deductions | <u>1,863,353</u> | <u>11,635</u> | <u>-</u> | <u>1,874,988</u> |
| Changes in fund equity held in trust for individuals, organizations, and other governments | 539,249 | 733,329 | 48 | 1,272,626 |
| Net position, July 1, 2015 | <u>21,238,736</u> | <u>2,178,901</u> | <u>33,758</u> | <u>23,451,395</u> |
| Net position, June 30, 2016 | <u>\$ 21,777,985</u> | <u>\$ 2,912,230</u> | <u>\$ 33,806</u> | <u>\$ 24,724,021</u> |

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies:

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

Financial reporting entity:

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

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

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

- 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 for the debt of the organization.

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

Financial reporting entity (continued)

Recently Issued Accounting Standards:

For the year ending June 30, 2016, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*

The implementation of GASB Statement No. 72 had no material reporting impact for the Town.

Basis of presentation:

Government-wide financial statements:

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Fund financial statements:

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

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

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

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

Governmental funds:

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

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

Special Revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes other than debt service or capital projects. The activity of the Lincoln Public School Department has been aggregated and presented as a major fund for fiscal 2016.

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (continued):

Proprietary funds:

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

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

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

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

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

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

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

Measurement focus and basis of accounting:

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of presentation (continued):

Measurement focus and basis of accounting (continued):

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

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

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

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

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates:

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

Property taxes:

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

Intergovernmental revenues:

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

Cash and cash equivalents:

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

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

Investments:

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Inter-fund transactions:

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

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

Capital assets:

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

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

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

(Continued)

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets (continued):

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

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

Bond issuance costs:

Bond issuance costs are expensed when incurred.

Compensated absences:

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

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

Long-term obligations:

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

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

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Fund equity:

Government-wide and enterprise fund financial statements:

Net position:

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

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

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

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

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

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

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

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

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment. At June 30, 2016, committed fund balance of the General Fund consisted of encumbrances totaling \$253,037.

Assigned -amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. At June 30, 2016, assigned fund balance of the General Fund consisted of a health care reserve of \$500,000.

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

Unassigned -amounts available for any purpose.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Equity (Continued):

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

Pensions

Employees' Retirement System Plan (ERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System plan (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Municipal Employees' Retirement System (MERS)

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Teachers' Survivors Benefit Plan (TSB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Survivors Benefit plan (TSB) and the additions to/deductions from TSB fiduciary net position have been determined on the same basis as they are reported by TSB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 2. Fund Deficits

The following individual funds had unassigned fund deficits as of June 30, 2016:

Major Funds:

| | | |
|---|-----------|----------------------|
| School Department Funds - Perkins odd year | \$ | 572 |
| School Department Funds - Computer technology | | <u>46,995</u> |
| Total Major Governmental Funds | \$ | <u>47,567</u> |

Non Major Governmental Funds:

| | | |
|---|-----------|-----------------------|
| Open space reserve | \$ | 12,518 |
| School cap reserve | | 49,014 |
| Substance abuse | | 34,426 |
| Underage MHRH | | 335 |
| Animal care | | 8 |
| Child Seatbelt | | 4,500 |
| Byrne JAG 2009 | | <u>69</u> |
| Total Non Major Governmental Funds | \$ | <u>100,870</u> |

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

Note 3. Deposits and Investments

Cash and cash equivalents (deposits):

At June 30, 2016, the carrying amount of the Town's deposits and cash held by fiduciary funds was \$20,591,977 while the bank balance was approximately \$23,787,812. Of the bank balance approximately \$17,415,343 was insured and / or collateralized with securities held by pledging financial institution in the Town's name.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 3. Deposits and Investments (Continued)

Cash and cash equivalents (deposits) (continued):

At June 30, 2016, deposits are categorized as follows:

| | Insured/ Collateralized in Town's Name | Total Bank Balance | Carrying Amount |
|-----------------|--|-----------------------|--------------------|
| Deposits: | | | |
| Demand deposits | \$ 14,072,594 | \$ 19,382,671 | \$ 16,186,835 |
| CD's | 2,853,781 | 2,853,376 | 2,853,376 |
| Money market | 11,649 | 11,649 | 11,649 |
| RICWFA | 477,319 | 1,540,116 | 1,540,117 |
| | \$ 17,415,343 | \$ 23,787,812 | \$ 20,591,977 |

Investments:

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

| | Carrying Amount | Interest Rate | Maturities | Rating |
|----------------------------|--------------------|-----------------|-------------|-----------|
| Corporate Bonds | \$ 25,475 | 0.01819 | 2019 | Aaa |
| Corporate Bonds | 167,410 | 4.25% - 10.375% | 2016 - 2021 | A1 |
| Corporate Bonds | 74,156 | 3.506% - 5.625% | 2017 - 2025 | A2 |
| Corporate Bonds | 102,396 | 3.00% - 3.875% | 2022 | Aa2 |
| Corporate Bonds | 92,826 | 3.7% - 4.95% | 2020-2024 | A3 |
| Corporate Bonds | 50,207 | 1.50% | 2018 | Aa3 |
| Certificates of Deposit | 782,418 | variable | 2019 - 2020 | Not Rated |
| Equity Investments | 334,242 | N/A | N/A | Not Rated |
| U.S. Government Securities | 535,991 | 1.00% - 4.00% | 2017 - 2024 | Aaa |
| Money Market | 65,857 | N/A | N/A | N/A |
| Total cash and investments | \$ 2,230,978 | | | |

Pension trust fund and OPEB trust fund investments:

| | |
|--------------------|--------------------|
| | Carrying Amount |
| Mutual Funds | \$ 16,429,680 |
| Group Annuity | 7,373,181 |
| Total investments: | \$ 23,802,861 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 3. Deposits and Investments (Continued)

Investments (continued):

Interest rate risk:

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

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

Credit risk:

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

Concentration of credit risk:

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

Custodial credit risk:

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

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

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 3. Deposits and Investments (Continued)

Investments (continued):

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. There was no foreign currency risk noted at June 30, 2016.

Note 4. Interfund Transactions

Inter-fund receivables and payables at June 30, 2016 are as follows:

| | Due from Other Funds | Due to Other Funds | Other Financing Sources | Other Financing Uses |
|--|---------------------------------|-------------------------------|------------------------------------|---------------------------------|
| <u>Major Governmental Funds</u> | | | | |
| General fund | \$ 62,714 | \$ 9,571,873 | \$ 928,543 | \$ 44,099,646 |
| School unrestricted fund | 6,024,033 | 1,390,720 | 40,715,952 | - |
| Public building bond fund | - | - | - | - |
| <u>Non-Major Governmental Funds</u> | | | | |
| Town special revenue | 235,997 | - | - | - |
| Capital projects | 3,267,996 | 359,223 | 3,406,668 | 928,543 |
| <u>Proprietary Funds</u> | | | | |
| Water fund | 251,971 | - | - | - |
| Sewer fund | 541,624 | - | - | - |
| School lunch fund | 112,818 | - | - | - |
| Police detail fund | 60,478 | - | - | 22,974 |
| <u>Fiduciary Funds</u> | | | | |
| Police pension trust | - | - | - | - |
| OPEB Trust | - | - | - | - |
| Agency funds | 818,418 | 54,233 | - | - |
| Totals | \$ 11,376,049 | \$ 11,376,049 | \$ 45,051,163 | \$ 45,051,163 |

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund.

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| Governmental Activities: | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,423,473 | \$ 844,701 | \$ - | \$ 15,268,174 |
| Construction in progress | <u>2,484,986</u> | <u>4,130,689</u> | <u>(4,526,998)</u> | <u>2,088,677</u> |
| Total capital assets not being depreciated: | <u>16,908,459</u> | <u>4,975,390</u> | <u>(4,526,998)</u> | <u>17,356,851</u> |
| Capital assets being depreciated: | | | | |
| Land improvements and infrastructure | 16,702,131 | 2,037,704 | - | 18,739,835 |
| Buildings & improvements | 59,256,425 | 4,237,786 | - | 63,494,211 |
| Machinery & equipment | 4,596,478 | 76,266 | - | 4,672,744 |
| Motor Vehicles | <u>4,030,953</u> | <u>486,788</u> | <u>(170,627)</u> | <u>4,347,114</u> |
| Total capital assets, being depreciated: | <u>84,585,987</u> | <u>6,838,544</u> | <u>(170,627)</u> | <u>91,253,904</u> |
| Less accumulated depreciation: | | | | |
| Land improvements and infrastructure | 6,540,737 | 624,954 | - | 7,165,691 |
| Buildings & improvements | 16,704,151 | 1,320,833 | - | 18,024,984 |
| Machinery & equipment | 3,556,022 | 179,724 | - | 3,735,746 |
| Motor Vehicles | <u>2,523,817</u> | <u>313,391</u> | <u>(120,449)</u> | <u>2,716,759</u> |
| Total accumulated depreciation: | <u>29,324,727</u> | <u>2,438,902</u> | <u>(120,449)</u> | <u>31,643,180</u> |
| Total capital assets being depreciated, net | <u>55,261,260</u> | <u>4,399,642</u> | <u>(50,178)</u> | <u>59,610,724</u> |
| Governmental activities capital assets, net | <u>\$ 72,169,719</u> | <u>\$ 9,375,032</u> | <u>\$ (4,577,176)</u> | <u>\$ 76,967,575</u> |

For the year ended June 30, 2016, depreciation was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 123,344 |
| Public safety | 63,432 |
| Public service | 552,748 |
| Library | 372,718 |
| Education | <u>1,206,211</u> |
| Total governmental activities depreciation expense | <u>\$ 2,318,453</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

| Note 5. Capital Assets (Continued) | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|-------------------|---------------------|---------------------------|
| Business-type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 177,452 | \$ - | \$ - | \$ 177,452 |
| Construction in progress | <u>2,215,127</u> | <u>440,526</u> | <u>(152,324)</u> | <u>2,503,329</u> |
| Total capital assets not being depreciated: | <u>2,392,579</u> | <u>440,526</u> | <u>(152,324)</u> | <u>2,680,781</u> |
| Capital assets being depreciated: | | | | |
| Buildings & improvements | 1,186,965 | 6,985 | - | 1,193,950 |
| Infrastructure | 43,113,952 | 333,698 | - | 43,447,650 |
| Machinery & equipment | 661,969 | 172,524 | - | 834,493 |
| Motor Vehicles | <u>788,998</u> | <u>124,695</u> | <u>(18,319)</u> | <u>895,374</u> |
| Total capital assets, being depreciated: | <u>45,751,884</u> | <u>637,902</u> | <u>(18,319)</u> | <u>46,371,467</u> |
| Less accumulated depreciation: | | | | |
| Buildings & improvements | 615,743 | 34,470 | - | 650,213 |
| Infrastructure | 14,631,065 | 560,307 | - | 15,191,372 |
| Machinery & equipment | 376,399 | 46,117 | - | 422,516 |
| Motor Vehicles | <u>631,383</u> | <u>109,100</u> | <u>(18,319)</u> | <u>722,164</u> |
| Total accumulated depreciation: | <u>16,254,590</u> | <u>749,994</u> | <u>(18,319)</u> | <u>16,986,265</u> |
| Total capital assets being depreciated, net | <u>29,497,294</u> | <u>(112,092)</u> | <u>-</u> | <u>29,385,202</u> |
| Business-type activities capital assets, net | <u>\$ 31,889,873</u> | <u>\$ 328,434</u> | <u>\$ (152,324)</u> | <u>\$ 32,065,983</u> |

For the year ended June 30, 2016, depreciation was charged to the following functions:

| | |
|---|-------------------|
| Business-type activities | |
| Water Fund | \$ 372,500 |
| Sewer Fund | 285,722 |
| Police Detail | 69,464 |
| School Lunch Fund | <u>3,989</u> |
| Total business-type activities depreciation expense | <u>\$ 731,675</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 6. Long-Term Obligation

General obligation bonds, notes and loans payable:

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

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2015 was \$2,737,638,233, limiting the amount of non-excepted general obligation bonds outstanding to \$82,129,147. At June 30, 2016, bonds outstanding totaled \$27,110,000.

Defeasance of debt:

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The note proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2016, the outstanding balance of defeased bonds is \$1,650,000.

A summary of long-term obligations at Juno 30, 2016 is as follows:

| | <i>Governmental Activities</i> | <i>Business-Type Activities</i> | <i>Total</i> |
|----------------------------------|------------------------------------|-------------------------------------|---------------|
| General obligation bonds | \$ 27,110,000 | \$ - | \$ 27,110,000 |
| Premium on bond issuance | 2,273,307 | | 2,273,307 |
| Bonds payable | 29,383,307 | - | 29,383,307 |
| Loans payable | - | 6,113,650 | 6,113,650 |
| Capital leases | 123,122 | - | 123,122 |
| MERS Pension | 2,005,067 | - | 2,005,067 |
| ERSRI Pension | 42,119,410 | - | 42,119,410 |
| Police Pension | 14,881,207 | - | 14,881,207 |
| OPEB obligation | 4,905,300 | - | 4,905,300 |
| Accrued compensated absences | 4,349,534 | - | 4,349,534 |
| | 97,766,947 | 6,113,650 | 103,880,597 |
| Less portion due within one year | 2,857,281 | 282,000 | 3,139,281 |
| | \$ 94,909,666 | \$ 5,831,650 | \$100,741,316 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 6. Long-Term Obligation (Continued)

Governmental Activities:

| Purpose | Amount of Original Issue | Date Issued | Interest Rate | Maturity Date | Balance, July 1, 2015 | New Issues | Retired | Balance, June 30, 2016 | Amounts Due Within One Year |
|--|-------------------------------------|------------------------|--------------------------|--------------------------|----------------------------------|---------------------|---------------------|-----------------------------------|--|
| General obligation bonds: | | | | | | | | | |
| Refunding | \$ 18,770,000 | 07/01/03 | 2.00-5.00% | 08/01/16 | \$ 965,000 | \$ - | \$ 485,000 | \$ 480,000 | \$ 480,000 |
| School construction and renovation | 35,000,000 | 08/01/06 | 4.25-5.00% | 08/01/26 | 1,580,000 | - | 1,580,000 | - | - |
| Open space | 3,000,000 | 06/15/07 | 4.13-5.50% | 06/15/27 | 1,800,000 | - | 150,000 | 1,650,000 | 150,000 |
| Improvements to Municipal Buildings | 5,000,000 | 07/01/08 | 3.75-4.75% | 07/01/28 | 3,500,000 | - | 250,000 | 3,250,000 | 250,000 |
| Refunding - School construction & renovation | <u>22,055,000</u> | 06/25/15 | 3.00-5.00% | 08/01/26 | <u>22,055,000</u> | <u>-</u> | <u>325,000</u> | <u>21,730,000</u> | <u>1,590,000</u> |
| Total general obligation bonds | <u>\$ 83,825,000</u> | | | | 29,900,000 | - | 2,790,000 | 27,110,000 | 2,470,000 |
| Premium on bond issuance | | | | | <u>2,568,774</u> | <u>-</u> | <u>295,467</u> | <u>2,273,307</u> | <u>295,467</u> |
| Total bonds payable | | | | | <u>32,468,774</u> | <u>-</u> | <u>3,085,467</u> | <u>29,383,307</u> | <u>2,765,467</u> |
| Capital leases: | | | | | | | | | |
| Rescue vehicle | 131,440 | 06/30/14 | 1.37% | 06/18/16 | 66,149 | - | 66,149 | - | - |
| Trash Truck | <u>202,123</u> | 06/30/14 | 1.57% | 06/18/19 | <u>162,900</u> | <u>-</u> | <u>39,778</u> | <u>123,122</u> | <u>40,403</u> |
| Total capital leases | <u>\$ 333,563</u> | | | | <u>229,049</u> | <u>-</u> | <u>105,927</u> | <u>123,122</u> | <u>40,403</u> |
| Others: | | | | | | | | | |
| MERS Pension | | | | | 1,431,144 | 573,923 | - | 2,005,067 | - |
| ERS Pension | | | | | 39,866,851 | 2,252,559 | - | 42,119,410 | - |
| Town Pension | | | | | 14,391,640 | 489,567 | - | 14,881,207 | - |
| OPEB | | | | | 4,677,774 | 227,526 | - | 4,905,300 | - |
| Accrued compensated absences | | | | | <u>4,299,100</u> | <u>120,040</u> | <u>69,606</u> | <u>4,349,534</u> | <u>51,411</u> |
| Total long-term obligations | | | | | <u>\$ 97,364,332</u> | <u>\$ 3,663,615</u> | <u>\$ 3,261,000</u> | <u>\$ 97,766,947</u> | <u>\$ 2,857,281</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 6. Long-Term Obligation (Continued)

Business-type activities:

| Purpose | Amount of Original Issue | Date Issued | Interest Rate | Maturity Date | Balance, July 1, 2015 | New Issues | Retired | Balance, June 30, 2016 | Amounts Due Within One Year |
|-----------------------------|-------------------------------------|------------------------|--------------------------|--------------------------|----------------------------------|-------------------|-------------------|-----------------------------------|--|
| Loans payable: | | | | | | | | | |
| Enterprise fund, Sewer: | | | | | | | | | |
| Rhode Island Clean Water | | | | | | | | | |
| Finance Agency: | | | | | | | | | |
| Sewer system improvements | \$ 2,902,500 | 03/29/11 | 1.45-4.35% | 09/01/31 | \$ 2,593,500 | \$ - | \$ 108,000 | \$ 2,485,500 | \$ 112,000 |
| Sewer system improvements | 849,000 | 07/30/15 | 1.33-2.96% | 09/01/34 | - | 849,000 | 1,000 | 848,000 | 1,000 |
| Enterprise fund, Water: | | | | | | | | | |
| Rhode Island Clean Water | | | | | | | | | |
| Finance Agency: | | | | | | | | | |
| Water system improvements | 300,000 | 04/19/04 | 3.50% | 09/01/24 | 66,583 | - | 6,000 | \$ 60,583 | 6,000 |
| Water system improvements | 1,800,000 | 03/01/07 | 3.03-3.40% | 09/01/27 | 1,314,000 | - | 80,000 | \$ 1,234,000 | 83,000 |
| Water system improvements | 1,500,000 | 11/06/09 | 0.55-4.15% | 09/01/29 | 1,261,000 | - | 62,000 | \$ 1,199,000 | 64,000 |
| Water system improvements | <u>362,568</u> | 02/12/10 | 0.36-4.09% | 09/01/30 | <u>301,567</u> | <u>-</u> | <u>15,000</u> | <u>\$ 286,567</u> | <u>16,000</u> |
| Total long-term obligations | <u>\$ 7,714,068</u> | | | | <u>\$ 5,536,650</u> | <u>\$ 849,000</u> | <u>\$ 272,000</u> | <u>\$ 6,113,650</u> | <u>\$ 282,000</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 6. Long-Term Obligation (Continued)

At June 30, 2016, annual debt service requirements to maturity for general obligation bonds, loans payable and capital leases are as follows:

General obligation bonds:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2017 | 2,470,000 | 1,109,688 | 3,579,688 |
| 2018 | 2,045,000 | 1,026,213 | 3,071,213 |
| 2019 | 2,115,000 | 940,638 | 3,055,638 |
| 2020 | 2,180,000 | 859,913 | 3,039,913 |
| 2021 | 2,255,000 | 768,000 | 3,023,000 |
| 2022-2026 | 12,720,000 | 2,136,957 | 14,856,957 |
| 2027-2029 | <u>3,325,000</u> | <u>115,594</u> | <u>3,440,594</u> |
| | <u>\$ 27,110,000</u> | <u>\$ 6,957,003</u> | <u>\$ 34,067,003</u> |

Loans payable:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2017 | 282,000 | 189,011 | 471,011 |
| 2018 | 327,000 | 184,828 | 511,828 |
| 2019 | 336,000 | 175,908 | 511,908 |
| 2020 | 349,000 | 166,246 | 515,246 |
| 2021 | 362,000 | 155,837 | 517,837 |
| 2022-2026 | 2,012,582 | 595,531 | 2,608,113 |
| 2027-2031 | 2,004,568 | 246,867 | 2,251,435 |
| 2032-2035 | <u>440,500</u> | <u>18,359</u> | <u>458,859</u> |
| | <u>\$ 6,113,650</u> | <u>\$ 1,732,587</u> | <u>\$ 7,846,237</u> |

Capital leases:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|-----------------|-------------------|
| 2017 | 40,403 | 1,934 | 42,337 |
| 2018 | 41,037 | 1,300 | 42,337 |
| 2019 | <u>41,682</u> | <u>655</u> | <u>42,337</u> |
| | <u>\$ 123,122</u> | <u>\$ 3,889</u> | <u>\$ 127,011</u> |

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 7. Pension Plans

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

Employees' Retirement System Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description - Certain employees of the Town of Lincoln, Rhode Island (Lincoln) participate in a cost-sharing multiple-employer defined benefit pension plan - the Employees' Retirement System plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments is provided at four-year intervals commencing with the plan year ending June 30, 2016.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 7. Pension Plans (Continued)

Employees' Retirement System Defined Benefit Pension Plan

General Information about the Pension Plan

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, Town teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The state and the Town are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the state and Town, respectively. The Town contributed \$3,463,376, \$3,286,406 and \$3,225,237 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the Town reported a liability of \$39,866,851 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town were as follows:

| | |
|---|----------------------|
| Town proportionate share of the net pension liability | \$ 42,119,410 |
| State's proportionate share of the net pension liability associated with the Town | <u>28,774,659</u> |
| Total net pension liability | <u>\$ 63,116,968</u> |

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Town proportion of the net pension liability was based on a projection of the Town long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2015 the Town proportion was 1.52994437%.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 7. Pension Plans (Continued)

For the year ended June 30, 2016 the Town recognized gross pension expense of \$8,226,389 and revenue of \$3,494,027 for support provided by the State. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources

| | |
|--|------------------|
| Contributions subsequent to the measurement date | \$ 3,463,376 |
| Net difference between projected and actual earnings on pension plan investments | <u>2,373,223</u> |

Deferred inflows of resources

| | |
|---|---------------------|
| Change of assumptions | \$ 1,132,313 |
| Differences between expected and actual experience | 274,255 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 2,552,791 |
| Net difference between projected and actual earnings on pension plan investments | <u>2,404,998</u> |
| Total, net | <u>(\$ 527,758)</u> |

\$3,463,376 reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 7. Pension Plans (Continued)

Employees' Retirement System Defined Benefit Pension Plan

| | |
|---------------------|--------------|
| Year ended June 30: | |
| 2017 | \$ (832,106) |
| 2018 | (832,106) |
| 2019 | (832,106) |
| 2020 | (30,440) |
| 2021 | (623,746) |
| thereafter | (840,630) |

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.50% |
| Investment rate of return | 7.50% |

Mortality – male and female teachers: 97% and 92%, respectively of rates in a GRS table based on male and female teacher experience, projected with Scale AA from 2000.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 7. Pension Plans (Continued)

Employees' Retirement System Defined Benefit Pension Plan

| Type of Investment | Target Allocation | Long-term expected real rate of return |
|--------------------------------|-------------------|--|
| Global Equity: | 38.0% | - |
| U.S. Equity | - | 6.93% |
| International Developed | - | 7.32% |
| International Emerging Markets | - | 9.52% |
| Equity Hedge Funds | 8.0% | 3.98% |
| Private Equity | 7.0% | 9.99% |
| Core Fixed Income | 15.0% | 2.18% |
| Absolute Return Hedge Funds | 7.0% | 3.98% |
| Infrastructure | 3.0% | 5.70% |
| Real Estate | 8.0% | 4.85% |
| Other Real Return Assets: | 11.0% | - |
| Master Limited Partnerships | - | 4.51% |
| Credit | - | 4.51% |
| Inflation Linked Bonds | - | 1.24% |
| Cash, Overlay, Money Market | 3.0% | 7.80% |
| | 100.0% | |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00 Increase (8.5%) |
|--------------------------|------------------------------------|-------------------------|
| \$ 52,817,401 | \$ 42,119,410 | \$ 33,361,590 |

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 8. Defined Contribution Pension Plan

Defined Contribution Plan Description:

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan 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. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and 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.

The Town of Lincoln, Rhode Island recognized pension expense of \$423,291, for the fiscal year ended June 30, 2016.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description - The Municipal Employees' Retirement System (MERS) – an agent multiple-employer defined benefit pension plan - provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS was established under Rhode Island General Law and placed under the management of the Employee's Retirement System of Rhode Island (ERSRI) Board to provide retirement allowances to employees of municipalities, housing authorities, water and sewer districts, and municipal police and fire persons that have elected to participate. Benefit provisions are subject to amendment by the General Assembly.

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the ERSRI website at www.ersri.org

Benefits provided – General employees, police officers and firefighters employed by electing municipalities participate in MERS. Eligible employees become members at their date of employment. Anyone employed by a municipality at the time the municipality joins MERS may elect not to be covered. Elected officials may opt to be covered by MERS. Employees covered under another plan maintained by the municipality may not become members of MERS. Police officers and/or firefighters may be designated as such by the municipality, in which case the special contribution and benefit provisions described below will apply to them, or they may be designated as general employees with no special benefits. Members designated as police officers and/or firefighters are treated as belonging to a unit separate from the general employees, with separate contribution rates applicable.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Salary: Salary includes the member's base earnings plus any payments under a regular longevity or incentive plan. Salary excludes overtime, unused sick and vacation leave, severance pay, and other extraordinary compensation. Certain amounts that are excluded from taxable wages, such as amounts sheltered under a Section 125 plan or amounts picked up by the employer under IRC Section 414(h), are not excluded from salary.

Service: Employees receive credit for service while a member. In addition, a member may purchase credit for certain periods by making an additional contribution to purchase the additional service. Special rules and limits govern the purchase of additional service and the contribution required.

Final Average Compensation (FAC): Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries. Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

Subsequent to June 30, 2015, litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, which have been included in the determination of the total pension liability at the June 30, 2015 measurement date and are reflected in the summary of benefit provisions described below.

General employees

Members with less than five years of contributory service as of June 30, 2012 and members hired on or after that date are eligible for retirement on or after their Social Security normal retirement age (SSNRA).

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior Retirement Date, described below, and the retirement age applicable to members hired after June 30, 2012 in (a) above. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior Retirement Date. The minimum retirement age is 59.

Members with 10 or more years of contributory service on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If this option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

Effective July 1, 2015, members will be eligible to retire with full benefits at the earlier of their current Rhode Island Retirement Security Act (RIRSA) date described above or upon the attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with 33 years of service.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

A member who is within five years of reaching their retirement eligibility date and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members were eligible for retirement on or after age 58 if they had credit for 10 or more years of service, or at any age if they had credit for at least 30 years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

The annual benefit is equal to 2.00% of the member's monthly FAC for each year of service prior to July 1, 2012 and 1.00% of the member's monthly FAC for each year of service from July 1, 2012 through June 30, 2015. For all service after June 30, 2015, the annual benefit is equal to 1.0% per year unless the member had 20 or more years of service as of June 30, 2012 in which case the benefit accrual is 2.0% per year for service after June 30, 2015. The benefit cannot exceed 75% of the member's FAC. Benefits are paid monthly.

Police and Fire employees

Members are eligible to retire when they are at least 50 years old and have a minimum of 25 years of contributing service or if they have 27 years of contributing service at any age. Members with less than 25 years of contributing service are eligible for retirement on or after their Social Security normal retirement age.

Members who, as of June 30, 2012, had at least 10 years of contributing service, had attained age 45, and had a prior Retirement Date before age 52 may retire at age 52.

Active members on June 30, 2012 may choose to retire at their prior Retirement Date if they continue to work and contribute until that date. If option is elected, the retirement benefit will be calculated using the benefits accrued as of June 30, 2012, i.e., the member will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

A member who is within five years of reaching their retirement eligibility date, as described in this section, and has 20 or more years of service, may elect to retire at any time with an actuarially reduced benefit.

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the 20-year retirement provisions for police officers and/or firefighters, then such a member was eligible to retire at any age with 20 or more years of service. Members eligible to retire before July 1, 2012 were not impacted by the changes to retirement eligibility above.

A monthly benefit is paid equal to 2.00% of the member's monthly FAC for each year of service, up to 37.5 years (75% of FAC maximum).

If the optional 20-year retirement provisions were adopted by the municipality prior to July 1, 2012: benefits are based on 2.50% of the member's FAC for each year of service prior to July 1, 2012 and 2.00% of the member's FAC for each year of service after July 1, 2012. The benefit cannot exceed 75% of the member's FAC.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Active members (including future hires), members who retire after July 1, 2015 and after attaining age 57 with 30 years of service will have a benefit equal to the greater of their current benefit described in (a) and (b) above and one calculated based on a 2.25% multiplier for all years of service.

Other benefit provisions

Death and disability benefits are also provided to members. A member is eligible for a disability retirement provided he/she has credit for at least five years of service or if the disability is work-related. Members are not eligible for an ordinary disability benefit if they are eligible for unreduced retirement.

Joint and survivor benefit options are available to retirees. For some employees, a Social Security Option is also available where an annuity is paid at one amount prior to age 62, and at a reduced amount after age 62, designed to provide a level total income when combined with the member's age 62 Social Security benefit. Benefits cease upon the member's death.

Post-retirement benefit increases are paid to members who retire after June 30, 2012. Members will be eligible to receive cost of living increases at the later of the member's third anniversary of retirement and the month following their SSNRA (age 55 for members designated as police officers and/or firefighters). When a municipality elects coverage, it may elect either COLA C (covering only current and future active members and excluding members already retired) or COLA B (covering current retired members as well as current and future active members).

a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.

b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%

c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

Employees covered by benefit terms.

At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

| | |
|-------------------------------|-----------|
| Retirees and Beneficiaries | 13 |
| Inactive, Non-retired Members | 14 |
| Active Members | <u>32</u> |
| Total | <u>59</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 9% of their salaries. The Town contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town contributed \$252,853 to their general employee MERS plan in the year ended June 30, 2016 which was 5.65% of annual covered payroll and contributed \$172,078 to their rescue employee MERS plan in the year ended June 30, 2016 which was 12.38% of annual covered payroll.

Net Pension Liability (Asset) - The total pension liability was determined by actuarial valuations performed as of June 30, 2014 and rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2014 measurement date (June 30, 2013 valuation rolled forward to June 30, 2014)

| | |
|----------------------------|--|
| Actuarial Cost Method | Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used. |
| Amortization Method | Level Percent of Payroll – Closed |
| Amortization Method | Level Percent of Payroll - Closed |
| Actuarial Assumptions | |
| Investment Rate of Return | 7.50% |
| Projected Salary Increases | General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00% |
| Inflation | 2.75% |
| Mortality | <ul style="list-style-type: none">• Male Employees, MERS General and MERS P&F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.• Female Employees, MERS General and MERS P&F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000. |
| Cost of Living Adjustments | A 2% COLA is assumed after January 1, 2014. |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

| Type of Investment | Target Allocation | Long-term expected real rate of return |
|--------------------------------|----------------------|--|
| Global Equity: | 38.0% | - |
| U.S. Equity | - | 6.93% |
| International Developed | - | 7.32% |
| International Emerging Markets | - | 9.52% |
| Equity Hedge Funds | 8.0% | 3.98% |
| Private Equity | 7.0% | 9.99% |
| Core Fixed Income | 15.0% | 2.18% |
| Absolute Return Hedge Funds | 7.0% | 3.98% |
| Infrastructure | 3.0% | 5.70% |
| Real Estate | 8.0% | 4.85% |
| Other Real Return Assets: | 11.0% | - |
| Master Limited Partnerships | - | 4.51% |
| Credit | - | 4.51% |
| Inflation Linked Bonds | - | 1.24% |
| Cash, Overlay, Money Market | 3.0% | 7.80% |
| | 100.0% | |

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Discount rate - The discount rate used to measure the total pension liability of the plans was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset) - General Employees

| | Total Pension Liability | <u>Increase (Decrease)</u> Plan Fiduciary Net Position | Net Pension Liability |
|--|--------------------------------|---|------------------------------|
| Balances as of June 30, 2014 | \$ 2,132,613 | \$ 1,854,733 | \$ 277,880 |
| Changes for the Year | | | |
| Service cost | 90,123 | - | 90,123 |
| Interest on the total pension liability | 159,472 | - | 159,472 |
| Benefit changes | 2,927 | - | (2,927) |
| Difference between expected and actual experience of the Total Pension Liability | 186,180 | - | 186,180 |
| Employer contributions | - | 128,464 | (128,464) |
| Employee contributions | - | 9,882 | (9,882) |
| Net investment income | - | 45,319 | (45,319) |
| Benefit payments, including employee refunds | (102,767) | (102,767) | - |
| Administrative expense | - | (1,817) | 1,817 |
| Other changes | - | 1 | (1) |
| Net changes | <u>335,935</u> | <u>79,082</u> | <u>(256,803)</u> |
| Balances as of June 30, 2015 | <u>\$ 2,468,548</u> | <u>\$ 1,933,815</u> | <u>\$ 534,733</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Changes in the Net Pension Liability (Asset) - Rescue Employees

| | Total Pension Liability | <u>Increase (Decrease)</u> Plan Fiduciary Net Position | Net Pension Liability |
|---|------------------------------------|---|----------------------------------|
| Balances as of June 30, 2014 | \$ 4,289,791 | \$ 3,136,527 | \$ 1,153,264 |
| Changes for the Year | | | |
| Service cost | 148,381 | - | 148,381 |
| Interest on the total pension liability | 321,600 | - | 321,600 |
| Benefit changes | 199,797 | - | (199,797) |
| Difference between expected and actual experience of the Total Pension Liability | (32,356) | - | (32,356) |
| Employer contributions | - | 179,605 | (179,605) |
| Employee contributions | - | 71,166 | (71,166) |
| Net investment income | - | 77,451 | (77,451) |
| Benefit payments, including employee refunds | (151,960) | (151,960) | - |
| Administrative expense | - | (3,105) | 3,105 |
| Other changes | - | (4,765) | 4,765 |
| Net changes | <u>485,462</u> | <u>168,392</u> | <u>317,070</u> |
| Balances as of June 30, 2015 | <u>\$ 4,775,253</u> | <u>\$ 3,304,919</u> | <u>\$ 1,470,334</u> |

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | <i>General Employees Plan</i> | |
|----------------------------------|---|---------------------------------|
| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00 Increase (8.5%) |
| \$ 792,391 | \$ 534,733 | \$ 323,872 |
| | | |
| | <i>Rescue Employees Plan</i> | |
| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00 Increase (8.5%) |
| \$ 1,963,593 | \$ 1,470,334 | \$ 1,066,703 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Pension plan fiduciary net position - detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

General Employees Plan

For the year ended June 30, 2016 the employer recognized pension expense of \$128,664. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Assumption changes | \$ - | \$ 20,538 |
| Difference between expected and actual experience | 147,762 | - |
| Net difference between projected and actual earnings on pension plan investments | | |
| Returns | <u>76,042</u> | <u>80,798</u> |
| Total | <u>\$ 223,804</u> | <u>\$ 101,336</u> |

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Net Deferred Outflows of Resources</u> |
|------------------------------------|---|
| 2017 | \$ 24,579 |
| 2018 | 24,579 |
| 2019 | 24,577 |
| 2020 | 48,733 |
| 2021 | - |
| Thereafter | <u>\$ -</u> |
| Total | <u>\$ 122,468</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

Rescue Employees Plan

For the year ended June 30, 2016 the employer recognized pension expense of \$347,142. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Assumption changes | \$ - | \$ 28,950 |
| Difference between expected and actual experience | - | 28,047 |
| Net difference between projected and actual earnings on pension plan investments | | |
| Returns | <u>128,959</u> | <u>129,722</u> |
| Total | <u>\$ 128,959</u> | <u>\$ 186,719</u> |

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Net Deferred Outflows of Resources</u> |
|------------------------------------|---|
| 2017 | \$ (20,690) |
| 2018 | (20,690) |
| 2019 | (20,689) |
| 2020 | 22,550 |
| 2021 | (9,689) |
| Thereafter | <u>(8,552)</u> |
| Total | <u>\$ (57,760)</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 10. Teacher Survivors (TSB) Benefit Plan

General Information about the Pension Plan

Plan description - Certain employees of the Town of Lincoln (Town) participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers’ Survivors Benefit plan - administered by the Employees’ Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers’ payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in Social Security.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Eligibility and plan benefits - the plan provides a survivor benefit to public school teachers in lieu of Social Security since not all school districts participate in the plan. Specific eligibility criteria and the amount of the benefit is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children’s benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children’s benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member’s death. Family benefits are provided if at the time of the member’s death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member’s wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

In January, a yearly cost-of-living adjustment for spouse’s benefits is paid and based on the annual social security adjustment.

Survivors are eligible for benefits if the member has made contributions for at least six months prior to death or retirement.

The TSB plan provides benefits based on the highest salary at the time of retirement of the teacher. Benefits are payable in accordance with the following table:

| Highest Annual Salary | Basic Monthly Spouses’ Benefit |
|-----------------------|--------------------------------|
| \$17,000 or less | \$ 750 |
| \$17,001 to \$25,000 | 875 |
| \$25,001 to \$33,000 | 1,000 |
| \$33,001 to \$40,000 | 1,125 |
| \$40,001 and over | 1,250 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 10. Teacher Survivors (TSB) Benefit Plan (Continued)

Benefits payable to children and families are equal to the spousal benefit multiplied by the percentage below:

| Parent and 1 Child | Parent and 2 or more Children | One Child Alone | Two Children Alone | Three or more Children Alone | Dependent Parent |
|--------------------|-------------------------------|-----------------|--------------------|------------------------------|------------------|
| 150% | 175% | 75% | 150% | 175% | 100% |

Contributions - The contribution requirements of active employees and the participating school districts were established under Chapter 16-16 of the Rhode Island General Laws, which may be amended by the General Assembly. The cost of the benefits provided by the plan are two percent (2%) of the member’s annual salary up to but not exceeding an annual salary of \$9,600; one-half (1/2) of the cost is contributed by the member by deductions from his or her salary, and the other half (1/2) is contributed and paid by the respective school district by which the member is employed. These contributions are in addition to the contributions required for regular pension benefits.

The Town contributed \$28,306, \$28,406 and \$30,319 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016 the Town reported an asset of \$4,579,071 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Town proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 the Town proportion was 4.90497735%.

For the year ended June 30, 2016 the Town recognized pension expense of \$(283,142) – an increase in the net pension asset. At June 30, 2016 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 10. Teacher Survivors (TSB) Benefit Plan (Continued)

Deferred outflows of resources

| | |
|---|----------------|
| Contributions subsequent to the measurement date | \$ 28,306 |
| Differences between expected and actual experience | 1,058,678 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 69,464 |
| Net difference between projected and actual earnings on pension plan investments | <u>581,843</u> |

Deferred inflows of resources

| | |
|--|---------------------|
| Net difference between projected and actual earnings on pension plan investments | <u>598,532</u> |
| Total, net | <u>\$ 1,139,759</u> |

\$28,306 reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2015 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-----------|
| 2017 | \$ 83,339 |
| 2018 | 83,339 |
| 2019 | 83,339 |
| 2020 | 282,850 |
| 2021 | 137,389 |
| Thereafter | 441,197 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 10. Teacher Survivors (TSB) Benefit Plan (Continued)

Actuarial Assumptions - the total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|-----------------|
| Inflation | 2.75% |
| Salary increases | 3.50% to 13.50% |
| Investment rate of return | 7.50% |

Mortality rates for male and female teachers were based on 97% (males) and 92% (females) of rates in a GRS table based on male and female teacher experience, projected with scale AA from 2000.

Cost of living adjustment – eligible survivors receive a yearly cost of living adjustment based on the annual social security adjustment – for valuation purposes, a 2.75% cost of living adjustment is assumed.

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

| Type of Investment | Target Allocation | Long-term expected real rate of return |
|--------------------------------|--------------------------|---|
| Global Equity: | 38.0% | - |
| U.S. Equity | - | 6.93% |
| International Developed | - | 7.32% |
| International Emerging Markets | - | 9.52% |
| Equity Hedge Funds | 8.0% | 3.98% |
| Private Equity | 7.0% | 9.99% |
| Core Fixed Income | 15.0% | 2.18% |
| Absolute Return Hedge Funds | 7.0% | 3.98% |
| Infrastructure | 3.0% | 5.70% |
| Real Estate | 8.0% | 4.85% |
| Other Real Return Assets: | 11.0% | - |
| Master Limited Partnerships | - | 4.51% |
| Credit | - | 4.51% |
| Inflation Linked Bonds | - | 1.24% |
| Cash, Overlay, Money Market | 3.0% | 7.80% |
| | 100.0% | |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 10. Teacher Survivors (TSB) Benefit Plan (Continued)

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate - the discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| 1.00% Decrease (6.5%) | Current Discount Rate (7.5%) | 1.00 Increase (8.5%) |
|----------------------------------|---|---------------------------------|
| (\$ 4,926,830) | (\$ 6,344,294) | (\$ 7,504,292) |

Pension plan fiduciary net position - detailed information about the pension plan’s fiduciary net position is available in the separately issued ERSRI financial report.

Note 11. Town Pension Plan

Plan description:

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

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

As of June 30, 2016, the date of the latest actuarial valuation, employee membership data for the Plan is as follows:

| | |
|---|-----------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 96 |
| Inactive plan members entitled to but not yet receiving benefits | 22 |
| Active plan members | <u>113</u> |
| Subtotal | <u><u>231</u></u> |

Benefit provisions:

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

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

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

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

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 /1 2% before 1998. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

Benefit provisions (continued):

- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67/1 2% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.
- Police department employees who retire after June 30, 2004 receive an automatic 3% annual compounded Cost-of-Living Adjustment (COLA) to their monthly pension benefit.

Funding policy and contributions:

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

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

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

Actuarial method and significant assumptions:

The annual required contribution (ARC) was determined as part of the June 30, 2015 actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20 year closed period as a level % of pay. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using the actuarial value of the assets using a five year smoothing of appreciation and/or depreciation.

| | |
|---------------------------|---|
| Inflation | 2.50 percent |
| Salary increases | 3.00-6.00 percent, including inflation |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

Funded status and funding progress:

As of June 30, 2015, the most recent actuarial valuation date, the Town Plan was 57.5% funded. The actuarial accrued liability for benefits was \$35,007,941 and the actuarial value of assets was \$20,126,734, resulting in an unfunded liability of \$14,881,207. Covered payroll under the Town Plan for 2015 was \$5,073,432. The NPL was 289.4% of covered payroll.

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

Investment Policy:

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

Rate of Return:

For the year ended June 30, 2015 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was not made available by the actuary. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|---|
| Domestic fixed income | 0.34% |
| Domestic equities | 5.07% |
| International equities | 6.00% |
| Real estate | 5.85% |
| Group annuity contract | 1.18% |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

Long-term expected rate of return (continued):

| Asset Class | Target Allocation |
|------------------------|----------------------|
| Domestic fixed income | 5% |
| Domestic equities | 47% |
| International equities | 12% |
| Real estate | 6% |
| Group annuity contract | 30% |
| Total | 100% |

Discount Rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| Balance as of 7/1/2015 | \$ 33,887,979 | \$ 19,496,334 | \$ 14,391,645 |
| Changes for the year: | | | |
| Service cost | 763,850 | - | 763,850 |
| Interest on total pension liability | 2,498,226 | - | 2,498,226 |
| Changes of benefit terms | (26,249) | - | (26,249) |
| Differences between expected and actual experience | (505,472) | - | (505,472) |
| Changes in assumptions | (18,060) | - | (18,060) |
| Contributions - employer | - | 1,289,255 | (1,289,255) |
| Contributions - employee | - | 290,824 | (290,824) |
| Net investment income | - | 642,654 | (642,654) |
| Benefit payments | (1,592,333) | (1,592,333) | - |
| Administrative expense | - | - | - |
| Net changes | 1,119,962 | 630,400 | 489,562 |
| Balance as of 6/30/2016 | \$ 35,007,941 | \$ 20,126,734 | \$ 14,881,207 |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

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

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|------------------------------|--------------------------------|--|--------------------------------|
| Plan's Net Pension Liability | \$ 19,552,516 | \$ 14,881,207 | \$ 10,753,774 |

Net Pension Liability:

The net pension liability consisted of the following components at June 30, 2016:

| | |
|---|----------------------|
| Total pension liability | \$ 35,449,869 |
| Plan fiduciary net position | <u>(20,568,662)</u> |
| NBC's net pension liability | <u>\$ 14,881,207</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 58.02% |

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the Town recognized pension expense of \$2,827,080. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ (560,712) |
| Changes in assumptions | 3,042,088 | (14,448) |
| Difference between projected and actual earnings on plan investments | <u>1,170,097</u> | <u>-</u> |
| Total deferred outflows / (inflows) | <u>\$ 4,212,185</u> | <u>\$ (575,160)</u> |

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 11. Town Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | | |
|------------|----|------------------|
| 2017 | \$ | 1,198,098 |
| 2018 | | 1,198,098 |
| 2019 | | 1,198,100 |
| 2020 | | 42,729 |
| 2021 | | - |
| Thereafter | | - |
| | \$ | <u>3,637,025</u> |

Note 12. Union Plan

Plan description:

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

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

Contributions required and contributions made:

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.61 per hour for Town Hall employees, \$1.51 per hour for Library employees, \$1.90 for hour for Public Works employees, and \$14.75 per day for Water employees participating in the Union plan for the period of July 1, 2015 to June 30, 2016. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2015 was \$176,548 as follows: Public Works (including sewer dept.) \$134,610, and Library \$41,938.

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 13. Other Postemployment Benefits

The funded status and progress of the plan as of July 1, 2015 (date of latest valuation) are as follows:

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

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

- Measurement date - July 1, 2015
- Funding method - Pay-as-you-go cash basis
- Investment rate of return - 7.5%
- Discount rate - 7.5% reflecting an unfunded obligation
- Participation - 80% of eligible school retirees and 90% of eligible Town are assumed to elect medical and dental coverage
- Health Care Cost Trend Rates - Medical 9.0% per year, decreasing to an ultimate rate of 5.0% per year after 10 years

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

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

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 14. Risk Management

Rhode Island Interlocal Risk Management Trust, Inc.:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2016.

Note 15. Commitment and Contingencies:

Rhode Island Municipal Insurance Corporations:

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

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

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 15. Commitment and Contingencies (Continued):

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to cover claims in excess of \$200,000. At June 30, 2016, the incurred but not reported claims, as determined by RJMIC's health benefit advisors based on prior history, were estimated to approximate \$446,375 (\$135,600 Town and \$310,775 School) and are included in accrued expenses of the governmental activities. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

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

Claims and judgments:

The following matters have been asserted and are outstanding:

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

Other contingencies:

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

Continued

TOWN OF LINCOLN, RHODE ISLAND

Note to the Financial Statements

June 30, 2016

Note 16. Restatement

The net position of the Governmental Activities and Business-Type Activities have been restated as of June 30, 2016 to reflect the reclassification of liabilities not belonging to the Town:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Beginning balance, July 1, 2015 | \$ (49,318) |
| To reclassify town pension liability that actually belongs to Lonsdale and Saylesville Fire District which that Town is not liable for | <u>646,710</u> |
| Beginning balance, July 1, 2015, restated | <u>\$ 597,392</u> |

-

Note 17. Subsequent Events

Management has evaluated subsequent events through the date of the financial statements, December 14, 2016 and has noted that no material events have occurred that should be included in these financial statements.

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Other Post-Employment Benefits - Schedule of Funding Progress (Unaudited)

For the Year Ended June 30, 2016

| Actuarial valuation date | Actuarial value of assets | Actuarial accrued liability (AAL) | (Funded) Unfunded AAL (UAAL) | Funded ratio | Covered payroll | UAAL as a % of covered payroll |
|--------------------------|---------------------------|-----------------------------------|------------------------------|--------------|-----------------|--------------------------------|
| June 30, 2010 | \$ - | \$ 24,880,760 | \$ 24,880,760 | 0.0% | n/a | n/a |
| July 1, 2011 | \$ - | \$ 26,241,909 | \$ 26,241,909 | 0.0% | n/a | n/a |
| July 1, 2012 | \$ 280,005 | \$ 15,778,660 | \$ 15,498,655 | 1.8% | \$ 29,752,013 | 52.1% |
| July 1, 2013 | \$ 878,343 | \$ 15,654,064 | \$ 14,775,721 | 5.6% | \$ 30,793,333 | 48.0% |
| July 1, 2014 | \$ 879,051 | \$ 15,812,229 | \$ 14,933,178 | 5.6% | \$ 30,610,535 | 48.8% |
| July 1, 2015 | \$ 2,180,880 | \$ 16,470,507 | \$ 14,289,627 | 13.2% | \$ 31,685,123 | 45.1% |

* The information included in the schedule of funding progress was obtained from the annual actuarial valuation at the date indicated.

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Other Post-Employment Benefits - Schedule of Contributions (Unaudited)

For the Year Ended June 30, 2016

| <u>Year Ended June 30,</u> | <u>Annual Required Contribution</u> | <u>Percentage Contributed</u> |
|--------------------------------|---|-----------------------------------|
| 2016 | \$ 1,322,413 | 88.5% |
| 2015 | 1,343,607 | 100.4% |
| 2014 | 1,384,923 | 101.6% |
| 2013 | 1,430,251 | 115.2% |
| 2012 | 2,170,685 | 35.1% |
| 2011 | 2,181,418 | 46.2% |
| 2010 | 1,992,852 | 44.4% |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information

Schedule of the Town's Proportionate Share of the Net Pension Liability - Employees' Retirement System

For the Year Ended June 30, 2016

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Employer's proportion of the net pension liability | 1.52994437% | 1.63791472% |
| Employer's proportionate share of the net pension liability | \$ 42,119,410 | \$ 39,866,851 |
| State's proportionate share of the net pension liability associated with the school district | <u>28,774,659</u> | <u>27,338,536</u> |
| Total | <u>\$ 70,894,069</u> | <u>\$ 67,205,387</u> |
| Employer's covered employee payroll | \$ 24,308,607 | \$ 24,062,206 |
| Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll | 173.27% | 165.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.55% | 61.40% |

Notes:

1.) *The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.*

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of the Town's Contributions - Employees' Retirement System

For the Year Ended June 30, 2016

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| Actuarially determined contribution | \$ 3,463,376 | \$ 3,286,406 |
| Contributions in relation to the actuarially determined contribution | <u>3,463,376</u> | <u>3,286,406</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 24,308,607 | \$ 24,062,206 |
| Contributions as a percentage of covered- employee payroll | 14.25% | 13.66% |

Notes:

1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios -
 Municipal Employees' Retirement System - General Employee Plan

For the Year Ended June 30, 2016

| | <u>Year Ended June 30, 2015</u> | <u>Year Ended June 30, 2014</u> |
|--|-------------------------------------|-------------------------------------|
| A. Total pension liability | | |
| 1. Service Cost | \$ 90,123 | \$ 84,067 |
| 2. Interest on the Total Pension Liability | 159,472 | 151,700 |
| 3. Changes of benefit terms | 2,927 | - |
| 4. Difference between expected and actual experience of the Total Pension Liability | 186,180 | - |
| 5. Changes of assumptions | - | (32,372) |
| 6. Benefit payments, including refunds of employee contributions | <u>(102,767)</u> | <u>(102,825)</u> |
| 7. Net change in total pension liability | 335,935 | 100,570 |
| 8. Total pension liability – beginning | <u>2,132,613</u> | <u>2,032,043</u> |
| 9. Total pension liability – ending (a) | <u><u>\$ 2,468,548</u></u> | <u><u>\$ 2,132,613</u></u> |
| B. Plan fiduciary net position | | |
| 1. Contributions – employer | \$ 128,464 | \$ 102,118 |
| 2. Contributions – employee | 9,882 | 9,159 |
| 3. Net investment income | 45,319 | 247,030 |
| 4. Benefit payments, including refunds of employee contributions | (102,767) | (102,825) |
| 5. Pension Plan Administrative Expense | (1,817) | (1,547) |
| 6. Other | <u>1</u> | <u>212,009</u> |
| 7. Net change in plan fiduciary net position | 79,082 | 465,944 |
| 8. Plan fiduciary net position – beginning | <u>1,854,733</u> | <u>1,388,789</u> |
| 9. Plan fiduciary net position – ending (b) | <u><u>\$ 1,933,815</u></u> | <u><u>\$ 1,854,733</u></u> |
| C. Net pension liability - ending (a) - (b) | <u><u>\$ 534,733</u></u> | <u><u>\$ 277,880</u></u> |
| D. Plan fiduciary net position as a percentage of the total pension liability | 78.34% | 86.97% |
| E. Covered employee payroll | \$ 988,187 | \$ 927,888 |
| F. Net pension liability as a percentage of covered payroll | 54.11% | 29.95% |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Contributions
Municipal Employees' Retirement System General Employee Plan

For the Year Ended June 30, 2016

| | <u>Fiscal 2016</u> | <u>Fiscal 2015</u> |
|--|--------------------|--------------------|
| Actuarially determined contribution | \$ 252,853 | \$ 245,701 |
| Contributions in relation to the actuarially determined contribution | <u>252,853</u> | <u>245,701</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 988,187 | \$ 927,888 |
| Contributions as a percentage of covered-employee payroll | 25.59% | 26.48% |

Notes:

1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes to the Town's Net Pension Liability and Related Ratios
 Municipal Employees' Retirement System - Rescue Employee Plan

For the Year Ended June 30, 2016

| | <u>Year Ended June 30, 2015</u> | <u>Year Ended June 30, 2014</u> |
|--|-------------------------------------|-------------------------------------|
| A. Total pension liability | | |
| 1. Service Cost | \$ 148,381 | \$ 148,084 |
| 2. Interest on the Total Pension Liability | 321,600 | 302,186 |
| 3. Changes of benefit terms | 199,797 | - |
| 4. Difference between expected and actual experience of the Total Pension Liability | (32,356) | - |
| 5. Changes of assumptions | - | (39,710) |
| 6. Benefit payments, including refunds of employee contributions | (151,960) | (151,747) |
| 7. Net change in total pension liability | 485,462 | 258,813 |
| 8. Total pension liability – beginning | 4,289,791 | 4,030,978 |
| 9. Total pension liability – ending (a) | <u>\$ 4,775,253</u> | <u>\$ 4,289,791</u> |
| B. Plan fiduciary net position | | |
| 1. Contributions – employer | \$ 179,605 | \$ 144,073 |
| 2. Contributions – employee | 71,166 | 73,273 |
| 3. Net investment income | 77,451 | 417,750 |
| 4. Benefit payments, including refunds of employee contributions | (151,960) | (151,747) |
| 5. Pension Plan Administrative Expense | (3,105) | (2,616) |
| 6. Other | (4,765) | - |
| 7. Net change in plan fiduciary net position | 168,392 | 480,733 |
| 8. Plan fiduciary net position – beginning | 3,136,527 | 2,655,794 |
| 9. Plan fiduciary net position – ending (b) | <u>\$ 3,304,919</u> | <u>\$ 3,136,527</u> |
| C. Net pension liability - ending (a) - (b) | <u>\$ 1,470,334</u> | <u>\$ 1,153,264</u> |
| D. Plan fiduciary net position as a percentage of the total pension liability | 69.21% | 73.12% |
| E. Covered employee payroll | \$ 889,575 | \$ 898,567 |
| F. Net pension liability as a percentage of covered payroll | 165.28% | 128.34% |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Contributions
Municipal Employees' Retirement System - Rescue Employee Plan

For the Year Ended June 30, 2016

| | <u>Fiscal 2016</u> | <u>Fiscal 2015</u> |
|--|--------------------|--------------------|
| Actuarially determined contribution | \$ 172,028 | \$ 179,605 |
| Contributions in relation to the actuarially determined contribution | <u>172,028</u> | <u>179,605</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 889,575 | \$ 898,567 |
| Contributions as a percentage of covered-employee payroll | 19.34% | 19.99% |

Notes:

1.) Employers participating in the Municipal Employee's Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information Notes to MERS

For the Year Ended June 30, 2016

Changes in benefit provisions –

The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefit changes resulting from the settlement of litigation challenging the various pension reform measures enacted in previous years by the General Assembly. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly. These amended benefit provisions, are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan based on the member's years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service). Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before 7/1/2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 years rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Town's Proportionate Share of Net Pension Liability
Teacher's Survivors Benefit Plan

For the Year Ended June 30, 2016

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Employer's proportion of the net pension asset | 4.90497735% | 4.97709490% |
| Employer's proportionate share of the net pension asset | \$ 4,579,071 | \$ 6,187,561 |
| Employer's covered employee payroll | \$ 24,308,607 | \$ 24,062,206 |
| Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll | 18.84% | 25.71% |
| Plan fiduciary net position as a percentage of the total pension liability | 146.6% | 173.3% |

Notes:

1.) The amounts presented for each fiscal year were determined as of 6/30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Town's Contributions
Teacher's Survivors Benefit Plan

For the Year Ended June 30, 2016

| | <u>2016</u> | <u>2015</u> |
|---|---------------|---------------|
| Statutorily determined contribution | \$ 28,306 | \$ 28,406 |
| Contributions in relation to the statutorily determined contribution | <u>28,306</u> | <u>28,406</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 24,308,607 | \$ 24,062,206 |
| Contributions as a percentage of covered- employee payroll | 0.12% | 0.12% |

Notes:

1.) *Employers participating in the Teachers' Survivor's Benefit Plan contribute at a rate established by the RI General Laws, Section 16-16-35.*

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Schedule of Changes in Town's Net Pension Liability and Related Ratios
 Town Pension Plan

For the Year Ended June 30, 2016

| | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|----------------------|----------------------|----------------------|
| Total pension liability | | | |
| Service cost | \$ 763,850 | \$ 599,159 | \$ 605,377 |
| Interest | 2,498,226 | 1,956,043 | 2,111,291 |
| Changes of benefit terms | (26,249) | - | - |
| Differences between expected and actual experience | (505,472) | (258,433) | 77,724 |
| Changes of assumptions | (18,060) | 5,028,770 | 312,459 |
| Benefit payments, including refunds of participant contributions | (1,592,333) | (1,606,958) | (1,446,432) |
| Net change in total pension liability | 1,119,962 | 5,718,581 | 1,660,419 |
| Total pension liability - beginning | 33,887,979 | 28,169,398 | 26,508,979 |
| Total pension liability - ending | \$ 35,007,941 | \$ 33,887,979 | \$ 28,169,398 |
| Pension fiduciary net position | | | |
| Contributions - employer | \$ 1,289,255 | \$ 1,151,809 | \$ 1,146,450 |
| Contributions - employee | 290,824 | 273,935 | 277,602 |
| Net investment income | 642,654 | 302,238 | 2,760,209 |
| Benefit payments, including refunds of participant contributions | (1,592,333) | (1,606,958) | (1,446,432) |
| Administrative expense | - | - | - |
| Other | - | - | - |
| Net change in plan fiduciary net position | 630,400 | 121,024 | 2,737,829 |
| Plan fiduciary net position - beginning | 19,496,334 | 19,375,310 | 16,637,481 |
| Plan fiduciary net position - ending | \$ 20,126,734 | \$ 19,496,334 | \$ 19,375,310 |
| Town's net pension liability - ending | \$ 14,881,207 | \$ 14,391,645 | \$ 8,794,088 |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Town's Net Pension Liability and Related Ratios
Town Pension Plan

For the Year Ended June 30, 2016

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|---|----------------------|----------------------|----------------------|
| Total pension liability | \$ 35,007,941 | \$ 33,887,979 | \$ 28,169,398 |
| Plan fiduciary net position | <u>20,126,734</u> | <u>19,496,334</u> | <u>19,375,310</u> |
| Town's net pension liability | <u>\$ 14,881,207</u> | <u>\$ 14,391,645</u> | <u>\$ 8,794,088</u> |
| | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 57.49% | 57.53% | 68.78% |
| | | | |
| Covered-employee payroll | 5,142,178 | 5,073,432 | 5,139,367 |
| | | | |
| Net pension liability as a percentage of covered-employee payroll | 289.40% | 283.67% | 171.11% |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Schedule of Contributions
 Town Pension Plan

For the Year Ended June 30, 2016

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|-------------------|-------------------|------------------|-------------------|-------------------|--------------------|-------------------|-------------------|------------------|-------------------|
| Actuarially determined contribution | \$ 1,608,486 | \$ 1,374,183 | \$ 1,227,757 | \$ 1,222,045 | \$ 1,086,386 | \$ 644,463 | \$ 644,615 | \$ 618,012 | \$ 386,977 | \$ 358,880 |
| Contributions in relation to the actuarially determined contribution | <u>1,393,880</u> | <u>1,227,757</u> | <u>1,222,045</u> | <u>1,226,051</u> | <u>513,931</u> | <u>736,776</u> | <u>479,429</u> | <u>383,964</u> | <u>343,606</u> | <u>127</u> |
| Contribution deficiency (excess) | <u>\$ 214,606</u> | <u>\$ 146,426</u> | <u>\$ 5,712</u> | <u>\$ (4,006)</u> | <u>\$ 572,455</u> | <u>\$ (92,313)</u> | <u>\$ 165,186</u> | <u>\$ 234,048</u> | <u>\$ 43,371</u> | <u>\$ 358,753</u> |
| Covered-employee payroll | 5,142,178 | 5,073,432 | 5,139,367 | 5,068,754 | 4,916,103 | 4,988,272 | 5,414,398 | 4,943,482 | 4,617,858 | 4,128,827 |
| Contributions as a percentage of covered-employee payroll | 27.11% | 24.20% | 23.78% | 24.19% | 10.45% | 14.77% | 8.85% | 7.77% | 7.44% | 0.00% |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
Schedule of Investment Returns
Town Pension Plan

For the Year Ended June 30, 2016

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Annual money-weighted rate of return, net of investment expense | 3.30% | 4.65% |

* Information not available as it was not provided in the actuarial valuation of the plan.

Notes to the Schedule:

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2016.

Methods and assumptions used to determine contribution rates:

| Discount rate | 7.00% | | | | | | | | | | | | |
|-----------------------------------|--|------------|-------------|-----|-------|-------|-------|-------|-------|-------|-------|-----|-------|
| Expected Long Term Rate of Return | 7.00% | | | | | | | | | | | | |
| Municipal bond | N/A | | | | | | | | | | | | |
| Inflation | 2.50% | | | | | | | | | | | | |
| Pre and post retirement mortality | RP-2014 Blue Collar Mortality with Social Security Generational Improvement Scale from 2006 RP-2014 Total Mortality with Social Security Generational Improvement Scale from 2006 | | | | | | | | | | | | |
| Terminations | T-2. Illustrative annual rates of withdrawals as follows: <table><thead><tr><th><u>Age</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td><25</td><td>6.00%</td></tr><tr><td>25-29</td><td>5.00%</td></tr><tr><td>30-34</td><td>4.00%</td></tr><tr><td>35-59</td><td>3.50%</td></tr><tr><td>60+</td><td>3.00%</td></tr></tbody></table> | <u>Age</u> | <u>Rate</u> | <25 | 6.00% | 25-29 | 5.00% | 30-34 | 4.00% | 35-59 | 3.50% | 60+ | 3.00% |
| <u>Age</u> | <u>Rate</u> | | | | | | | | | | | | |
| <25 | 6.00% | | | | | | | | | | | | |
| 25-29 | 5.00% | | | | | | | | | | | | |
| 30-34 | 4.00% | | | | | | | | | | | | |
| 35-59 | 3.50% | | | | | | | | | | | | |
| 60+ | 3.00% | | | | | | | | | | | | |
| Cost of living increases | 3.00% increase is assumed for Police retiring after June 30, 2004 | | | | | | | | | | | | |

See independent auditors' report and notes to required supplementary information

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2016

| | <u>Original Budget</u> | | | | | |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| | <u>Encumbrances</u> | <u>Budget</u> | | | <u>Encumbrances</u> | <u>Variance</u> |
| | <u>Carried Into</u> | <u>As</u> | <u>Total</u> | <u>Actual</u> | <u>Carried Into</u> | <u>Favorable</u> |
| | <u>to FY16</u> | <u>Adopted</u> | <u>Available</u> | | <u>to FY17</u> | <u>(Unfavorable)</u> |
| Revenues | | | | | | |
| Taxes | \$ - | \$ 53,288,605 | \$ 53,288,605 | \$ 53,693,646 | \$ - | \$ 405,041 |
| Intergovernmental | - | 8,333,481 | 8,333,481 | 10,042,830 | - | 1,709,349 |
| Local revenues | - | 2,101,550 | 2,101,550 | 2,430,527 | - | 328,977 |
| Interest and investment income | - | 360,000 | 360,000 | 486,811 | - | 126,811 |
| Total revenues | <u>-</u> | <u>64,083,636</u> | <u>64,083,636</u> | <u>66,653,814</u> | <u>-</u> | <u>2,570,178</u> |
| Expenditures | | | | | | |
| General government | 10,011 | 820,990 | 831,001 | 820,921 | 9,975 | 105 |
| Financial administration | 3,225 | 913,894 | 917,119 | 865,311 | 1,538 | 50,270 |
| Public library | 113 | 1,095,559 | 1,095,672 | 1,067,059 | - | 28,613 |
| Public safety | 8,666 | 5,938,018 | 5,946,684 | 5,870,146 | 11,645 | 64,893 |
| Public services | 98,461 | 6,351,493 | 6,449,954 | 5,835,789 | 37,201 | 576,964 |
| Municipal resolutions | 100,710 | 2,150,456 | 2,251,166 | 95,019 | 192,678 | 1,963,469 |
| Grants and contributions | - | 60,500 | 60,500 | 60,500 | - | - |
| Other expenditures | - | 4,572,555 | 4,572,555 | 4,767,121 | - | (194,566) |
| Education | - | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal payments | - | 2,790,000 | 2,790,000 | 2,790,000 | - | - |
| Interest and fiscal charges | - | 834,675 | 834,675 | 834,675 | - | - |
| Total expenditures | <u>221,186</u> | <u>25,528,140</u> | <u>25,749,326</u> | <u>23,006,541</u> | <u>253,037</u> | <u>2,489,748</u> |
| Excess (deficiency) of revenues over expenditures | <u>(221,186)</u> | <u>38,555,496</u> | <u>38,334,310</u> | <u>43,647,273</u> | <u>(253,037)</u> | <u>5,059,926</u> |
| Other financing sources and (uses) | | | | | | |
| Transfers from other funds | - | 3,108,999 | 3,108,999 | 928,543 | - | (2,180,456) |
| Transfers to other funds | - | (41,664,495) | (41,664,495) | (44,099,646) | - | (2,435,151) |
| | <u>-</u> | <u>(38,555,496)</u> | <u>(38,555,496)</u> | <u>(43,171,103)</u> | <u>-</u> | <u>(4,615,607)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis | <u>\$ (221,186)</u> | <u>\$ -</u> | <u>\$ (221,186)</u> | 476,170 | <u>\$ (253,037)</u> | <u>\$ 444,319</u> |
| Adjustment of budgetary basis to U.S. GAAP | | | | <u>(16,550)</u> | | |
| Excess (deficiency) of revenues and other sources over expenditures and other uses, GAAP basis | | | | 459,620 | | |
| Fund balance, July 1, 2015 | | | | <u>6,902,683</u> | | |
| Fund balance, June 30, 2016 | | | | <u>\$ 7,362,303</u> | | |

TOWN OF LINCOLN, RHODE ISLAND

Required Supplementary Information
 Budgetary Comparison Schedule – School Unrestricted Fund

For the Year Ended June 30, 2016

| | <u>Original Budget</u> | | | | | |
|---|------------------------|----------------|--------------------|---------------------|---------------------|----------------------|
| | <u>Encumbrances</u> | <u>Budget</u> | | | <u>Encumbrances</u> | <u>Variance</u> |
| | <u>Carried</u> | <u>As</u> | <u>Total</u> | <u>Actual</u> | <u>Carried</u> | <u>Favorable</u> |
| | <u>to FY 16</u> | <u>Adopted</u> | <u>Available</u> | | <u>to FY 17</u> | <u>(Unfavorable)</u> |
| Revenues | | | | | | |
| State aid for education | \$ - | \$ 10,486,716 | \$ 10,486,716 | \$ 10,434,249 | \$ - | \$ (52,467) |
| Medicaid | - | 900,000 | 900,000 | 719,052 | - | (180,948) |
| Miscellaneous | - | - | - | 172,315 | - | 172,315 |
| Total revenues | - | 11,386,716 | 11,386,716 | 11,325,616 | - | (61,100) |
| Expenditures | | | | | | |
| Salaries | - | 30,083,777 | 30,083,777 | 29,831,119 | - | 252,658 |
| Employee benefits | - | 11,018,034 | 11,018,034 | 10,440,486 | - | 577,548 |
| Purchased services | 59,979 | 9,079,670 | 9,139,649 | 9,042,827 | 10,450 | 96,822 |
| Supplies and materials | 6,260 | 1,708,771 | 1,715,031 | 2,033,703 | 63,124 | (381,796) |
| Other | - | 53,630 | 53,630 | 60,674 | - | (7,044) |
| Capital outlay | - | 148,786 | 148,786 | 539,580 | 178 | (390,794) |
| Total expenditures | 66,239 | 52,092,668 | 52,158,907 | 51,948,389 | 73,752 | 147,394 |
| Excess of expenditures over revenues, budgetary basis | (66,239) | (40,705,952) | (40,772,191) | (40,622,773) | (73,752) | 86,294 |
| Other financing sources (uses) | | | | | | |
| Appropriation from Town's general fund | - | 40,705,952 | 40,705,952 | 40,705,952 | - | - |
| Transfer from other funds | - | - | - | 10,000 | - | 10,000 |
| Transfer to other funds | - | - | - | (35,258) | - | 35,258 |
| Total other financing sources (uses) | - | 40,705,952 | 40,705,952 | 40,680,694 | - | (25,258) |
| Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis | | | | | | |
| | <u>\$ (66,239)</u> | <u>\$ -</u> | <u>\$ (66,239)</u> | 57,921 | <u>\$ (73,752)</u> | <u>\$ 61,036</u> |
| Adjustment of budgetary basis to U.S. GAAP basis | | | | - | | |
| Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis | | | | 57,921 | | |
| Fund balance, beginning of year | | | | 1,240,623 | | |
| Fund balance, end of year | | | | <u>\$ 1,298,544</u> | | |

TOWN OF LINCOLN, RHODE ISLAND

Notes to Required Supplementary Information Budgetary Comparison

For the Year Ended June 30, 2016

NOTE 1: Budget preparation and budgetary basis of accounting:

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

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

NOTE 2: Budget compliance:

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

TOWN OF LINCOLN, RHODE ISLAND

Notes to Required Supplementary Information
Budgetary Comparison

For the Year Ended June 30, 2016

| | General Fund | School Unrestricted |
|--|-------------------------|--------------------------------|
| Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) (Non-GAAP Budgetary Basis) | \$ 476,170 | \$ 57,921 |
| Unbudgeted rescue revenues (expenditures), net associated with non special revenue funds | (16,550) | - |
| State contribution to teachers' pension plan revenue on behalf | - | (2,233,961) |
| State contribution to teachers' pension plan expense on behalf | <u>-</u> | <u>2,233,961</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP) | <u>\$ 459,620</u> | <u>\$ 57,921</u> |

TOWN OF LINCOLN, RHODE ISLAND

Other Supplementary Information
Annual Tax Collectors Report

For the Year Ended June 30, 2016

| Year | Balance, July 1, 2015 | Current year assessment | Additions | Abatements/ adjustments | Amount to be collected | Collections | Balance, June 30, 2016 |
|----------------|--------------------------|----------------------------|------------------|----------------------------|---------------------------|--------------------------------------|---------------------------|
| 2015 | \$ - | \$ 53,631,151 | \$ 11,086 | \$ (80,563) | \$ 53,561,674 | \$ 51,606,791 | \$ 1,954,883 |
| 2014 | 2,118,048 | - | 23,547 | (19,893) | 2,121,702 | 1,797,577 | 324,125 |
| 2013 | 297,007 | - | 1,684 | (3,256) | 295,435 | 128,176 | 167,259 |
| 2012 | 207,205 | - | 407 | (4,505) | 203,107 | 41,072 | 162,035 |
| 2011 | 155,683 | - | 407 | (1,180) | 154,910 | 11,508 | 143,402 |
| 2010 | 126,132 | - | - | (470) | 125,662 | 8,538 | 117,124 |
| 2009 | 65,153 | - | - | (795) | 64,358 | 1,045 | 63,313 |
| 2008 | 117,344 | - | - | (600) | 116,744 | 2,630 | 114,114 |
| 2007 | 106,423 | - | - | (179) | 106,244 | 1,946 | 104,298 |
| 2006 | 55,919 | - | - | (353) | 55,566 | 1,502 | 54,064 |
| 2005 and prior | 53,180 | - | - | (40,666) | 12,514 | 1,342 | 11,172 |
| Total | <u>\$ 3,302,094</u> | <u>\$ 53,631,151</u> | <u>\$ 37,131</u> | <u>\$ (152,460)</u> | <u>\$ 56,817,916</u> | <u>\$ 53,602,127</u> | 3,215,789 |
| | | | | | | Less allowance for doubtful accounts | <u>(431,313)</u> |
| | | | | | | | <u>\$ 2,784,476</u> |

TOWN OF LINCOLN, RHODE ISLAND

Other Supplementary Information
Annual Tax Collectors Report

For the Year Ended June 30, 2016

Schedule of net assessed property value by category:

| <u>Decription of property</u> | <u>Valuation</u> | <u>Levy</u> |
|-------------------------------|-------------------------|----------------------|
| Real property | \$ 2,358,283,600 | \$ 57,182,707 |
| Motor vehicles | 228,609,889 | 7,009,179 |
| Tangible personal property | <u>150,744,744</u> | <u>5,570,019</u> |
| Total | 2,737,638,233 | 69,761,905 |
| Exemptions | <u>666,872,498</u> | <u>16,130,754</u> |
| Current year assessment | <u>\$ 2,070,765,735</u> | <u>\$ 53,631,151</u> |

Reconciliation of current year property tax revenue:

| | |
|---|-----------------------------|
| Current year collections | \$ 53,602,127 |
| Revenue collected within 60 days subsequent to year ended June 30, 2015 | <u>669,752</u> |
| Subtotal | 54,271,879 |
| Prior year 60 day rule revenue received in the current year | <u>(578,233)</u> |
| Current year real estate and personal property tax revenue | <u><u>\$ 53,693,646</u></u> |