

TOWN OF NORTH PROVIDENCE  
RHODE ISLAND



PUBLIC SAFETY COMPLEX

BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017

MAYOR CHARLES A. LOMBARDI

PREPARED BY: FINANCE DEPARTMENT

# TOWN OF NORTH PROVIDENCE

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**FOR THE YEAR ENDED JUNE 30, 2017**

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**FOR THE YEAR ENDED JUNE 30, 2017**

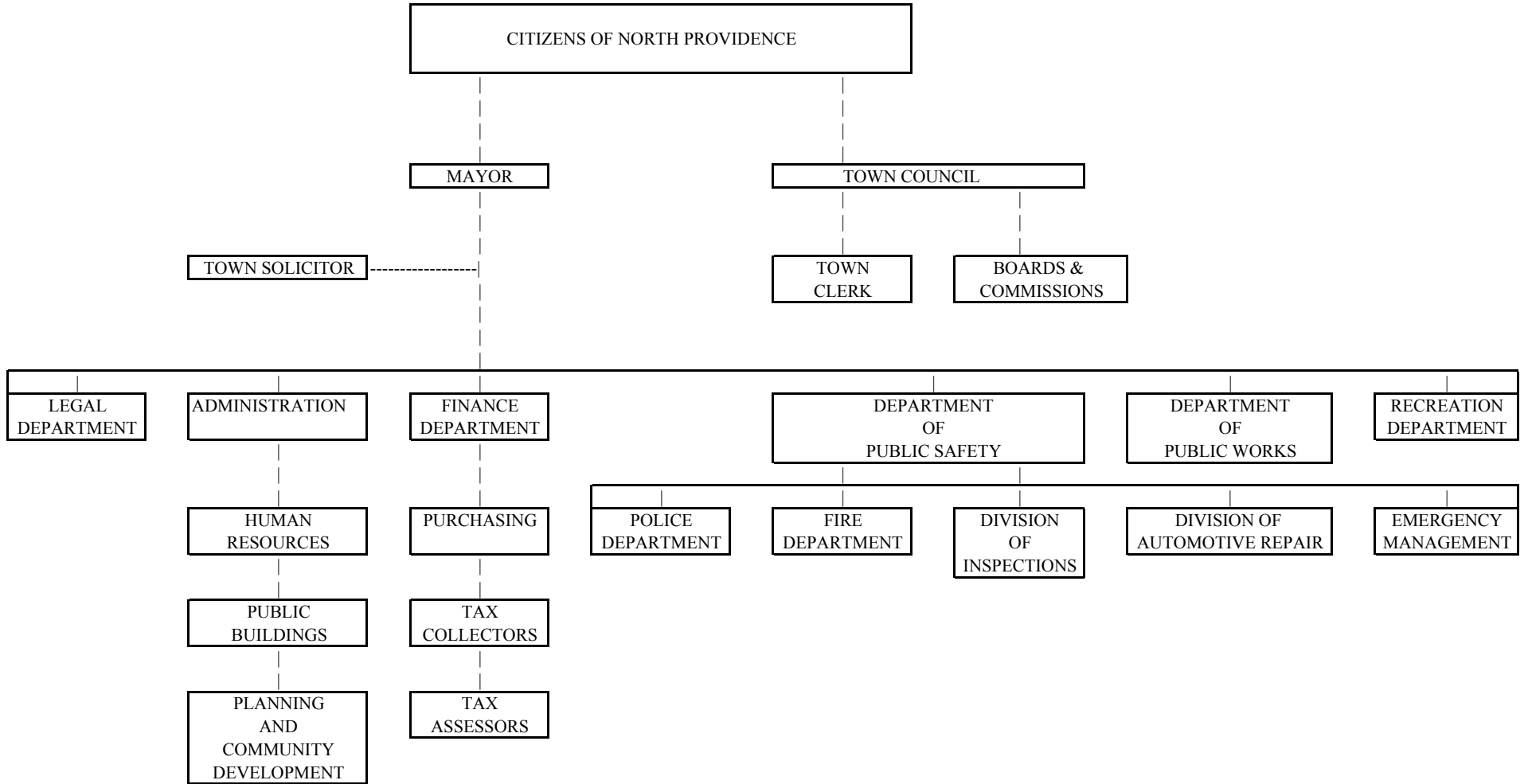
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(CONCLUDED)

# TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

*JUNE 30, 2017*

**TOWN COUNCIL**

Dino P. Autiello, President, District 3  
Alice C. Brady, Council at Large  
Raymond DeStefanis, District 2  
Ken Amoriggi, District 2  
Mansuet J. Giusti, III, District 1  
Stephen L. Feola, District 1  
Steven DiLorenzo, District 3

**MAYOR**

Charles A. Lombardi

**FINANCE DEPARTMENT**

John J. McNamee, CPA, Acting Finance Director  
Maria G. Vallee, Town Controller  
Claudette Mooney, Tax Collector  
Thomas Kane, Tax Assessor

# TOWN OF NORTH PROVIDENCE

## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island'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.

***Auditor's Responsibility***

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

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

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of June 30, 2017, 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 required schedules related to pension plans, and OPEB Plans on Pages 4 through 11, Pages 77 through 81, Pages 82 through 91, and Page 92 through 95, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Providence, Rhode Island's financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of property taxes receivable, annual supplemental transparency report (MTP2), and combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform of Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the financial statements.

**Other Matters (Continued)**

*Other Information (Continued)*

The combining and individual nonmajor fund financial statements, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, 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 combining and individual nonmajor fund financial statements, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2018, on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Providence, Rhode Island's internal control over financial reporting and compliance.

**Prior Year Comparative Information**

The financial statements include partial prior-year comparative information for the proprietary funds. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2016, from which the partial information was derived.

*Robert J. Civetti, CPA, LLC*

Johnston, Rhode Island  
February 2, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017**

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As management of the Town of North Providence (the Town), we offer readers of the financial statements of the Town of North Providence this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2017.

### **Financial Highlights**

- For the year ended June 30, 2017, the government-wide Statement of Activities reports an increase of \$2,251,539 in Net Position.
- As of year-end June 30, 2017, the Town's General Fund had a total fund balance of \$10,042,873. This is an increase of \$2,212,780 over last year's total fund balance of \$7,830,113.
- As of June 30, 2017 the School Unrestricted Fund Balance is \$900,927 which was the increase for fiscal 2017.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2017, this fund had an overall net position of \$98,537.
- On the budgetary basis of accounting, the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$1,574,101. The School Unrestricted Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$900,927.
- The Town has ended fiscal year 2017 with its eighth consecutive year of operating surpluses and the Schools ended fiscal 2017 with its second consecutive year of operating surpluses.

### **Overview of the Financial Statements**

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

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

### **Government-wide financial statements**

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

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

The *Statement of Activities* presents information showing how the net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items

that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes and earned but unused compensated absences).

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

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

### **Fund financial statements**

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

#### *Governmental Funds*

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

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

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

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

### *Proprietary Funds*

The proprietary funds of the Town are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town has only one proprietary fund, this being an enterprise fund, the North Providence School Cafeteria Fund. This fund operates as a federally mandated school food service system which services all students including those students that qualify for “free or reduced” meals on a for profit basis.

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

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

### *Fiduciary Funds*

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

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

### *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on Pages 23 through 76.

### *Other Information*

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the operations of the Town. Required Supplementary information is presented on Pages 77 through 95.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on Pages 96 through 103.

### **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, its Net Position increased for the year ended June 30, 2017 by \$2,251,539.

The largest portions of the net position of the Town consists of investments in capital assets such as land, buildings and improvements, motor vehicles, furniture and equipment and infrastructure, less any debt used to acquire these assets still outstanding and net position restricted for use by the U.S. Department of Justice. The Town uses capital assets to provide services to its citizens. Consequently, these assets are not available for future spending.

Although the investment of the Town in capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves are highly unlikely to be used to liquidate such liabilities.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NET POSITION**

**June 30, 2017 and 2016 (in 000's)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 57,843	\$ 60,904	\$297	\$253	\$ 58,140	\$ 61,157
Capital Assets	55,905	51,156	32	27	55,937	51,183
Total Assets	<u>113,748</u>	<u>112,060</u>	<u>329</u>	<u>280</u>	<u>114,077</u>	<u>112,340</u>
Deferred outflows of resources	21,031	18,949	-	-	21,031	18,949
Long-Term Liabilities	141,894	140,045	-	-	141,894	140,045
Other Liabilities	11,425	12,079	230	232	11,655	12,311
Total Liabilities	<u>153,319</u>	<u>152,124</u>	<u>230</u>	<u>232</u>	<u>153,549</u>	<u>152,356</u>
Deferred inflows of resources	9,999	9,623	-	-	9,999	9,623
Net investment in capital assets	44,482	38,372	32	26	44,514	38,398
Restricted	33,929	36,684	-	-	33,929	36,684
Unrestricted	(106,950)	(105,795)	67	22	(106,883)	(105,773)
Total Net Position	<u>(\$28,539)</u>	<u>\$(30,739)</u>	<u>\$99</u>	<u>\$ 48</u>	<u>(\$28,440)</u>	<u>(\$30,691)</u>

As of June 30, 2017 the Town reports a positive (surplus) balance of approximately \$98,500 in business-type activities (School Cafeteria Fund) while the governmental activities have total net deficit position of approximately \$(31,940,300). The deficit position is mainly attributable to the pension and OPEB legacy liabilities which have been recorded in accordance with GASB No. 68 and 75.

**Analysis of Town Operations**

The following analysis provides a summary of the Town operations for the year-ended June 30, 2017 and 2016.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND  
CHANGES IN NET POSITION  
For the Fiscal Years Ended June 30, 2017 and 2016 (in 000's)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,636	\$ 3,603	\$376	\$ 366	\$ 5,012	\$3,969
Operating Grants and Contributions	26,447	24,818	929	868	27,376	25,686
Capital Grants and Contributions	1,056	831			1,056	831
General Revenues:						
Property taxes	69,916	70,047			69,916	70,047
Motor vehicle phase-out taxes	394	390			394	390
Telephone and State PILOT	403	414			403	414
Grants and aid not restricted for a specific program	1,985	2,617			1,985	2,617
Gain on sale of surplus equipment	25	91			25	91
Unrestricted investment earnings	43	19			43	19
<b>Total Revenues</b>	<b>104,905</b>	<b>102,830</b>	<b>1,305</b>	<b>1,234</b>	<b>106,210</b>	<b>104,064</b>
Expenses:						
Legislative, judicial, and administrative	16,407	15,621			16,407	15,621
Department of Finance	1,015	847			1,015	847
Public Safety	18,323	18,252			18,323	18,252
Public Services/works	5,230	5,227			5,230	5,227
Grants and contributions	1,469	1,412			1,469	1,412
Education	59,868	59,564			59,868	59,564
Interest on long-term debt	393	432			393	432
School Cafeteria			1,254	1,214	1,254	1,214
<b>Total Expenses</b>	<b>102,705</b>	<b>101,355</b>	<b>1,254</b>	<b>1,214</b>	<b>103,959</b>	<b>102,569</b>
Increase (decrease) in net position	2,200	1,475	51	20	2,251	1,495
Net position beginning of year	(\$30,739)	(32,214)	48	28	(30,691)	(32,186)
Net position (deficit) end of year	(\$28,539)	(\$30,739)	99	\$ 48	(\$28,440)	(\$30,691)

## **Financial Analysis of Town Funds**

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

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

As of June 30, 2017, the governmental funds reported a combined ending fund balance of \$15,257,134. Unassigned fund balance amounted to \$6,603,374 with non-spendable fund balance of \$980,628, committed fund balance of \$3,459,992, and restricted fund balance of \$4,213,140.

The General Fund is the operating fund of the Town. For the year ended June 30, 2017 the general fund of the Town reported an increase in fund balance of \$2,212,760. As of June 30, 2017, the cumulative surplus fund balance in the General Fund was \$10,042,873. The unassigned portion of the fund balance/cumulative surplus as of June 30, 2017 was \$6,326,729 which represents approximately 6.6% of the fiscal 2017 budget.

## **Proprietary Funds**

The proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Total net position of the proprietary fund is \$98,537 at June 30, 2017.

## **General Fund Budgetary Highlights**

Total revenues in the General Fund of the Town exceeded budgeted revenues by \$1,668,312 for the year ended June 30, 2017. The most significant favorable revenue variances were in the collection of property taxes, State Aid, and departmental revenue. Total expenditures in the General Fund of the Town were less than the budget by \$881,421 for the year ended June 30, 2017. The most significant favorable expenditure variances were in Public Safety and Legislative, Judicial and General Administrative expenditures. The excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis of accounting in the Town’s General Fund was \$1,574,101 for the year ended June 30, 2017.

Total revenues in the School Unrestricted Fund exceeded budget by \$320,767 for the year ended June 30, 2017. Total expenditures in the School Unrestricted Fund was less than budget by \$580,160. The most significant reduction was in Fringe Benefits due to lower than anticipated health care claims. The excess of revenues and other financing sources over expenditures and other financing uses in the School Unrestricted Fund was \$900,927 for the year ended June 30, 2017.



## **Capital Assets and Debt and Administration**

### **Capital Assets**

The Town's investment in capital assets for its governmental and business-type activities amounts to approximately \$55,937,000 net of accumulated depreciation at June 30, 2017. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure. Information on the capital assets can be found in Note 7, Page 41.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$18,449	\$17,439			\$18,449	\$17,439
Construction in progress	2,031	965			2,031	965
Buildings and improvements	23,061	22,975			23,061	22,975
Equipment, furn. & fixtures	3,893	3,123	\$32	\$ 27	3,925	3,150
Vehicles	1,666	1,774			1,666	1,774
Infrastructure	5,883	4,292			5,883	4,292
Land improvements	922	587			922	587
Total	<u>\$55,905</u>	<u>\$51,155</u>	<u>\$32</u>	<u>\$ 27</u>	<u>\$55,937</u>	<u>\$51,182</u>

The Town is currently planning the construction of a new Public Safety Complex. The cost of this project is estimated at \$25-\$30 million and will be funded utilizing federal forfeiture funds.

The School Department received "Approval of Necessity of School Construction" from the State of Rhode Island's Council on Elementary and Secondary Education on May 17, 2016 for School construction projects totaling \$73,509,339. Accordingly, the cost of construction, which includes debt service, will qualify for approximately 56% reimbursement from the State of Rhode Island through their Housing Aid Program. The funding for this project will be through the sale of bonds which were overwhelmingly approved by the voters in a Bond Referendum held on November 8, 2016. The Town issued \$36,655,000 in Bonds through RI Health Educational & Building Corporation (RIHEBC) in July and received net proceeds of \$40,664,692. It is anticipated that approximately \$37.0 million of the bonds will be sold in the fourth quarter of fiscal year 2019 to provide the remaining funds for the School Building Project.

### **Long Term Debt**

As of June 30, 2017, the Town had total bonded debt (net of bond premium) of \$10,429,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government.

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

	Governmental Activities	
	2017	2016
General Obligation Bonds	\$10,429	\$11,763
Bond premium	379	434
Notes and Lease purchase obligations	614	805
<b>Total obligations</b>	<b>\$11,422</b>	<b>\$13,002</b>

There were no outstanding short-term obligations at June 30, 2017.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the full assessed value of all taxable property within the Town. The Town of North Providence's limit is approximately \$65,798,000 at year-end based on the December 31, 2015 assessed value of property. The outstanding general obligation debt of the Town is approximately \$10,429,000 as of June 30, 2017, which is \$55,369,000 under the State imposed limitation.

As of June 30, 2017, the Town of North Providence's bonds are insured and hold an AA credit rating from Moody's and an A2 rating from Standard & Poor's.

Additional information regarding debt administration of the Town can be found in Note 10 on Pages 43 through 45 of this report.

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

- The Town of North Providence has budgeted \$99,333,914 for fiscal 2018, an increase of \$3,545,217 over fiscal 2017. The net increase was principally for an increased education appropriation in the amount of \$2,345,877 of which \$2,206,877 was funded from additional State Aid to Education. In addition, bond and note interest increased by \$1,283,012 in anticipation of the issuance of the first round of financing for the School Building Project.
- The Budgeted educational expenses are \$55,511,260 or 55.9% of total appropriations; leaving \$43,822,654 or 44.1% budgeted for the remaining Town appropriations.
- State Aid to Education is budgeted at \$21,872,000 which is an increase of \$2,206,877 over fiscal 2017. State Aid to Education represents 39.4% of the education budget.
- The locally-administered Police Pension Fund's funded ratio is currently at approximately 86% at June 30, 2017 utilizing the actuarial value of the pension assets. The most recent actuarial report has recommended the annual contribution of 28.3%.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2017: Residential Real Estate \$26.14; Commercial Real Estate \$32.88; Tangible Property \$68.11 and Motor Vehicle \$41.95.

**Request for Information**

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

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# **TOWN OF NORTH PROVIDENCE**

## **BASIC FINANCIAL STATEMENTS**



**TOWN OF NORTH PROVIDENCE RHODE ISLAND****Statement of Net Position  
June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 19,528,372	\$ 112,034	\$ 19,640,406
Accounts receivable, net	4,856,343	-	4,856,343
Other receivables	-	2,037	2,037
Due from federal and state governments	32,477,445	182,613	32,660,058
Prepays	980,628	-	980,628
<b>Total Current Assets</b>	<b>57,842,788</b>	<b>296,684</b>	<b>58,139,472</b>
<b>Noncurrent Assets:</b>			
Capital assets not being depreciated	20,481,338	-	20,481,338
Capital assets, net of accumulated depreciation	35,423,694	32,332	35,456,026
<b>Total Noncurrent Assets</b>	<b>55,905,032</b>	<b>32,332</b>	<b>55,937,364</b>
<b>TOTAL ASSETS</b>	<b>113,747,820</b>	<b>329,016</b>	<b>114,076,836</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows of resources related to Pension Plans	20,784,161	-	20,784,161
Deferred outflows of resources related to OPEB Plans	247,024	-	247,024
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>21,031,185</b>	<b>-</b>	<b>21,031,185</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	4,128,775	230,479	4,359,254
Accrued liabilities	3,940,217	-	3,940,217
Unearned revenue	290,029	-	290,029
Current portion of compensated absences	850,000	-	850,000
Current portion of IBNR claims	740,642	-	740,642
Current portion of bonds and notes	1,474,921	-	1,474,921
<b>Total Current Liabilities</b>	<b>11,424,584</b>	<b>230,479</b>	<b>11,655,063</b>
<b>Noncurrent Liabilities:</b>			
Compensated absences	6,275,592	-	6,275,592
Net OPEB liability	60,535,547	-	60,535,547
Net pension liability	65,135,343	-	65,135,343
Bond and note obligations, net	9,947,507	-	9,947,507
<b>Total Noncurrent Liabilities</b>	<b>141,893,989</b>	<b>-</b>	<b>141,893,989</b>
<b>TOTAL LIABILITIES</b>	<b>153,318,573</b>	<b>230,479</b>	<b>153,549,052</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to Pension Plans	3,247,949	-	3,247,949
Deferred inflows related to OPEB Plans	6,750,601	-	6,750,601
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>9,998,550</b>	<b>-</b>	<b>9,998,550</b>
<b>NET POSITION:</b>			
Net investment in capital assets	44,482,604	32,332	44,514,936
Restricted	33,928,894	-	33,928,894
Unrestricted	(106,949,616)	66,205	(106,883,411)
<b>TOTAL NET POSITION</b>	<b>\$ (28,538,118)</b>	<b>\$ 98,537</b>	<b>\$ (28,439,581)</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Activities**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs:</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Legislative, judicial, and administrative	\$ 16,406,605	\$ 1,340,396	\$ 168,041	\$ -	\$ (14,898,168)		\$ (14,898,168)
Department of finance	1,015,250	75,350	146,106		(793,794)		(793,794)
Public safety	18,323,054	1,828,996	316,253	241,437	(15,936,368)		(15,936,368)
Public services	5,230,019	248,107	20,965	324,640	(4,636,307)		(4,636,307)
Grants and contributions	1,468,840	-	192,234	-	(1,276,606)		(1,276,606)
Education	59,868,325	1,143,190	25,603,481	489,846	(32,631,808)		(32,631,808)
Interest on long-term debt	392,577				(392,577)		(392,577)
<b>Total governmental activities</b>	<b>102,704,670</b>	<b>4,636,039</b>	<b>26,447,080</b>	<b>1,055,923</b>	<b>(70,565,628)</b>		<b>(70,565,628)</b>
<b>Business-type activities:</b>							
School Cafeteria	1,253,612	375,903	928,559			\$ 50,850	50,850
<b>Total business-type activities</b>	<b>1,253,612</b>	<b>375,903</b>	<b>928,559</b>	<b>-</b>	<b>-</b>	<b>50,850</b>	<b>50,850</b>
<b>Total</b>	<b>\$ 103,958,282</b>	<b>\$ 5,011,942</b>	<b>\$ 27,375,639</b>	<b>\$ 1,055,923</b>	<b>(70,565,628)</b>	<b>50,850</b>	<b>(70,514,778)</b>
<b>General revenues:</b>							
Property taxes					69,915,980		69,915,980
Motor vehicle phase-out taxes					393,779		393,779
Telephone and State PILOT payments					403,417		403,417
Grants and aid not restricted for a specific program					1,985,384		1,985,384
Gain on sale of surplus equipment					24,652		24,652
Unrestricted investment earnings					43,105		43,105
<b>Total general revenues and transfers</b>					<b>72,766,317</b>	<b>-</b>	<b>72,766,317</b>
<b>Change in Net Position</b>					<b>2,200,689</b>	<b>50,850</b>	<b>2,251,539</b>
<b>Net Position - beginning of year</b>					<b>(30,738,807)</b>	<b>47,687</b>	<b>(30,691,120)</b>
<b>Net Position - ending of year</b>					<b>\$ (28,538,118)</b>	<b>\$ 98,537</b>	<b>\$ (28,439,581)</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	School Unrestricted Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 14,770,185	\$ 339,481	\$ 3,655,994	\$ 762,712	\$ 19,528,372
Accounts and other receivable, net	4,517,158	30,801	255	308,129	4,856,343
Due from federal and state governments	435,772	176,090	30,703,645	1,161,938	32,477,445
Prepaid expenditures	914,468	63,160	-	3,000	980,628
Due from other funds	87,145	3,903,992	-	1,158,710	5,149,847
<b>TOTAL ASSETS</b>	<b>\$ 20,724,728</b>	<b>\$ 4,513,524</b>	<b>\$ 34,359,894</b>	<b>\$ 3,394,489</b>	<b>\$ 62,992,635</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 2,629,368	\$ 941,150	\$ 417,001	\$ 141,256	\$ 4,128,775
Accrued liabilities	1,083,294	2,671,447	-	111,576	3,866,317
Due to other funds	3,372,305	-	13,999	1,763,543	5,149,847
Unearned revenue - other	-	-	-	290,029	290,029
<b>TOTAL LIABILITIES</b>	<b>7,084,967</b>	<b>3,612,597</b>	<b>431,000</b>	<b>2,306,404</b>	<b>13,434,968</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes, EMS, Fines etc.	3,596,888	-	30,703,645		34,300,533
<b>FUND BALANCES:</b>					
Nonspendable	914,468	63,160	-	3,000	980,628
Restricted	-	-	3,225,249	987,891	4,213,140
Committed	2,801,676	-	-	658,316	3,459,992
Unassigned	6,326,729	837,767	-	(561,122)	6,603,374
<b>TOTAL FUND BALANCES</b>	<b>10,042,873</b>	<b>900,927</b>	<b>3,225,249</b>	<b>1,088,085</b>	<b>15,257,134</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 20,724,728</b>	<b>\$ 4,513,524</b>	<b>\$ 34,359,894</b>	<b>\$ 3,394,489</b>	<b>\$ 62,992,635</b>

(CONTINUED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet  
Governmental Funds  
June 30, 2017*

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

<b>Total Fund Balance reported in Exhibit B-1</b>	\$ 15,257,134
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund Balance Sheet - represents net capital assets at June 30, 2017.	55,905,032
Net Pension Assets and related Deferred Outflows of Resources for pension and OPEB plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	21,031,185
Long-term debt obligations including OPEB and compensated absences are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position.	(79,824,209)
Net Pension Liability and related Deferred Inflows of Resources for pension and OPEB plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	(75,133,893)
Unearned tax and other miscellaneous revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	34,300,533
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net Position and not the Governmental Fund Balance Sheet at June 30, 2017.	(73,900)
<b>Total Net Position reported in Exhibit A-1</b>	<b>\$ (28,538,118)</b>

(CONCLUDED)

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



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year the Ended June 30, 2017**

	General Fund	School Unrestricted Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
General property taxes	\$ 70,121,029	\$ -	\$ -	\$ -	\$ 70,121,029
Intergovernmental	3,120,920	19,993,635	4,091,115	3,996,718	31,202,388
Private grants	-	-	-	151,097	151,097
Licenses and fees	462,919	-	-	425,383	888,302
Investment income	32,228	-	5,351	5,526	43,105
Departmental	1,417,691	-	-	-	1,417,691
Contributions	-	1,200	-	256	1,456
State on behalf pension and transportation contribution	-	2,669,747	-	-	2,669,747
Medicaid reimbursement	-	1,037,811	-	-	1,037,811
Miscellaneous	1,290,521	68,845	16,322	49,257	1,424,945
<b>TOTAL REVENUES</b>	<b>76,445,308</b>	<b>23,771,238</b>	<b>4,112,788</b>	<b>4,628,237</b>	<b>108,957,571</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Legislative, judicial, and administrative	2,481,285				2,481,285
Department of finance	1,006,784				1,006,784
Public safety	16,266,413		253,068	135,746	16,655,227
Public services/works	4,945,585			-	4,945,585
Grants and contributions	1,482,946				1,482,946
Education	-	54,893,844		2,780,358	57,674,202
Other	12,208,595			276,919	12,485,514
<b>Debt Service:</b>					
Principal	1,290,000	49,593		185,028	1,524,621
Interest and other costs	429,783	-		25,295	455,078
<b>Capital:</b>					
Capital expenditures	826,207	477,134	2,748,598	2,721,633	6,773,572
<b>TOTAL EXPENDITURES</b>	<b>40,937,598</b>	<b>55,420,571</b>	<b>3,001,666</b>	<b>6,124,979</b>	<b>105,484,814</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>35,507,710</b>	<b>(31,649,333)</b>	<b>1,111,122</b>	<b>(1,496,742)</b>	<b>3,472,757</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	32,550,260	-	989,050	33,539,310
Transfers out	(33,294,950)	-	-	(244,360)	(33,539,310)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(33,294,950)</b>	<b>32,550,260</b>	<b>-</b>	<b>744,690</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,212,760</b>	<b>900,927</b>	<b>1,111,122</b>	<b>(752,052)</b>	<b>3,472,757</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>7,830,113</b>	<b>-</b>	<b>2,114,127</b>	<b>1,840,137</b>	<b>11,784,377</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 10,042,873</b>	<b>\$ 900,927</b>	<b>\$ 3,225,249</b>	<b>\$ 1,088,085</b>	<b>\$ 15,257,134</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)  
Year Ended June 30, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):</b>	\$ 3,472,757
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.	4,749,419
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	1,524,621
Changes in the Net Pension Asset, Deferred Outflows of Resources related to pension plans, Net Pension Liability, and Deferred Inflows of Resources related to pension plans results in an increase or decrease to the pension expense reported in the Statement of Activities. For fiscal 2017 the effect of these adjustments resulted in an increase in the pension expense reported in the Statement of Activities as compared to the fund statements.	(2,756,429)
Governmental funds do not report estimated accrued IBNR claims as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the increase in the estimate from the amount reported at June 30, 2016.	(168,951)
Revenues, net of an allowance, in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unearned tax and other revenue decreased from fiscal 2016.	(4,136,481)
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the decrease in the accrual for the year ended June 30, 2017 versus June 30, 2016.	8,300
Net OPEB Liability and related deferred inflows and outflows of resources are reported in the government-wide statement of activities but have no effect on the activity reported in the governmental funds. For fiscal 2017 the effect of the OPEB Liability and related components resulted in an increase in OPEB expense reported in the Government-Wide Statement of Activities as compared to the fund statements.	(865,518)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount bond premium amortized and which is recorded as a reduction of interest expense in the government-wide statement of activities.	54,201
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	318,770
<b>Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)</b>	<b>\$ 2,200,689</b>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Net Position  
Proprietary Funds  
June 30, 2017  
(With Comparative Totals for June 30, 2016)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
<b>ASSETS:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 112,034	\$ 198,859
Other receivables	2,037	2,037
Due from federal and state governments	182,613	52,444
<b>Total Current Assets</b>	<u>296,684</u>	<u>253,340</u>
<b>Noncurrent Assets:</b>		
Equipment	207,114	181,144
Accumulated depreciation	(174,782)	(154,716)
<b>Total Noncurrent Assets</b>	<u>32,332</u>	<u>26,428</u>
<b>TOTAL ASSETS</b>	<u>329,016</u>	<u>279,768</u>
<b>LIABILITIES:</b>		
<b>Current Liabilities:</b>		
Accounts payable	230,479	232,081
<b>TOTAL LIABILITIES</b>	<u>230,479</u>	<u>232,081</u>
<b>NET POSITION:</b>		
Net investment in capital assets	32,332	26,428
Unrestricted	66,205	21,259
<b>TOTAL NET POSITION</b>	<u>\$ 98,537</u>	<u>\$ 47,687</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
<b>Operating revenues:</b>		
Federal & State Grants for free and reduced lunch	\$ 928,559	\$ 868,316
Charges for usage and service	375,903	365,944
<b>Total Operating Revenues</b>	<b>1,304,462</b>	<b>1,234,260</b>
<b>Operating expenses:</b>		
Management operations costs	1,219,108	1,192,470
Maintenance and other costs	14,437	4,449
Depreciation expense	20,067	17,470
<b>Total Operating Expenses</b>	<b>1,253,612</b>	<b>1,214,389</b>
<b>Change in Net Position</b>	<b>50,850</b>	<b>19,871</b>
<b>Net Position at beginning of year</b>	<b>47,687</b>	<b>27,816</b>
<b>Net Position at end of year</b>	<b>\$ 98,537</b>	<b>\$ 47,687</b>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers	\$ 375,903	\$ 365,944
Cash received from State and Federal Grants	798,390	894,374
Cash paid to suppliers for goods and services and other operating payments	(1,235,147)	(1,165,920)
<b>Net cash provided (used) by operating activities</b>	<b>(60,854)</b>	<b>94,398</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(25,971)	-
<b>Net cash used by capital and related financing activities</b>	<b>(25,971)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(86,825)</b>	<b>94,398</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>198,859</b>	<b>104,461</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 112,034</b>	<b>\$ 198,859</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 50,850	\$ 19,871
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	20,067	17,470
(Increase) decrease in:		
Intergovernmental receivables	(130,169)	26,058
Other receivables	-	33,057
Increase (decrease) in:		
Accounts payable	(1,602)	(2,058)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (60,854)</b>	<b>\$ 94,398</b>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	Police Pension Trust Fund	OPEB Trust Fund	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,064,225	\$ 8	\$ 658,571
Investments	38,281,818	1,107,297	-
Receivables	275,462	-	30,529
<b>TOTAL ASSETS</b>	<u>39,621,505</u>	<u>1,107,305</u>	<u>689,100</u>
<b>LIABILITIES</b>			
Deposits held in custody for others	-	-	689,100
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>689,100</u>
<b>NET POSITION</b>			
Held in trust for OPEB benefits		1,107,305	
Held in trust for pension benefits	39,621,505		-
<b>TOTAL NET POSITION</b>	<u>\$ 39,621,505</u>	<u>\$ 1,107,305</u>	<u>\$ -</u>

**\*\* The OPEB Trust Fund is utilized for Town personnel not the School Department.**

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

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the year ended June 30, 2017**


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	Police Pension <u>Trust Fund</u>	OPEB Trust Fund
<b>ADDITIONS:</b>		
Contributions - employer	\$ 1,110,332	\$ 2,830,961
Contributions - plan members	332,577	
Investment interest and dividends	810,705	22,810
Realized and unrealized gains and (losses)	3,019,024	71,310
<b>TOTAL ADDITIONS</b>	<u>5,272,638</u>	<u>2,925,081</u>
<b>DEDUCTIONS:</b>		
Benefits paid	2,197,375	2,580,961
Investment expense	134,515	1,600
<b>TOTAL DEDUCTIONS</b>	<u>2,331,890</u>	<u>2,582,561</u>
<b>CHANGE IN NET POSITION</b>	2,940,748	342,520
NET POSITION - BEGINNING OF YEAR	36,680,757	764,785
NET POSITION - END OF YEAR	<u>\$ 39,621,505</u>	<u>\$ 1,107,305</u>

**\*\* The OPEB Trust Fund is utilized for Town personnel not the School Department.**

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

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***Reporting Entity***

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

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

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

The financial statements do not include any component units.

***Basis of Presentation***

***Government-Wide Financial Statements***

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

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

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

***Basis of Presentation (Continued)***

***Fund Financial Statements***

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

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

and

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

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

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

**Debt Service Funds**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

***Governmental Funds (Continued)***

**Permanent Funds**

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

**Proprietary Funds**

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

**Fiduciary Funds (Not included in government wide statements)**

**Agency Funds**

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes eight agency funds at June 30, 2017. Agency funds are custodial in nature (i.e. assets equal liabilities), and do not involve the measurement of results of operations. The agency funds are as follows:

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

**Private-Purpose Trust Funds**

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

**Pension and Other Post Employment Benefit Trust Funds (OPEB)**

Pension and Other Post Employment Benefit (OPEB) Trust Funds are used to account for resources legally held in trust for use for payment of pension and OPEB benefits, and cannot be used at the Town's discretion or to support the Town's general operations. The reporting entity has two such trust funds, Police Pension Trust Fund, and OPEB Trust Fund. These funds are used to account for the activity and balances of funds restricted for the future retirement benefits of public safety personnel and OPEB benefits for all Town personnel.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Major and Non-Major Funds**

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

<u>Fund</u>	<u>Brief Description</u>
<b>Major:</b>	
General Fund:	See above for description.
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Federal Forfeiture Fund	This fund is used to report all financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department operations.
Proprietary Funds:	
School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
<b>Non-Major:</b>	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-six (36) Special Revenue Funds which are considered to be non-major governmental funds. The School Restricted Funds is comprised of 17 individual Special Revenue Funds. The details of the Special Revenue Funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains four (4) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

***Measurement Focus***

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

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

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

***Basis of Accounting***

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

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

***Basis of Accounting (Continued)***

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

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

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, & Net Position/Fund Balance***  
**Cash and Cash Equivalents**

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

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

**Investments**

The Town invests in various types of investments, which are stated at fair value based on quoted market prices.

**Accounts Receivable**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to approximately \$5,418,000 at June 30, 2017. The allowance for uncollectible accounts includes approximately \$3,942,000 for property taxes, \$627,000 for tax lien property, \$161,000 for municipal court fines, police details \$17,000, and \$671,000 for EMS rescue billing. Major receivable balances for the governmental activities include property taxes (approximately 88% of the net receivable balance at June 30, 2017).

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Property Taxes**

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

**Prepays**

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

**Capital Assets**

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

**Government-Wide Statements**

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

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

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

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

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Capital Assets (Continued)**

**Government-Wide Statements (Continued)**

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

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

**Fund Financial Statements**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2017 the Town of North Providence, Rhode Island had items qualifying as deferred outflows of resources in the government-wide statement of net position related to the pension and OPEB plans. These deferred outflow of resources related to pension and OPEB plans are deferred and included as a component of pension/OPEB expense in future periods using a systematic and rational manner.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2017 the Town of North Providence, Rhode Island had one item qualifying as a deferred inflow of resources in the governmental funds balance sheet and items reported in the government-wide statement of net position related to pension and OPEB plans. Unavailable revenue – property taxes, EMS, Fines etc. reported in the fund statements represents property taxes receivables which are assessed on December 31, 2015 and prior and is not collected within 60 days of June 30, 2017 as well as fees for rescue services and fines billed but deemed unavailable at year end. The deferred inflows of resources reported on the government-wide financial statements are related to pension and OPEB plan reporting requirements in accordance with GASB Statement #68 and #75, respectively. These deferred inflows consisted of the difference between actual and expected experience; difference between projected & actual earnings; and changes in assumptions. These deferred inflows related to pension and OPEB plans are deferred and included in pension/OPEB expense in future periods using a systematic and rational manner.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Interfund Transactions**

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

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

**Net Position**

Net position is classified in three components:

- (a) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  
- (b) Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
  
- (c) Unrestricted net position – All remaining net position that does not meet the definition of "restricted" or "net investment in capital assets". A deficit would require future funding.

**Fund Balance**

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

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**Fund Balance (Continued)**

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

**Application of Funds**

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

**Compensated Absences**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Use of Estimates**

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

**Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$79,824,209 are as follows:

Bonds & notes payable, including bond premium ....	\$11,422,428
Accrued IBNR claims.....	740,642
Net OPEB liability .....	60,535,547
Compensated absences.....	<u>7,125,592</u>
<b>Total .....</b>	<b><u>\$79,824,209</u></b>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$4,749,419 difference are as follows:

Capital outlays capitalized Government-wide .....	\$6,651,263
Depreciation expense.....	<u>(1,901,844)</u>
<b>Net adjustment – increase net position .....</b>	<b><u>\$4,749,419</u></b>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this (\$4,136,481) difference are as follows:

Unavailable revenue - ending.....	\$ 34,300,533
Unavailable revenue – beginning.....	<u>(38,437,014)</u>
<b>Net adjustment –decrease net position .....</b>	<b><u>(\$ 4,136,481)</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

Another element of that reconciliation states that, "Changes in Net Pension Asset, Deferred Outflow of Resources related to pension plans, Net Pension Liabilities, and Deferred Inflows of Resources related to pension plans results in an increase or decrease in the pension expense reported in the Statement of Activities." The details of this (\$2,756,429) difference are as follows:

Decrease in Net Pension Asset for fiscal 2017 .....	(\$ 2,219,714)
Increase in Deferred Outflows for pension plans .....	4,910,280
Increase in Net Pension Liability for fiscal 2017 .....	(5,473,085)
Decrease in Deferred Inflows for pension plans .....	<u>26,090</u>
<b>Net adjustment (decrease net position).....</b>	<b><u>(\$ 2,756,429)</u></b>

**Recently Issued Accounting Standards**

During the fiscal year ended June 30, 2017 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 77 – Tax Abatement Disclosures.
- GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.
- GASB Statement No. 82 – Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73.

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

- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the fiscal year ending June 30, 2019.
- GASB Statement No. 84 – Fiduciary Activities, effective for the fiscal year ending June 30, 2020.
- GASB Statement No. 85 – Omnibus 2017, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 86 – Certain Debt Extinguishment Issues, effective for the fiscal year ending June 30, 2018.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

***Recently Issued Accounting Standards (Continued)***

- GASB Statement No. 87 – Leases, effective for the fiscal year ending June 30, 2021.

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

***Pensions***

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of North Providence, Rhode Island's various pension plans (described in more detail in Note 12) and additions to/deductions from the pension plans fiduciary net position have been determined on the same basis as they have been reported by the pension plans. 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.

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town of North Providence's OPEB Trust Fund and additions to/subtractions from the OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the Trust Fund. For this purpose, the OPEB Trust Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at original cost.

***Encumbrances***

Encumbrances are commitments related to unperformed contracts for goods or services (example - outstanding unfilled purchase orders). Encumbrance accounting is utilized by the Town's General Fund to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances are reported as expenditures for budgetary purposes but are not reported as expenditures in accordance with GAAP. At June 30, 2017 the Town did not have any encumbrances outstanding. However there were \$300,231 in encumbrances outstanding at June 30, 2016 which results in reconciling items when comparing the budgetary basis of accounting to the GAAP basis financial statements.

***Comparative Information***

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2016 from which the partial information was derived

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**2. BUDGETARY PROCESS**

**(a) Adoption**

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

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

**3. CASH AND INVESTMENTS**

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

***Deposits***

The carrying amount of the Town's cash and cash equivalents at June 30, 2017 was \$21,363,210 (including Fiduciary Funds of \$1,722,804) while the bank balance was approximately \$22,566,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance and the remaining amount was collateralized.

***Investments***

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**3. CASH AND INVESTMENTS (Continued)**

At June 30, 2017 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund and the OPEB Trust Fund totaled \$38,281,818 and \$1,107,297, respectively. These investments consisted of the following:

	Fair Value	Interest Rate	Maturity	Rating
Mutual Funds	\$ 26,250,195	n/a	n/a	not rated
Common Stock - Equities/ETFs	4,821,317	n/a	n/a	not rated
Corporate Bonds	54,240	7.05%	10/1/2018	A3
Corporate Bonds	802,985	2.0% - 8.5%	2/2020- 9/2025	A2
Corporate Bonds	385,459	2.45% - 5.25%	3/2018 - 1/2021	AA3
Corporate Bonds	893,915	1.85% - 6.875%	1/2020 - 1/2039	A1
Corporate Bonds	914,355	3.0% - 5.25%	5/2022 - 2/2041	AA2
Corporate Bonds	500,034	1.30 - 6.95%	11/2018 - 1/2039	AAA
Corporate Bonds	101,791	3.25%	2/2026	AA1
Corporate Bonds	120,869	1.998% - 5.625%	8/2026 - 5/2041	AA2
Government Bonds	1,639,666	.375% - 4.75%	2/2023 - 8/2045	AAA
Municipal Bonds	300,709	2.5% - 5.55%	11/2020 - 12/2025	AA1
Government Asset Back/CMO	1,472,477	2.50% - 6.50%	4/2018 - 3/2046	not rated
Corporate Asset Backed Securities	1,131,103	.97% - 4.051%	11/2018 - 9/2048	AAA
<b>Total</b>	<b><u>\$ 39,389,115</u></b>			

The fair value measurements of the investments noted above have been classified by the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The levels of the fair value hierarchy are as follows:

- **Level 1 inputs** = Quoted price for identical assets in an active market.
- **Level 2 inputs** = (A) Quoted prices for similar assets or liabilities in active markets; (B) Quoted prices for identical or similar assets or liabilities in markets that are not active; (C) Inputs other than quoted prices that are observable for the assets or liability, such as (1) interest rates and yield curves observable at commonly quoted intervals (2) implied volatilities (3) credit spreads; (D) Market-corroborated inputs.
- **Level 3 inputs** = Unobservable inputs for an asset or liability are significant to the fair value measurement.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investments by Fair Value Level:</b>				
U.S. Government Bonds	\$ 1,639,666	\$ 1,639,666		
U.S. Government Asset Backed/CMO	1,472,477	1,472,477		
Corporate Asset Backed Securities	1,131,103		\$ 1,131,103	
Corporate Bonds	3,773,648	3,773,648		
Municipal Bonds	300,709	300,709		
U.S. Listed Equities	4,821,317	4,821,317		
Equity Mutual Funds and ETFs	23,339,811	23,339,811		
Bond Mutual Funds	2,910,384	2,910,384		
<b>Totals</b>	<b><u>\$ 39,389,115</u></b>	<b><u>\$ 38,258,012</u></b>	<b><u>\$ 1,131,103</u></b>	<b><u>\$ -</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**3. CASH AND INVESTMENTS (Continued)**

***Interest Rate Risk***

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

***Concentration of Credit Risk***

At June 30, 2017 the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although virtually all of the investments are held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of financial institution failure, the Town's deposits and/or investments may not be returned. The Town does not believe that it has a significant custodial credit risk as substantially all investments securities are registered and held in the name of the Town. Additionally, the Town places deposits in financial institutions that are FDIC insured up to \$250,000, rated "well capitalized" on its most recent audited financial statement/SEC filings if deposits exceed \$250,000, and if the capital ratios are currently acceptable but appear to be in jeopardy, the Town will engage an outside rating agency to determine status of the institution. The Town also ensures that all uninsured deposits greater than \$250,000 are collateralized.

***Credit Risk***

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation and the Town will not be able to recover the value of its investment or collateral securities possessed by another party. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2017 the Town's investments included investments in corporate and municipal bonds totaling \$4,074,357 which are subject to credit risk of the issuing entity.

**4. PROPERTY TAXES**

During the year ended June 30, 2017, the Town received \$393,779 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$41.95 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008, 2008-2009, and 2009-2010 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$41.95. Subsequent to June 30, 2017, the State approved motor vehicle legislation to reduce motor vehicle taxes commencing in fiscal 2018.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**4. PROPERTY TAXES (Continued)**

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

Net property taxes levied for fiscal year 2017 were based on a net assessed value of approximately \$2,193,256,000 at December 31, 2015 and amounted to approximately \$70,078,000. Collections on this assessment through June 30, 2017 amounted to approximately \$67,207,000, which represents approximately 96% of the total tax levy.

The Town recognizes property tax revenues in accordance with generally accepted accounting principles on the Fund statements. Unpaid property taxes as of June 30, 2017 (\$4,137,546) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,942,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2017 are recorded as unavailable revenue and amounted to \$3,369,549 at June 30, 2017. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2017 (due to their collection within the 60 days immediately following June 30, 2017) amounted to \$767,997.

**5. ABATEMENTS – TAX TREATY AGREEMENTS**

The Town of North Providence may, from time to time, enter into tax abatement agreements (tax treaty agreements) with local businesses in accordance with provisions of Rhode Island Public Laws, 1960, Chapter 7, Section 44-3-9, and various provisions of the General Laws of the State of Rhode Island. In accordance with the applicable Public Law and the General Laws of the State of Rhode Island, the Town may enter into tax treaty agreements which provide exemption or stabilization of taxes as a means to induce businesses to locate to the Town. These agreements are considered to be in the best public interest of the Town as they provide incentives for businesses to locate, maintain, or expand business in the Town which will result an increase in the tax base of the Town, provide increased tax revenue, enhance property values in Town, help the overall economic climate of the Town, and in some instances, create employment opportunity for the residents of the Town. As of June 30, 2017 the Town of North Providence maintained two tax treaty/tax abatement agreements in accordance with Town Ordinances establishing Article V of Chapter 32 of the Code of Ordinances of the Town of North Providence. These agreements provided tax relief to businesses in the form of tax exemption and tax stabilization agreements for real and tangible property taxes. Listed below is a summary of information pertaining to these agreements for the fiscal year ended June 30, 2017.

- Tax exemption and stabilization agreement with a hospital dated May 5, 2015 in accordance with the RI General Laws section 44-3-9. The tax stabilization amount paid by the hospital for real property was \$567,000 for the fiscal year ended June 30, 2017. The tax abatement received under this agreement for real property totaled approximately \$2,443,000 (81%) for the fiscal year ended June 30, 2017. In addition to the stabilization of taxes for real property, the agreement also provides a schedule for stabilization of tangible property. No payments were received on the tangible property for the fiscal year ended June 30, 2017 and the amount of savings is unavailable due to the unknown value of the tangible property for fiscal 2017. This agreement is for a ten year period and is currently scheduled to terminate on June 30, 2025.
- Tax exemption and stabilization agreement with a developer of residential apartments dated September 1, 2015 in accordance with the RI General Laws section 44-3-9. The tax stabilization amount paid was \$33,889 for the fiscal year ended June 30, 2017. The tax abatement received under this agreement for real property totaled approximately \$12,100 (27%) for the fiscal year ended June 30, 2017. In addition to the stabilization of taxes for real property, the agreement also requires \$0 in payment for tangible property. The amount of savings is unavailable due to the unknown value of the tangible property for fiscal 2017. This agreement is for a seven year period and is currently scheduled to terminate on June 30, 2023.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**6. ACCOUNTS RECEIVABLE**

At June 30, 2017 General Fund accounts receivable on the fund statements consisted of the following:

	<u>Receivable Balance</u>	<u>Allowance</u>	<u>Net Receivable</u>
Property taxes .....	\$ 8,079,546	(\$3,942,000)	\$4,137,546
Tax lien property .....	626,895	(626,895)	-
Municipal Court fees.....	214,438	(161,028)	53,410
EMS Rescue billings .....	838,919	(671,135)	167,784
Other receivables .....	175,752	(17,334)	158,418
<b>Total</b> .....	<u>\$ 9,935,550</u>	<u>(\$5,418,392)</u>	<u>\$4,517,158</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**7. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balances <u>7/1/16</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/17</u>
<b>Governmental Activities:</b>				
<b>Nondepreciable Assets:</b>				
Land	\$ 17,439,150	\$ 1,010,759	\$ -	\$ 18,449,909
Construction in progress	964,725	1,814,375	747,671	2,031,429
<b>Total nondepreciable assets</b>	<u>18,403,875</u>	<u>2,825,134</u>	<u>747,671</u>	<u>20,481,338</u>
<b>Depreciable Assets:</b>				
Buildings and improvements	47,388,146	977,953	-	48,366,099
Land improvements	892,140	367,472	-	1,259,612
Vehicles	7,473,722	151,449	-	7,625,171
Equipment, furniture and fixtures	6,281,174	1,136,959	-	7,418,133
Infrastructure	9,069,599	1,939,967	-	11,009,566
<b>Total depreciable assets</b>	<u>71,104,781</u>	<u>4,573,800</u>	<u>-</u>	<u>75,678,581</u>
<b>Total cost</b>	<u>89,508,656</u>	<u>7,398,934</u>	<u>747,671</u>	<u>96,159,919</u>
<b>Accumulated Depreciation:</b>				
Building and improvements	(24,412,671)	(892,169)	-	(25,304,840)
Land improvements	(304,936)	(32,757)	-	(337,693)
Vehicles	(5,700,049)	(259,290)	-	(5,959,339)
Equipment, furnitures and fixtures	(3,158,407)	(367,916)	-	(3,526,323)
Infrastructure	(4,776,980)	(349,712)	-	(5,126,692)
<b>Total acumulated depreciation</b>	<u>(38,353,043)</u>	<u>(1,901,844)</u>	<u>-</u>	<u>(40,254,887)</u>
<b>Net capital assets</b>	<u>\$ 51,155,613</u>	<u>\$ 5,497,090</u>	<u>\$ 747,671</u>	<u>\$ 55,905,032</u>
<b>Business-type Activities:</b>				
Machinery, equipment and furniture	\$ 181,144	\$ 25,971	\$ -	\$ 207,115
<b>Accumulated Depreciation:</b>				
Machinery, equipment and furniture	(154,716)	(20,067)	-	(174,783)
<b>Net capital assets</b>	<u>\$ 26,428</u>	<u>\$ 5,904</u>	<u>\$ -</u>	<u>\$ 32,332</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions/programs of the Town:

<b>Governmental Activities:</b>	
Legislative, judicial and administrative	\$ 106,537
Public safety	547,140
Public services/works	290,219
Grants and Contributions	195,374
Education	762,574
<b>Total</b>	<u>\$ 1,901,844</u>
<b>Business-type Activities:</b>	
School Cafeteria Fund	<u>\$ 20,067</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**8. DUE FROM FEDERAL AND STATE GOVERNMENTS**

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2017:

<b>General Fund:</b>	
State of Rhode Island .....	\$ 435,772
<b>School Unrestricted Fund:</b>	
State of Rhode Island – EDS – Medicaid Funding .....	136,268
Rhode Island Department of Education .....	39,822
<b>Federal Forfeiture Fund:</b>	
U.S. Department of Justice .....	30,703,645
<b>Non-Major Governmental Funds:</b>	
State of Rhode Island (RIDE) .....	880,437
State of Rhode Island DEM, RIEMA and others .....	281,501
<b>School Cafeteria Fund:</b>	
State of Rhode Island .....	182,613
<b>Total all fund types</b> .....	<u>\$32,660,058</u>

The receivable from the U. S. Department of Justice represents amounts awarded to the Town of North Providence through the federal forfeiture program. As of June 30, 2017 this amount was considered earned by the Town but is reported as unavailable for revenue recognition in the fund financial statements.

**9. INTERFUND BALANCES**

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<b><u>Governmental Funds:</u></b>		
<b>Major Governmental Funds:</b>		
General Fund .....	\$ 87,145	\$3,372,305
School Unrestricted Fund .....	3,903,992	-
Federal Forfeiture Fund .....	-	13,999
<b>Total Major Governmental Funds</b> .....	<u>3,991,137</u>	<u>3,386,304</u>
<b>Non-major Governmental Funds:</b>		
Special Revenue Funds .....	774,345	802,865
Capital Project Funds .....	384,365	960,678
<b>Total Non-Major Governmental Funds</b> .....	<u>1,158,710</u>	<u>1,763,543</u>
<b>Total Interfund Balances</b> .....	<u>\$5,149,847</u>	<u>\$5,149,847</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**10. LONG-TERM DEBT**

(a) At June 30, 2017, the Town's long-term debt outstanding and activity consisted of the following:

<u>Description</u>	<u>Date Issued</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2017</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>									
<b>General obligation bonds:</b>									
General Obligation Bond .....	02/15/07	\$ 3,500,000	6/12 & 6/27	4.0-5.375%	\$1,925,000		\$ 175,000	\$1,750,000	\$ 175,000
RIHEBC Refunding Bond .....	12/19/13	9,635,000	11/15/23	1.0% - 5.0%	8,020,000		850,000	7,170,000	890,000
General Obligation Refunding .....	2/27/14	2,165,000	9/15/23	.63% - 3.77%	1,600,000		265,000	1,335,000	260,000
School Building Authority Capital Bond .....	06/30/16	218,000	6/1/2021	.94%	218,000		44,000	174,000	44,000
Premium on Refunding Bond.....	12/19/13	<u>542,013</u>			433,611		54,201	379,410	0
<b>Total general obligation bonds .....</b>		<b><u>\$16,060,013</u></b>			<b>12,196,611</b>	<b>\$ 0</b>	<b>1,388,201</b>	<b>10,808,410</b>	<b>1,369,000</b>
<b>Notes and lease purchase obligations:</b>									
2012 Ladder Truck .....	09/09/11	\$ 667,854	09/09/21	2.90%	348,498		65,773	282,725	67,680
2014 Pumper Truck .....	03/14/14	407,695	03/14/23	3.75%	288,925		36,859	252,066	38,241
2015 Medical Rescue Unit.....	08/17/15	196,499	07/01/19	2.10%	117,623		38,396	79,227	0
Server and equipment (School).....	11/01/13	<u>192,114</u>	11/01/16	7.05%	49,593		49,593	0	0
<b>Total lease purchase obligations ..</b>		<b><u>\$ 1,464,162</u></b>			<b>804,639</b>	<b>0</b>	<b>190,621</b>	<b>614,018</b>	<b>105,921</b>
Compensated absences .....					7,444,362	0	318,770	7,125,592	850,000
IBNR claims .....					571,691	740,642	571,691	740,642	740,642
					<u>8,016,053</u>	<u>740,642</u>	<u>890,461</u>	<u>7,866,234</u>	<u>1,590,642</u>
<b>Governmental activities long-term liabilities .....</b>					<b><u>\$21,017,303</u></b>	<b><u>\$740,642</u></b>	<b><u>\$2,469,283</u></b>	<b><u>\$19,288,662</u></b>	<b><u>\$3,030,563</u></b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(b) Additional Debt Information**

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap cannot exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$65,798,000 which is 3% of the assessed value of property at December 31, 2015 (\$2,193,256,000). The Town's total bonded debt at June 30, 2017 was \$10,429,000 which is less than the maximum amount allowed. Also, some of the Towns bonded debt may be exempt from the 3% calculation resulting in additional amounts available within the cap. The total long-term debt of the Town noted above (\$19,288,662) represents approximately 1.0% of the assessed value of the taxable property of the Town at June 30, 2017.

Interest accrued on debt obligations is reported as a liability and expense in the government-wide financial statements. However, it is not reported in the Fund Statements until it is paid with measurable and available resources. Accrued interest expense recorded for the tax anticipation note obligations and long-term debt obligations of the Governmental Activities was approximately \$73,900 at June 30, 2017.

Compensated absences of \$7,125,592 at June 30, 2017 represent vested sick, personal, and vacation time earned by employees as of June 30, 2017 in accordance with their applicable employment contracts. This balance is comprised of \$4,568,140 for Town personnel and \$2,557,452 for School Department personnel.

**(c) Debt Service Requirements**

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

**Governmental Activities**

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018.....	\$ 1,474,921	\$ 405,238	\$ 1,880,159
2019.....	1,557,521	355,515	1,913,036
2020.....	1,595,850	298,501	1,894,351
2021.....	1,599,447	238,316	1,837,763
2022.....	1,529,308	175,233	1,704,541
2023 – 2027.....	3,285,971	210,907	3,496,878
Total.....	<u>\$11,043,018</u>	<u>\$1,683,710</u>	<u>\$12,726,728</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, would not be reflected in the financial statements of the Town of North Providence, Rhode Island. The Town does not have any defeased bonds outstanding at June 30, 2017.

**(e) Schedule of long-term debt by purpose at June 30, 2017 is as follows:**

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds and premium .....	\$10,808,410	56%
Lease purchase obligations .....	614,018	3%
IBNR claims .....	740,642	4%
Compensated absences .....	<u>7,125,592</u>	<u>37%</u>
<b>Total</b> .....	<u><u>\$19,288,662</u></u>	<u>100%</u>

**11. FUND BALANCES (DEFICITS)**

**(a) Fund Balances**

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

At June 30, 2017 **Nonspendable Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**General Fund:**

Prepaid expenditures – health care deposits .....	\$573,000
Miscellaneous prepaid expenditures .....	<u>341,468</u>
<b>Total General Fund</b> .....	<u>914,468</u>

**School Unrestricted Fund:**

Prepaid expenditures .....	<u>63,160</u>
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**NONMAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Prepaid expenditures .....	<u>3,000</u>
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**Total Nonspendable Fund Balance** ..... \$980,628

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

At June 30, 2017 **Restricted Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**Federal Forfeiture Fund:**

Restricted for law enforcement expenditures .....	<u>\$3,225,249</u>
<b>Total Major Governmental Funds .....</b>	<u><b>3,225,249</b></u>

**NONMAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Community development programs .....	95,309
Police/Public safety programs .....	289,307
Preservation of records and technology .....	281,130
Educational programs .....	68,150
Community events .....	4,976
Public Works/service projects .....	212,518

**Capital Project Funds:**

Town Capital Project Fund .....	<u>36,501</u>
<b>Total NonMajor Governmental Fund .....</b>	<u><b>987,891</b></u>

**Total Restricted Fund Balance .....** **\$4,213,140**

At June 30, 2017 **Committed Fund Balance** consisted of the following:

**MAJOR GOVERNMENTAL FUNDS:**

**General fund:**

Budgetary reserve in accordance with Resolution R15-008 .....	<u>\$2,801,676</u>
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**NONMAJOR GOVERNMENTAL FUNDS:**

**Special Revenue Funds:**

Land acquisition and preservation .....	165,232
Recycling program .....	156,387
Recreation program .....	20,965

**Capital Projects Funds:**

Fire Equipment acquisitions .....	91,913
Capital Project Fund .....	162,409
Elementary School improvements .....	<u>61,410</u>
<b>Total NonMajor Governmental Fund .....</b>	<u><b>658,316</b></u>

**Total Committed Fund Balance .....** **\$3,459,992**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(b) Fund Deficits (Continued)**

The following individual funds had negative unassigned fund balance at June 30, 2017:

**Nonmajor Governmental Funds:**

Police Grants .....	\$ 884
School Capital Reserve .....	<u>560,238</u>
<b>Total Negative Unassigned Fund Balance.....</b>	<b><u>\$561,122</u></b>

The deficit fund balances noted above will be cleared in fiscal 2018 when grant revenue is received and when the proceeds from bond issuance are received for the School Capital Projects.

The following individual funds had operating deficits for the fiscal year ending June 30, 2017:

**Nonmajor Governmental Funds:**

**Special Revenue Funds**

Police Grants .....	\$ 884
Community Development Block Grants .....	6,821
Treasury Forfeiture Fund.....	13,682
Recording Fees Fund .....	16,105
Youth Commission Special Fund .....	202,009

**Capital Project Funds**

School Capital Reserve .....	1,060,238
Kids Klub School Improvements .....	<u>8,991</u>
<b>Total deficits non-major governmental funds ...</b>	<b><u>\$1,308,730</u></b>

**12. INTERFUND TRANSFERS**

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer Out</u>	School Unrestricted Fund	Nonmajor Governmental Funds	Total Transfer Out
General Fund .....	\$32,550,260	\$ 744,690	\$33,294,950
Nonmajor Governmental Funds.....	-	<u>244,360</u>	<u>244,360</u>
<b>Total transfer in.....</b>	<b><u>\$32,550,260</u></b>	<b><u>\$ 989,050</u></b>	<b><u>\$33,539,310</u></b>

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**13. DEFINED BENEFIT PENSION PLANS**

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board**

**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's (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](http://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.

**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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

**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.

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 in MERS**

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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

***Police and Fire employees in MERS***

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.

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.

Police Officers in the Town of North Providence do not participate in the MERS Plan.

***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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

**Other benefit provisions (Continued)**

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 the 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.
- d. The Town of North Providence has not adopted the COLA plan for its' general or fire employees. The Town of North Providence's Fire Plan under MERS adopted the 20-year option described above.

**Employees covered by benefit terms.**

At the June 30, 2015 valuation date, the following employees were covered by the benefit terms:

	<b>General Employees MERS Plan</b>	<b>Fire Employees MERS Plan</b>
Retirees and Beneficiaries	167	74
Inactive, Nonretired Members	109	11
Active Members	210	98
<b>Total</b>	<b>486</b>	<b>183</b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees under the COLA plan are required to contribute 2% while General employees under the non COLA plan contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% of their salaries. The Town of North Providence, Rhode Island 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 contribution rates for fiscal 2017 were determined by the actuarial valuation dated June 30, 2014.

The contribution information for the fiscal year ended June 30, 2017 for the MERS Plans is as follows:

	<b>General Employees MERS Plan</b>	<b>Fire Employees MERS Plan</b>
Employer Contributions (rounded)	\$ 411,300	\$ 1,207,900
Covered Payroll (rounded)	\$ 7,134,700	\$ 5,643,600
Percentage of annual covered payroll	5.80%	21.33%

**Net Pension Liability (Asset)** - The total pension liability was determined by actuarial valuations performed as of June 30, 2015 and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability (Asset) at the June 30, 2016 measurement date (June 30, 2015 valuation rolled forward to June 30, 2016)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	19 years at June 30, 2016
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 3.5% to 7.5%
	<u>Police &amp; Fire Employees</u> 4% to 14%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS Police &amp; Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS Police &amp; Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments (COLA)	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity:	38%	-
U.S. Equity	-	6.98%
International Developed	-	7.26%
International Emerging Markets	-	9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed Income	15%	2.37%
Asbsolute Return Hedge Funds	7%	4.10%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.97%
Credit	-	4.97%
Inflation Linked Bonds	-	1.76%
Cash, Overlay, Money Market	3%	0.82%
<b>Total</b>	<b>100%</b>	

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 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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

<b>Changes in the Net Pension Liability (Asset)</b>			
<b>General Employees MERS Plan:</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
Balances as of June 30, 2015	\$ 26,717,804	\$ 28,211,847	\$ (1,494,043)
Changes for the Year:			
Service Cost	538,924	-	538,924
Interest on the total pension liability	1,955,602	-	1,955,602
Changes in benefits	-	-	-
Difference between expected and actual experience	322,270	-	322,270
Employer contributions	-	467,972	(467,972)
Employee contributions	-	148,813	(148,813)
Net investment income	-	(8,852)	8,852
Benefit payments, including employee refunds	(1,825,134)	(1,825,134)	-
Administrative expense	-	(25,710)	25,710
Other changes	-	14,859	(14,859)
Net Changes	<u>991,662</u>	<u>(1,228,052)</u>	<u>2,219,714</u>
Balances as of June 30, 2016	<u>\$ 27,709,466</u>	<u>\$ 26,983,795</u>	<u>\$ 725,671</u>

<b>Changes in the Net Pension Liability (Asset)</b>			
<b>Fire Employees MERS Plan:</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
Balances as of June 30, 2015	\$ 42,595,922	\$ 30,970,330	\$ 11,625,592
Changes for the Year:			
Service Cost	933,608	-	933,608
Interest on the total pension liability	3,135,600	-	3,135,600
Difference between expected and actual experience	811,915	-	811,915
Employer contributions	-	1,259,357	(1,259,357)
Employee contributions	-	455,921	(455,921)
Net investment income	-	(10,462)	10,462
Benefit payments, including employee refunds	(2,509,464)	(2,509,464)	-
Administrative expense	-	(28,142)	28,142
Other changes	-	1,722	(1,722)
Net Changes	<u>2,371,659</u>	<u>(831,068)</u>	<u>3,202,727</u>
Balances as of June 30, 2016	<u>\$ 44,967,581</u>	<u>\$ 30,139,262</u>	<u>\$ 14,828,319</u>

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(a) Agent Multiple Plans Administered by the State of Rhode Island Retirement Board (Continued)**

**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%, 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.

	<u>Ending Net Pension Liability (Asset)</u>		
	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
General Employees MERS Plan	\$ 3,688,245	\$ 725,671	\$ (1,699,417)
Fire Employees MERS Plan	\$ 19,587,313	\$ 14,828,319	\$ 10,933,112

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

**Pension Expense**

For the year ended June 30, 2017 the Town of North Providence recognized pension expense in the Government-Wide Statement of Activities of:

General Employees MERS Plan	\$ 428,212
Fire Employees MERS Plan	\$ 1,819,603

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

**General Information about the Pension Plan**

**Plan description** - Certain employees of the Town of North Providence's School Department 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>.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

**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 covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are 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.

**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 2016, the Town of North Providence's School Department 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 who must contribute 11% of their annual covered salary. The state and the Town of North Providence 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 of North Providence; the rates were 9.95% and 13.18% of annual covered payroll for the fiscal year ended June 30, 2017 for the State and Town of North Providence, respectively. The Town of North Providence's School Department contributed approximately \$3,338,600, \$3,400,000, and \$3,290,000 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit plan for the fiscal year ended June 30, 2017 was approximately \$2,415,000. This amount has been included in the Fund Statements as revenue and educational expenditures for fiscal 2017.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)**

**Pension Liabilities and Pension Expense**

At June 30, 2017, the Town of North Providence reported a liability of \$43,597,532 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 of North Providence 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 of North Providence were as follows:

Town of North Providence's proportionate share of the net pension liability.....	\$43,597,532
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence .....	<u>29,857,907</u>
<b>Total net pension liability.....</b>	<b><u>\$73,455,439</u></b>

The net pension liability was measured as of June 30, 2016, 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, 2015 rolled forward to June 30, 2016. The Town of North Providence's proportion of the net pension liability was based on a projection of the Town of North Providence's 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, 2016 the Town of North Providence's proportion was 1.46125017%.

For the year ended June 30, 2017 the Town of North Providence recognized gross pension expense in the Government-wide financial statements of approximately \$7,138,000 and operating grants and contributions for education of approximately \$2,499,300 for support provided by the State.

**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 6.50%
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, 2015 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

**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 NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)**

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 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity:	38%	-
U.S. Equity	-	6.98%
International Developed	-	7.26%
International Emerging Markets	-	9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed Income	15%	2.37%
Asbsolute Return Hedge Funds	7%	4.10%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.97%
Credit	-	4.97%
Inflation Linked Bonds	-	1.76%
Cash, Overlay, Money Market	3%	0.82%
<b>Total</b>	<u>100%</u>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the 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.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(b) Teachers' Pension Plan – Employees' Retirement System (ERS) (Continued)**

	<b>Ending Net Pension Liability (Asset)</b>		
	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Teacher's Pension Plan - ERS	\$ 53,839,137	\$ 43,597,532	\$ 35,213,242

**(c) Police Pension Plan – Trust Fund**

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2017. The covered payroll for employees covered by the plan for the year ended June 30, 2016 was approximately \$4,189,000.

***Plan Description***

The plan became effective July 1, 1978. All police officers working 1,000 hours or more in a plan year and contributing to the plan are eligible for retirement benefits. Participants are eligible for vested benefits after 10 years of service. The plan provides retirement benefits as well as death and disability benefits. Participants in the plan are eligible to retire at the completion of 20 years of service. Normal retirement benefit is 2.5% of average compensation for each year of credited service, up to 20 years, plus 2% of average compensation for each year of credited service in excess of 20 years with a maximum of 75% of average compensation. Benefit is payable as an unreduced 67.5% Joint and Survivor Annuity. Average compensation is defined as the average of the 3 highest non-consecutive years during the last 10 years of base annual pay including longevity pay and excluding overtime.

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(c) Police Pension Plan – Trust Fund (Continued)**

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

**Contributions Required and Contributions Made**

Under the provisions of the plan, employees are required to contribute 8% of their compensation. The plan actuarial valuation dated July 1, 2014 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2017. The Town's actuarially determined contribution for the fiscal year ended June 30, 2017 was \$812,452. The Town contributed \$1,110,332 or 137% of the required contribution for fiscal 2017. The additional contribution was made based on the July 1, 2016 actuarial valuation report which recommended an increase to the annual required contribution for future periods.

**Actuarial Methods and Assumptions:**

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2014 which was used to determine the fiscal 2017 annual required contribution and July 1, 2016 which is the most recent report available. There were no changes to the plan provisions between the July 1, 2014 and July 1, 2016 actuarial valuation. The following are changes and key notes that were made on the July 1, 2016 valuation as compared to the July 1, 2014 valuation.

- The mortality table was changed from RP-2000, Male and Female, with generational projection of future mortality improvements per Scale AA to the RP-2014 Blue Collar Mortality with generational improvements projected beginning in 2006 based on the Social Security Administration's assumptions from the Trustees' Report. In addition, the disabled mortality table was also updated from the RP-2000 to the RP-2014.
- The Salary scale was changed from an age-based table to a flat 2% scale resulting in a decrease in liabilities and normal cost.
- The growth rate for amortization of Unfunded Actuarial Accrued Liability was changed from 3.5% to 2% to be consistent with the updated salary scale.

As a result of the above revisions, market conditions, and experience, the actuarially recommended contribution has been increased from 22.1% to 28.3% of covered payroll. The calculated annual contribution requirement as of July 1, 2016 is \$1,079,745.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(c) Police Pension Plan – Trust Fund (Continued)**

**Actuarial Methods and Assumptions (Continued):**

**Funding Method** - Entry Age Normal Cost Method

**Investment Return** – 7.25%

**Asset Valuation Method** – Market Value with 5 year smoothing of gains and losses.

**Amortization Period** – Open 10 year level percent or pay amortization of Unfunded Actuarial Accrued Liability.

**Payroll Growth Rate** – 3.50% used for 7/1/2014 valuation – 2% used for 7/1/2016 valuation.

**Healthy Mortality** – RP-2014 (RP-2000 at 7/1/2014) Blue Collar Mortality Tables.

**Disabled Mortality** – RP-2014 (RP-2000 at 7/1/2014) Disabled Mortality with generational improvements.

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

<b>Withdrawal –</b>	<b>Age</b>	<b>Rate</b>
	20-30	2.90%
	35	1.90%
	40	1.70%
	45	0.00%

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

A complete copy of the Town of North Providence, Rhode Island Police Pension Plan Annual Actuarial Valuation as of July 1, 2016 (latest available) can be obtained by contacting the Finance Department, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

**Plan Administration**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(c) Police Pension Plan – Trust Fund (Continued)**

**Investment Policy**

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

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

**Concentrations**

At June 30, 2017 the Town's Police Pension Trust Fund held investments in the following which represented 5% or more of the police pension plan's net position.

<b>Investment:</b>	<b>Police Pension Trust Fund Fair Market Value</b>	<b>% of Fiduciary Net Position</b>
Vanguard 500 Index Admiral	\$ 10,408,385	26%
Vanguard Mid Cap Index Admiral	\$ 3,127,918	8%
JP Morgan High Yield Bond Fund Class I	\$ 2,522,138	6%
Vanguard Developed Mrkts Index Admiral	\$ 2,253,505	6%
Oppenheimer Dev Mrkts Class Y	\$ 2,218,705	6%

**Rate of Return**

For the year ended June 30, 2017 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 10.03%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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.

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(c) Police Pension Plan – Trust Fund (Continued)**

**Rate of Return (Continued)**

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, 2017 are summarized in the following table:

<b>Asset Class:</b>	<b>Long-Term Expected Rate of Return</b>
Cash	0.00%
Equity	5.14%
Fixed Income	1.89%
Real Estate	5.36%
Other	3.25%

**Net Pension Liability**

The net pension liability consisted of the following components at June 30, 2017:

<b>Component:</b>	<b>Police Pension Plan Trust Fund</b>
Total pension liability	\$45,605,326
Plan fiduciary net position	\$39,621,505
Net pension liability	\$5,983,821
Plan fiduciary net position as a percentage of the total pension liability	86.88%

**Discount Rate**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(c) Police Pension Plan – Trust Fund (Continued)**

<b>Police Pension Plan - Trust Fund</b>	<b>Changes in the Net Pension Liability (Asset)</b>		
	<b>Total Pension Liability</b>	<b>Increase (Decrease) Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
Balances as of June 30, 2016	\$ 44,148,794	\$ 36,680,757	\$ 7,468,037
Changes for the Year:			
Service Cost	736,642	-	736,642
Interest on the total pension liability	3,170,114	-	3,170,114
Difference between expected and actual experience	-	-	-
Changes in assumptions	(130,764)	-	(130,764)
Employer contributions	-	1,110,332	(1,110,332)
Employee contributions	-	332,577	(332,577)
Net investment income	-	3,817,299	(3,817,299)
Benefit payments, including employee refunds	(2,319,460)	(2,319,460)	-
Administrative expense	-	-	-
Net Changes	<u>1,456,532</u>	<u>2,940,748</u>	<u>(1,484,216)</u>
Balances as of June 30, 2017	<u>\$ 45,605,326</u>	<u>\$ 39,621,505</u>	<u>\$ 5,983,821</u>

For the year ended June 30, 2017 the Town of North Providence recognized pension expense of \$1,938,114 in the Government-wide financial statements for the Police Pension Plan administered by the Town.

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

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

<b>Police Pension Trust Fund:</b>	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Net Pension Liability (asset)	\$11,497,799	\$5,983,821	\$1,064,608

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(d) Deferred Outflows of Resources and Deferred Inflows of Resources Related to all Pension Plans**

The Town of North Providence, Rhode Island reported deferred outflows of resources and deferred inflows of resources related to its' various pension plans from the following sources:

	<b>General Employees MERS Plan</b>	<b>Fire Employees MERS Plan</b>	<b>Teacher's ERS Plan</b>	<b>Police Pension Plan</b>	<b>Total All Plans</b>
<b>Deferred Outflows of Resources:</b>					
Contributions subsequent to measurement date	\$ 411,253	\$ 1,207,892	\$ 3,338,598	\$ -	\$ 4,957,743
Net Difference between projected and actual earnings	1,772,440	1,952,095	3,402,149	1,541,309	8,667,993
Changes in proportion and difference in employers contribution proportion	-	-	4,860,465	-	4,860,465
Difference between actual and expected experience	246,358	681,344	-	1,370,258	2,297,960
<b>Total Deferred Outflows of Resources</b>	<b>2,430,051</b>	<b>3,841,331</b>	<b>11,601,212</b>	<b>2,911,567</b>	<b>20,784,161</b>
<b>Deferred Inflows of Resources:</b>					
Difference between actual and expected experience	498,690	87,071	860,203	49,657	1,495,621
Changes in assumptions	51,794	143,311	903,100	654,123	1,752,328
<b>Total Deferred Inflows of Resources</b>	<b>550,484</b>	<b>230,382</b>	<b>1,763,303</b>	<b>703,780</b>	<b>3,247,949</b>
<b>Net Deferred Outflows (Inflows)</b>	<b>\$ 1,879,567</b>	<b>\$ 3,610,949</b>	<b>\$ 9,837,909</b>	<b>\$ 2,207,787</b>	<b>\$ 17,536,212</b>

Deferred outflows of resources related to 2017 contributions to pension plans subsequent to the measurement date (June 30, 2016 where applicable) will be recognized as a reduction of the net pension liability for the year ended June 30, 2018.

Other amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2017 will be recognized as a component of pension expense over the following periods of time:

- Closed 5 year period beginning in the current period for the deferred outflows or inflows of resources related to the net projected and actual earnings on pension plan investments.
- All other deferred outflows and inflows of resources related to pension plans as described above are amortized over a closed period of time equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (includes active and inactive employees) determined as of the beginning of the measurement period.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**(d) Deferred Outflows of Resources and Deferred Inflows of Resources Related to all Pension Plans (Continued)**

Based on the above, the other amounts of deferred outflows and inflows of resources related to the Town of North Providence, Rhode Island's pension plans will be recognized as a component of pension expense as follows for the years ended June 30:

	<b>Net Deferred Outflows (Inflows) of Resources</b>	
2018.....	\$	2,733,948
2019.....		2,770,194
2020.....		3,990,052
2021.....		2,079,007
2022.....		673,886
Thereafter.....		331,382
<b>Total.....</b>	<b>\$</b>	<b>12,578,469</b>

**14. DEFINED CONTRIBUTION PENSION PLAN**

**Plan Description:**

General municipal, certified school, and noncertified school employees participating in the defined benefit plans administered by the State of Rhode Island with less than 20 years of service as of June 30, 2012, as described in Note 12, 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 plan members and Town contributed approximately \$1,291,000 and \$296,400, respectively, during the fiscal year ended June 30, 2017. The employer contribution of \$296,400 consisted of approximately \$40,400 for general municipal employees, \$29,000 for noncertified school employees, and \$227,000 for certified teachers.

Although the Town (School Department) is required to contribute 1% to 1.5% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% to 1.5% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2017 amounted to approximately \$80,000.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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>.

The table below shows the contribution requirements for the Defined Contribution Plan.

	<u>EE</u> <u>Contribution</u>	<u>ER</u> <u>Contribution</u>
<b>Members of the Employees Retirement System of Rhode Island:</b>		
Teachers with less than 10 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1%
who do not contribute to Social Security	7%	3%
Teachers with 10 to 15 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1.25%
who do not contribute to Social Security	7%	3.25%
Teachers with 15 to 20 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1.50%
who do not contribute to Social Security	7%	3.50%
<b>Members of the Municipal Employee Retirement System (MERS):</b>		
Public Safety Members that do not contribute to Social Security	3%	3%
Public Safety Members that contribute to Social Security	N/A	N/A
General Employees with less than 10 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1%
who do not contribute to Social Security	7%	3%
General Employees with 10 to 15 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1.25%
who do not contribute to Social Security	7%	3.25%
General Employees with 15 to 20 years of service as of 7/1/2012 and:		
who contribute to Social Security	5%	1.50%
who do not contribute to Social Security	7%	3.50%

**15. DEFERRED COMPENSATION PLAN**

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

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

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2017 the stop loss insurance contract covered all claims exceeding \$160,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2017 the Town has estimated a liability for incurred but not reported claims (IBNR) based on an estimate of actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2017. Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2017 were as follows:

Incurred but not reported claims (IBNR), June 30, 2016.....	\$ 571,691
Approximate amount of incurred claims .....	11,123,504
Paid claims including amount in accounts payable at June 30, 2017 .....	<u>(10,954,553)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2017 .....</b>	<b><u>\$ 740,642</u></b>

Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2016 were as follows:

Incurred but not reported claims (IBNR), June 30, 2015.....	\$ 667,555
Approximate amount of incurred claims .....	11,684,662
Paid claims including amount in accounts payable at June 30, 2016 .....	<u>(11,780,526)</u>
<b>Estimated IBNR Claims outstanding at June 30, 2016 .....</b>	<b><u>\$ 571,691</u></b>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2017 but which were not reported until after year-end. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Position as they are not expected to be paid with current measurable and available resources at June 30, 2017. The IBNR claims outstanding at June 30, 2017 are comprised of \$273,473 and \$467,169 related to Town and School employees, respectively.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

At June 30, 2017 the Town of North Providence has a deposit with the Plan Administrator totaling \$573,000. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in nonspendable fund balance in the governmental activities of the Fund Statements.

**17. COMMITMENTS AND CONTINGENCIES**

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

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

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Position at June 30, 2017.

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN**

In addition to the pension benefits described in Notes 13 and 14, the Town provides post-employment health care benefits and dental in accordance with certain union contracts. The Town administers a single-employer defined benefit plan and presents the information for this Plan in the Fiduciary Fund Statements and the OPEB liability and related deferred inflows and outflows in the Government-Wide Statement of Net Position in accordance with GASB No. 75.

**Eligibility:**

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

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

**Eligibility (Continued):**

**Fire:** Firefighters are eligible for retiree health benefits (medical and dental) until Medicare eligibility if they are eligible to retire under Rhode Island Municipal Employees Retirement System (RI MERS).

**General Employees:**

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

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

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

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

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2016*. This report dated December 30, 2016 can be obtained by contacting the Town's Finance Department.

**Employees Covered by Benefit Terms:**

At June 30, 2016, the following employees represents the census information relative to the OPEB benefits:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Total active participants	254	434	688
Total retiree participants	105	42	147
Total active with coverage	236	348	584
Total retirees with coverage	105	42	147

**Net OPEB Liability:**

The following is a summary of the net OPEB liability as of June 30, 2017:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Total OPEB Liability	\$ 55,406,283	\$ 6,236,569	\$ 61,642,852
Actuarial Value of Assets	1,107,305	-	1,107,305
Net OPEB Liability	<u>\$ 54,298,978</u>	<u>\$ 6,236,569</u>	<u>\$ 60,535,547</u>
Funded Ratio	2.0%	0.0%	1.8%

(CONTINUED)



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

**Net OPEB Liability:**

The net OPEB liability was measured as of June 30, 2017 with a valuation date of June 30, 2016.

**Changes in the Net OPEB Liability:**

<b>Town - OPEB Plan</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 56,717,102	\$ 764,785	\$ 55,952,317
Changes for the Year:			
Service Cost	2,959,480	-	2,959,480
Interest on the total OPEB liability	1,618,729	-	1,618,729
Changes in benefits	-	-	-
Difference between expected and actual experience	(2,689,096)	-	(2,689,096)
Changes in assumptions	(618,971)	-	(618,971)
Employer contributions	-	2,830,961	(2,830,961)
Net investment income	-	92,520	(92,520)
Benefit payments	(2,580,961)	(2,580,961)	-
Net Changes	(1,310,819)	342,520	(1,653,339)
Balances as of June 30, 2017	<u>\$ 55,406,283</u>	<u>\$ 1,107,305</u>	<u>\$ 54,298,978</u>

<b>School - OPEB Plan</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 6,947,102	\$ -	\$ 6,947,102
Changes for the Year:			
Service Cost	360,836	-	360,836
Interest on the total OPEB liability	195,594	-	195,594
Changes in benefits	-	-	-
Difference between expected and actual experience	(567,301)	-	(567,301)
Changes in assumptions	(198,693)	-	(198,693)
Employer contributions	-	500,969	(500,969)
Benefit payments	(500,969)	(500,969)	-
Net Changes	(710,533)	-	(710,533)
Balances as of June 30, 2017	<u>\$ 6,236,569</u>	<u>\$ -</u>	<u>\$ 6,236,569</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

**Discount Rate:**

The long-term expected rate of return in the Town's OPEB plan investments is 7.5%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments should be the yield for a 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Accordingly, for the fiscal year ended June 30, 2017 the discount rate utilized for both the Town and School OPEB plan was 3.56% (2.92% at June 30, 2016).. The basis for utilizing this discount rate was that the Town will contribute \$750,000 to the OPEB plan annually beginning in fiscal 2018, and pay-as-you-go costs will continue to be paid from the General Fund since the Trust will not accumulate enough assets at the end of 50 years to cover future benefit payments.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:**

The following presents the net OPEB liability as of June 30, 2017 calculated using the discount rate assumed (2.92%) and what the liability would be using a discount rate that is 1% higher and 1% lower than the current rate.

	<b>Ending Net OPEB Liability (Asset)</b>		
	<b>1% Decrease (2.56%)</b>	<b>Current Discount Rate (3.56%)</b>	<b>1% Increase (4.56%)</b>
Town OPEB Plan	\$ 59,161,251	\$ 54,298,978	\$ 49,931,986
School OPEB Plan	\$ 6,548,099	\$ 6,236,569	\$ 5,932,271

**Healthcare Trend Rates:**

The healthcare trend rates refers to the change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. The June 30, 2016 valuation assumes that the healthcare trend rates will commence at 9% in fiscal 2017 and be reduced annually by .5% through fiscal 2025 at which time the trend rate for medical and prescriptions will remain at 5% annually.

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates:**

The following presents the net OPEB liability as of June 30, 2017 calculated using the healthcare trend rates assumed in the valuation and what the liability would be using a healthcare trend rate that is 1% higher and 1% lower than the current rate.

	<b>Ending Net OPEB Liability (Asset)</b>		
	<b>1% Decrease 7.5% decreasing to 4%</b>	<b>Healthcare Trend Rate 8.5% decreasing to 5%</b>	<b>1% Increase 9.5% decreasing to 6%</b>
Town OPEB Plan	\$ 48,586,993	\$ 54,298,978	\$ 60,982,935
School OPEB Plan	\$ 5,729,277	\$ 6,236,569	\$ 6,808,577

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

**OPEB Expense:**

For the year ended June 30, 2017 the Town's Government-Wide Statement of Activities recognized OPEB expense of \$4,197,448 which consisted of \$3,845,669 for the Town plan and \$351,779 for the School plan.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB plans:**

In accordance with GASB No. 75, the Town of North Providence recognized deferred outflows and inflows of resources related to its' OPEB plans at June 30, 2017 in the Government-Wide Statement of Net Position as follows:

	<b>Town OPEB Plan</b>	<b>School OPEB Plan</b>	<b>Total All Plans</b>
<b>Deferred Outflows of Resources:</b>			
Changes in assumptions	\$ 247,024	\$ -	\$ 247,024
<b>Total Deferred Outflows of Resources:</b>	<u>247,024</u>	<u>-</u>	<u>247,024</u>
<b>Deferred Inflows of Resources:</b>			
Net Difference between projected and actual earnings	7,339	-	7,339
Changes in assumptions Difference between actual and expected experience	-	120,976.0	120,976
<b>Total Deferred Inflows of Resources:</b>	<u>5,377,722</u>	<u>1,244,564</u>	<u>6,622,286</u>
<b>Net Deferred Outflows (Inflows)</b>	<u>\$ (5,138,037)</u>	<u>\$ (1,365,540)</u>	<u>\$ (6,503,577)</u>

The amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2017 will be recognized as a component of OPEB expense over the following periods of time:

- Closed 5 year period beginning in the current period for the deferred outflows or inflows of resources related to the net projected and actual earnings on OPEB plan investments.
- All other deferred outflows and inflows of resources related to OPEB plans as described above are amortized over a closed period of time equal to the average of the future service years to retirement.

Based on the above, the deferred outflows and inflows of resources related to the OPEB Plans will be recognized as a component of OPEB expense as follows for the years ended June 30:

<b><u>OPEB Plans</u></b>	<b><u>Net Deferred Outflows (Inflows) of Resources</u></b>
2018.....	\$ (870,627)
2019.....	(870,627)
2020.....	(870,626)
2021.....	(875,103)
2022.....	(869,911)
Thereafter.....	(2,146,683)
<b>Total.....</b>	<u>\$ (6,503,577)</u>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

The following is a summary of some of the actuarial methods and assumptions related to the OPEB plans administered by the Town of North Providence (including the School Department):

Valuation date:	June 30, 2016 with results projected to June 30, 2017
Measurement date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal Level %
Discount Rate:	Accounting 2.92% for Town and School at June 30, 2016 and 3.56% at June 30, 2017. Funding - 7.5% for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire and 3.5% for all other employees except Police plus merit and longevity increases. The assumptions are based on the RI ERS and MERS actuarial valuation as of June 30, 2015.
Asset Method:	Market value of assets.
Mortality:	Police: RP-2000 Combined Healthy Table for males and females fully generational using scale AA. Teachers: 50% of RP-2000 Combined Healthy Table for male with white collar adjustment and 50% of RP-2000 Combined Healthy Table for female with white collar adjustment. All others: 75% of RP-2000 Combined Healthy Table for male with white collar adjustment and 75% of RP-2000 Combined Healthy Table for female with white collar adjustment.
Health Care Trend Rates:	8.5% in fiscal 2018 decreasing by .5% annually through fiscal 2025 at at which time the trend rate for medical and prescriptions remains at 5%.  Annual dental trend is assumed to be 3%.

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN (Continued)**

**Rate of Return**

For the year ended June 30, 2017 the annual money-weighted weighted rate of return on OPEB plan investments, net of plan expense was 11.95%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

**Concentrations**

At June 30, 2017 the Town's OPEB Trust Fund held investments in the following which represented 5% or more of the OPEB Plan's net position.

<b>Investment:</b>	<b>OPEB Trust Fund Fair Market Value</b>	<b>% of Fiduciary Net Position</b>
American Bond Fund of America	\$ 310,787	28%
Vanguard 500 Index Admiral	\$ 281,461	25%
Vanguard Developed Mrkts Index Admiral	\$ 166,217	15%
FidelityExtended Market Index Premium Class	\$ 149,373	13%
Blackrock High Yield Bond Institutional	\$ 77,459	7%
Vanguard Emerging Markets Index Admiral	\$ 66,876	6%
Vanguard REIT Index	\$ 55,125	5%

**19. FEDERAL FORFEITURE FUND**

The Federal Forfeiture Fund includes \$30,703,645 due from federal and state governments. This amount has also been reported as unavailable revenue at June 30, 2017 for the fund financial statements. This receivable and deferred inflow of resources represents the remaining proceeds from the Google settlement to be drawn down and utilized in future periods in accordance with the provisions stipulated by the Department of Justice.

**20. SUBSEQUENT EVENTS**

On April 4, 2017 the Town Council passed a resolution authorizing the Town to issue bonds and noted in an amount not to exceed \$75,000,000 to finance the construction, renovations, and rehabilitation of school buildings. The electorate voted to approve the borrowings on November 8, 2016. On July 11, 2017, the Town of North Providence entered into a financing agreement with the Rhode Island Health and Educational Building Corporation under the public schools revenue bond financing program. The first issue under this agreement was for \$36,655,000 and was executed on for August 3, 2017. The proceeds from the borrowing included a premium of \$4,343,070. The final maturity date of this issuance is May 15, 2042.

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# **TOWN OF NORTH PROVIDENCE**

## **REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

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

**For the Year Ended June 30, 2017**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>			
<b>Property taxes:</b>			
Current taxes	\$ 66,796,843	\$ 66,988,109	\$ 191,266
Prior taxes	2,550,000	2,638,823	88,823
<b>Total taxes current and prior</b>	<b>69,346,843</b>	<b>69,626,932</b>	<b>280,089</b>
Interest on delinquent accounts	550,000	494,097	(55,903)
<b>Total property taxes</b>	<b>69,896,843</b>	<b>70,121,029</b>	<b>224,186</b>
<b>State &amp; Federal Aid:</b>			
School construction aid	600,100	600,101	1
Meal Tax	356,410	347,976	(8,434)
State motor vehicle phase-out	389,770	393,779	4,009
Telephone tax	397,667	403,417	5,750
Library aid	172,113	192,234	20,121
State aid to education	19,665,123	19,993,635	328,512
Medicaid reimbursement (Education Department)	850,000	1,037,811	187,811
School miscellaneous receipts	100,000	80,255	(19,745)
State Aid for Revaluation	-	146,106	146,106
State community relief fund	866,171	1,037,307	171,136
<b>Total state aid - Town</b>	<b>23,397,354</b>	<b>24,232,621</b>	<b>835,267</b>
<b>Licenses, fees and rents:</b>			
Pool & fitness center	220,000	168,282	(51,718)
Notte Park	-	48,911	48,911
Data processing services	14,000	14,000	-
Rental of Town properties	160,000	231,726	71,726
<b>Total licenses, fees and rents</b>	<b>394,000</b>	<b>462,919</b>	<b>68,919</b>
<b>Investment income - short term</b>			
	-	32,228	32,228
<b>Departmental revenues:</b>			
Building inspection revenue	300,000	529,634	229,634
Town clerk receipts	620,000	798,076	178,076
Municipal court revenue	85,000	89,981	4,981
<b>Total departmental revenues</b>	<b>1,005,000</b>	<b>1,417,691</b>	<b>412,691</b>
<b>Miscellaneous revenues:</b>			
Housing authority - in lieu of taxes	25,500	28,265	2,765
Miscellaneous Receipts	50,000	165,468	115,468
Fines and Penalties	-	48,143	48,143
Tax collector costs	60,000	75,350	15,350
Sale of surplus equipment	10,000	24,652	14,652
EMS rescue services	950,000	848,643	(101,357)
<b>Total miscellaneous revenues</b>	<b>1,095,500</b>	<b>1,190,521</b>	<b>95,021</b>
<b>Total Revenues</b>	<b>95,788,697</b>	<b>97,457,009</b>	<b>1,668,312</b>
<b>Other Financing Sources:</b>			
Use of Surplus Fund Balance	-	-	-
<b>Total Revenues and Other Financing Sources</b>	<b>95,788,697</b>	<b>97,457,009</b>	<b>1,668,312</b>

(CONTINUED)



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

## General Fund - Budgetary Basis

For the Year Ended June 30, 2017

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures:</b>			
<b>Legislative, judicial and general administrative:</b>			
Administration	227,486	202,275	25,211
Town council	167,013	108,771	58,242
Town clerk	215,798	209,230	6,568
Legal department	414,834	431,661	(16,827)
Public Buildings	975,432	925,860	49,572
Board of canvassers	174,741	176,260	(1,519)
Human resources	45,810	18,540	27,270
Zoning board of review	35,250	18,999	16,251
Planning department /economic development	103,150	34,739	68,411
Other (departments)	71,600	86,580	(14,980)
<b>Total general government</b>	<b>2,431,114</b>	<b>2,212,915</b>	<b>218,199</b>
<b>Department of Finance:</b>			
Finance Director/Town Treasurer	314,092	232,161	81,931
Tax collector	326,019	317,056	8,963
Tax assessor	319,468	365,021	(45,553)
Purchasing	75,125	68,165	6,960
Auditing financial records	35,000	25,500	9,500
<b>Total department of finance</b>	<b>1,069,704</b>	<b>1,007,903</b>	<b>61,801</b>
<b>Public Safety:</b>			
Fire Department	8,816,868	8,895,176	(78,308)
Police Department	6,666,302	5,918,651	747,651
Communication Division	455,169	366,070	89,099
Division of inspections	244,755	204,620	40,135
Division of automotive repair	577,658	524,625	53,033
Civil Defense	11,200	15,590	(4,390)
Fire hydrants	250,000	252,219	(2,219)
<b>Total public safety</b>	<b>17,021,952</b>	<b>16,176,951</b>	<b>845,001</b>
<b>Public Services/Works:</b>			
Street lights	650,000	587,207	62,793
Beautification	3,000	-	3,000
Department of public works	1,835,317	1,809,915	25,402
Recreation department	566,875	595,447	(28,572)
Environmental protection	1,987,482	1,940,465	47,017
Local welfare	10,574	9,638	936
<b>Total public services/works</b>	<b>5,053,248</b>	<b>4,942,672</b>	<b>110,576</b>
<b>Grants &amp; Contributions:</b>			
Grants to organizations	23,500	24,240	(740)
Grant to senior center	510,000	539,054	(29,054)
Grant to library	889,582	919,652	(30,070)
<b>Total grants and contributions</b>	<b>1,423,082</b>	<b>1,482,946</b>	<b>(59,864)</b>

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
General Fund - Budgetary Basis****For the Year Ended June 30, 2017**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Other expenditures:</b>			
Insurance	940,000	911,937	28,063
Employee fringe benefits and unemployment compensation	11,129,452	11,153,555	(24,103)
Deficit Appropriation - Elimination	938,890	938,890	-
Road resurfacing	729,989	826,207	(96,218)
Contingent - Consultant	90,000	104,125	(14,125)
Contingent - Miscellaneous	75,000	264,009	(189,009)
<b>Total other expenditures</b>	<b>13,903,331</b>	<b>14,198,723</b>	<b>(295,392)</b>
<b>Debt Service:</b>			
Bond and note principal	1,290,000	1,290,000	-
Bond and note interest	430,883	429,783	1,100
<b>Total debt service</b>	<b>1,720,883</b>	<b>1,719,783</b>	<b>1,100</b>
<b>Total expenditures</b>	<b>42,623,314</b>	<b>41,741,893</b>	<b>881,421</b>
<b>Excess of revenues and other financing sources over expenditures</b>	<b>53,165,383</b>	<b>55,715,116</b>	<b>2,549,733</b>
<b>Other financing uses:</b>			
Transfer to School - Town Appropriation	(32,550,260)	(32,550,260)	-
Transfer to School - State Aid for Education	(19,665,123)	(19,993,635)	(328,512)
Transfer to Town Capital Project and Special Revenue Funds	-	(479,054)	(479,054)
Transfer to School - Medicaid Receipts	(850,000)	(1,037,811)	(187,811)
Transfer to School - Miscellaneous Receipts	(100,000)	(80,255)	19,745
<b>Total other financing uses</b>	<b>(53,165,383)</b>	<b>(54,141,015)</b>	<b>(975,632)</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 1,574,101</b>	<b>\$ 1,574,101</b>

(CONCLUDED)

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

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
State Aid	\$ 19,818,224	\$ 19,818,224	\$ 19,993,635	\$ 175,411
Medicaid Reimbursement	900,000	900,000	1,037,811	137,811
Miscellaneous Revenue	62,500	62,500	70,045	7,545
<b>Total revenues</b>	<u>20,780,724</u>	<u>20,780,724</u>	<u>21,101,491</u>	<u>320,767</u>
<b>Expenditures:</b>				
Salaries	28,349,060	28,349,060	28,508,658	(159,598)
Employee benefits	12,141,655	12,141,655	11,635,268	506,387
Purchased services	10,361,454	10,457,454	10,135,924	321,530
Supplies and materials	1,795,874	1,795,874	1,909,681	(113,807)
Capital outlay	592,500	496,500	477,134	19,366
Other	90,441	90,441	84,159	6,282
<b>Total expenditures</b>	<u>53,330,984</u>	<u>53,330,984</u>	<u>52,750,824</u>	<u>580,160</u>
<b>Excess of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(32,550,260)</u>	<u>(32,550,260)</u>	<u>(31,649,333)</u>	<u>900,927</u>
<b>Other financing sources (uses):</b>				
Operating transfer from the Town	32,550,260	32,550,260	32,550,260	-
<b>Total other financing sources (uses)</b>	<u>32,550,260</u>	<u>32,550,260</u>	<u>32,550,260</u>	<u>-</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 900,927</u>	<u>\$ 900,927</u>

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Notes to Required Supplementary Information  
Reconciliation of GAAP to Budgetary Basis - General Fund and School Unrestricted Fund****For the Year Ended June 30, 2017**


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	<u>Revenues &amp; Other Financing Sources</u>	<u>Expenditures &amp; Other Financing Uses</u>
<b>Town General Fund:</b>		
<b>Total per budgetary basis of accounting - RSI-1</b>	\$ 97,457,009	\$ 95,882,908
State Aid, Medicaid, and Miscellaneous receipts for Education included as part of the General Fund for budget purposes but for GAAP basis is reported directly in the School Unrestricted Fund in accordance with GASB Statement #54. Budget purposes include these amounts as appropriations to the School Department.	(21,111,701)	(21,111,701)
Prior year encumbrances recorded as expenditures for GAAP purposes but recorded as expenditures for budgetary purposes in prior fiscal year.		300,231
Amount placed into budgetary committed fund balance for budget purposes but not deemed to be a GAAP basis expenditure.		(938,890)
EMS Rescue Fees budgeted as reduction of overtime for Fire Department budget but reported as revenue for GAAP purposes	100,000	100,000
<b>Total per GAAP basis of accounting - Exhibit B-2</b>	<u>\$ 76,445,308</u>	<u>\$ 74,232,548</u>
<b>School Unrestricted Fund:</b>		
<b>Total per budgetary basis of accounting - RSI-2</b>	\$ 53,651,751	\$ 52,750,824
State on-behalf pension contribution which is recorded for GAAP purposes but which is not included in the budgetary basis of accounting. This on-behalf contribution includes both the contribution towards the defined benefit plan and defined contribution plans administered by the State of Rhode Island.	<u>2,669,747</u>	<u>2,669,747</u>
<b>Total per GAAP basis of accounting - Exhibit B-2</b>	<u>\$ 56,321,498</u>	<u>\$ 55,420,571</u>

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information*  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**General Employees MERS Plan**  
**Last 10 Fiscal Years**

	June 30, 2016	June 30, 2015	June 30, 2014
<b>Total pension liability:</b>			
Service cost	\$ 538,924	\$ 563,314	\$ 589,114
Interest on the Total Pension Liability	1,955,602	1,969,480	1,913,568
Changes of benefit terms	-	(43,256)	-
Differences between expected and actual experience	322,270	(951,302)	-
Changes in assumptions	-	-	(159,026)
Benefit payments	(1,825,134)	(1,597,027)	(1,573,501)
Net change in total pension liability	991,662	(58,791)	770,155
Total pension liability - beginning of year	26,717,804	26,776,595	26,006,440
Total pension liability - ending of year (a)	<u>\$ 27,709,466</u>	<u>\$ 26,717,804</u>	<u>\$ 26,776,595</u>
<b>Plan fiduciary net position:</b>			
Contribution - employer	\$ 467,972	\$ 546,023	\$ 482,264
Contribution - employee	148,813	68,652	79,175
Net investment income	(8,852)	661,148	3,808,732
Benefit payments	(1,825,134)	(1,597,027)	(1,573,501)
Administrative expenses	(25,710)	(26,534)	(23,850)
Other	14,859	(36,892)	(461,536)
Net change in plan fiduciary net position	(1,228,052)	(384,630)	2,311,284
Plan fiduciary net position - beginning of year	28,211,847	28,596,477	26,285,193
Plan fiduciary net position - ending of year (b)	<u>\$ 26,983,795</u>	<u>\$ 28,211,847</u>	<u>\$ 28,596,477</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ 725,671</u>	<u>\$ (1,494,043)</u>	<u>\$ (1,819,882)</u>
Plan fiduciary net position as a percentage of the total pension liability	97.38%	105.59%	106.80%
Covered-employee payroll	\$ 6,636,989	\$ 6,828,046	\$ 6,802,707
Net pension liability as a percentage of covered-employee payroll	10.93%	-21.88%	-26.75%

**Notes:**

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

**The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.**

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Contributions  
General Employees MERS Plan  
Last 10 Fiscal Years**

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<b><u>Fiscal Year Ending</u></b>	<b><u>Actuarially Determined Contribution</u></b>	<b><u>Actual Employer Contribution</u></b>	<b><u>Contribution Deficiency (Excess)</u></b>	<b><u>Covered Employee Payroll</u></b>	<b><u>Contributions as % of Covered Payroll</u></b>
6/30/2014	\$ 482,264	\$ 482,264	\$ -	\$ 6,802,707	7.09%
6/30/2015	\$ 546,023	\$ 546,023	\$ -	\$ 6,828,046	8.00%
6/30/2016	\$ 467,972	\$ 467,972	\$ -	\$ 6,636,989	7.05%

**Notes:**

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

The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information*  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Fire Employees MERS Plan**  
**Last 10 Fiscal Years**

	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability:			
Service cost	\$ 933,608	\$ 813,061	\$ 860,112
Interest on the Total Pension Liability	3,135,600	3,007,667	2,907,446
Changes of benefit terms	-	337,396	-
Differences between expected and actual experience	811,915	(133,337)	-
Changes in assumptions	-	-	(239,140)
Benefit payments	(2,509,464)	(2,249,114)	(2,088,125)
Net change in total pension liability	2,371,659	1,775,673	1,440,293
Total pension liability - beginning of year	42,595,922	40,820,249	39,379,956
Total pension liability - ending of year (a)	<u>\$ 44,967,581</u>	<u>\$ 42,595,922</u>	<u>\$ 40,820,249</u>
Plan fiduciary net position:			
Contribution - employer	\$ 1,259,357	\$ 1,289,951	\$ 912,444
Contribution - employee	455,921	339,060	364,178
Net investment income	(10,462)	725,793	4,114,352
Benefit payments	(2,509,464)	(2,249,114)	(2,088,125)
Administrative expenses	(28,142)	(29,050)	(25,764)
Other	1,722	2,576	4,947
Net change in plan fiduciary net position	(831,068)	79,216	3,282,032
Plan fiduciary net position - beginning of year	30,970,330	30,891,114	27,609,082
Plan fiduciary net position - ending of year (b)	<u>\$ 30,139,262</u>	<u>\$ 30,970,330</u>	<u>\$ 30,891,114</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ 14,828,319</u>	<u>\$ 11,625,592</u>	<u>\$ 9,929,135</u>
Plan fiduciary net position as a percentage of the total pension liability	67.02%	72.71%	75.68%
Covered-employee payroll	\$ 5,453,316	\$ 4,886,183	\$ 5,206,491
Net pension liability as a percentage of covered-employee payroll	271.91%	237.93%	190.71%

**Notes:**

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

**The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.**

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Contributions  
Fire Employees MERS Plan  
Last 10 Fiscal Years**

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<b><u>Fiscal Year Ending</u></b>	<b><u>Actuarially Determined Contribution</u></b>	<b><u>Actual Employer Contribution</u></b>	<b><u>Contribution Deficiency (Excess)</u></b>	<b><u>Covered Employee Payroll</u></b>	<b><u>Contributions as % of Covered Payroll</u></b>
6/30/2014	\$ 912,444	\$ 912,444	\$ -	\$ 5,206,491	17.53%
6/30/2015	\$ 1,289,951	\$ 1,289,951	\$ -	\$ 4,886,183	26.40%
6/30/2016	\$ 1,259,357	\$ 1,259,357	\$ -	\$ 5,453,316	23.09%

**Notes:**

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

The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Required Supplementary Information  
Notes to Schedules  
MERS Pension Plans Administered by ERSRI**


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**The following reflects the actuarial assumptions related to the pension plans which are administered by the Employee Retirement System of Rhode Island (ERSRI).**

Actuarial determined contribution rates are calculated as of June 30th of each plan year and effective two years after the actuarial valuation. Therefore the valuation as of June 30, 2013 determined the contribution rates for fiscal 2016.

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	19 years as of June 30, 2016
Asset Valuation Method:	5 year smoothed market
Investment rate of return:	7.50%
Projected salary increases:	3.5% - 7.5% for general employees 4% to 14% for police and fire employees
Inflation:	2.75%
Mortality:	Male employees, MERS General and MERS Police and Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.  Female employees, MERS General and MERS Police and Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability  
Teacher's Retirement Plan - Employees' Retirement System  
Last 10 Fiscal Years**

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	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
Employer's proportion of the net pension liability	1.46125017%	1.44752546%	1.22123336%
Employer's proportionate share of the net pension liability	\$ 43,597,532	\$ 39,842,958	\$ 29,724,825
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	\$ 29,857,907	\$ 27,219,459	\$ 20,383,682
Total net pension liability	<u>\$ 73,455,439</u>	<u>\$ 67,062,417</u>	<u>\$ 50,108,507</u>
Employer's covered payroll	\$ 24,435,000	\$ 23,970,000	\$ 23,525,000
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	178.42%	166.22%	126.35%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	57.55%	61.40%

**Notes:**

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

The Town is required to contribute an actuarially determined contribution rate each year in accordance with RI General Laws, Section 36-10-2.

**The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.**

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Required Supplementary Information  
Schedule of Contributions  
Teacher's Retirement Plan - Employees' Retirement System  
Last 10 Fiscal Years*

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<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2015	\$ 3,289,534	\$ 3,289,534	\$ -	\$ 23,525,000	13.98%
6/30/2016	\$ 3,399,995	\$ 3,399,995	\$ -	\$ 23,970,000	14.18%
6/30/2017	\$ 3,338,598	\$ 3,338,598	\$ -	\$ 24,435,000	13.66%

**Notes:**

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

The information in this schedule is intended to show 10 years. However as of June 30, 2017 only three years are available.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND****Required Supplementary Information  
Notes to Schedules  
MERS and Teachers (ERS) Pension Plans Administered by ERSRI**

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The June 30, 2015 measurement date determination of the net pension liability for the ERS and MERS plans reflects changes in benefits 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 and are applicable for measurement dates June 30, 2015 and subsequent years.

Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees (and teachers) 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 members 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 receive 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 year 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 NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Pension Trust Fund**  
**For the Year Ended June 30, 2017**

	<u>Police Pension Trust Fund 2017</u>	<u>Police Pension Trust Fund 2016</u>	<u>Police Pension Trust Fund 2015</u>	<u>Police Pension Trust Fund 2014</u>
Total pension liability:				
Service cost	\$ 736,642	\$ 828,290	\$ 828,290	\$ 906,358
Interest	3,170,114	2,967,159	2,853,715	2,745,438
Differences between expected and actual experience	-	2,283,764	(148,969)	(115,439)
Changes in assumptions	(130,764)	(915,854)	-	-
Benefit payments	(2,319,460)	(2,225,216)	(1,936,364)	(1,737,897)
Net change in total pension liability	1,456,532	2,938,143	1,596,672	1,798,460
Total pension liability - beginning	44,148,794	41,210,651	39,613,979	37,815,519
Total pension liability - ending (a)	<u>\$ 45,605,326</u>	<u>\$ 44,148,794</u>	<u>\$ 41,210,651</u>	<u>\$ 39,613,979</u>
Plan fiduciary net position:				
Contribution - employer	\$ 1,110,332	\$ 832,616	\$ 849,111	\$ 849,111
Contribution - employee	332,577	315,247	369,520	284,314
Net investment income	3,817,299	362,612	(7,627)	4,844,311
Benefit payments, including refunds of employee contributions	(2,319,460)	(2,225,216)	(1,936,364)	(1,737,897)
Administrative expenses	-	(126,218)	(179,160)	(105,336)
Net change in plan fiduciary net position	2,940,748	(840,959)	(904,520)	4,134,503
Plan fiduciary net position - beginning	36,680,757	37,521,716	38,426,236	34,291,733
Plan fiduciary net position - ending (b)	<u>\$ 39,621,505</u>	<u>\$ 36,680,757</u>	<u>\$ 37,521,716</u>	<u>\$ 38,426,236</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 5,983,821</u>	<u>\$ 7,468,037</u>	<u>\$ 3,688,935</u>	<u>\$ 1,187,743</u>
Plan fiduciary net position as a percentage of the total pension liability	86.88%	83.08%	91.05%	97.00%
Covered-employee payroll	\$ 4,189,000	\$ 3,811,043	\$ 3,751,058	\$ 3,751,058
Net pension liability as a percentage of covered-employee payroll	142.85%	195.96%	98.34%	31.66%

**Notes:**

The information in this schedule is intended to show 10 years. As of June 30, 2017 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information**  
**Schedules of Employer Contributions and Investment Returns**  
**Police Pension Trust Fund**  
**June 30, 2017**

**Schedule of Employer Contributions**

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
<b>Police Pension Trust Fund</b>	2017	\$812,452	\$1,110,332	\$297,880	\$4,189,000	26.51%
	2016	\$812,452	\$832,616	\$20,164	\$3,811,043	21.85%
	2015	\$849,111	\$849,111	\$0	\$3,751,058	22.64%
	2014	\$849,111	\$849,111	\$0	\$3,751,058	22.64%
	2013	\$1,675,153	\$22,318,088	\$20,642,935	\$3,583,371	622.82%
	2012	\$1,675,153	\$1,568,508	(\$106,645)	\$3,583,371	43.77%
	2011	\$1,529,633	\$787,295	(\$742,338)	\$3,833,169	20.54%
	2010	\$1,529,633	\$746,432	(\$783,201)	\$3,833,169	19.47%
	2009	\$1,529,633	\$820,963	(\$708,670)	\$3,833,169	21.42%
	2008	\$1,525,120	\$606,159	(\$918,961)	\$3,881,749	15.62%

**Schedule of Investment Returns**

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
<b>Police Pension Trust Fund</b>	2017	10.03%
	2016	0.29%
	2015	-0.02%
	2014	14.28%

The information in these schedules is intended to show 10 years. However as of June 30, 2017 only four years are available for the Schedule of Investment Returns.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Changes in Net OPEB Liability and Related Ratios  
OPEB Trust Fund - Town  
For the Year Ended June 30, 2017**

	<b>Town OPEB Trust Fund 2017</b>	<b>Town OPEB Trust Fund 2016</b>
Total pension liability:		
Service cost	\$ 2,959,480	\$ 2,725,113
Interest	1,618,729	2,233,318
Change in benefit terms	-	(2,583)
Differences between expected and actual experience	(618,971)	(5,905,518)
Changes in assumptions	(2,689,096)	3,226,250
Benefit payments	<u>(2,580,961)</u>	<u>(2,757,830)</u>
Net change in total pension liability	(1,310,819)	(481,250)
Total pension liability - beginning	56,717,102	57,198,352
Total pension liability - ending (a)	<u>\$ 55,406,283</u>	<u>\$ 56,717,102</u>
Plan fiduciary net position:		
Contribution - employer	\$ 2,830,961	\$ 3,007,830
Contribution - employee	-	-
Net investment income	92,520	15,465
Benefit payments, including refunds of employee contributions	(2,580,961)	(2,757,830)
Administrative expenses	-	(680)
Net change in plan fiduciary net position	<u>342,520</u>	<u>264,785</u>
Plan fiduciary net position - beginning	764,785	500,000
Plan fiduciary net position - ending (b)	<u>\$ 1,107,305</u>	<u>\$ 764,785</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 54,298,978</u>	<u>\$ 55,952,317</u>
Plan fiduciary net position as a percentage of the total pension liability	2.00%	1.35%
Covered-employee payroll	\$ 13,560,802	\$ 13,102,224
Net pension liability as a percentage of covered-employee payroll	400.41%	427.04%

**Notes:**

The information in this schedule is intended to show 10 years. As of June 30, 2017 only two years are available.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**OPEB Trust Fund - School**  
**For the Year Ended June 30, 2017**

	<b>School OPEB Trust Fund 2017</b>	<b>School OPEB Trust Fund 2016</b>
Total pension liability:		
Service cost	\$ 360,836	\$ 294,094
Interest	195,594	315,409
Change in benefit terms	-	(367,084)
Differences between expected and actual experience	(567,301)	(937,473)
Changes in assumptions	(198,693)	66,260
Benefit payments	(500,969)	(612,644)
Net change in total pension liability	(710,533)	(1,241,438)
Total pension liability - beginning	6,947,102	8,188,540
Total pension liability - ending (a)	<u>\$ 6,236,569</u>	<u>\$ 6,947,102</u>
Plan fiduciary net position:		
Contribution - employer	\$ 500,969	\$ 612,644
Benefit payments, including refunds of employee contributions	(500,969)	(612,644)
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 6,236,569</u>	<u>\$ 6,947,102</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%
Covered-employee payroll	n/a	n/a
Net pension liability as a percentage of covered-employee payroll	n/a	n/a

**Notes:**

The information in this schedule is intended to show 10 years. As of June 30, 2017 only two years are available.



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**Required Supplementary Information  
Schedule of Contributions and Investment Returns  
OPEB Trust Fund - Town  
June 30, 2017**

**Schedule of Employer Contributions**

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$4,073,563	\$2,830,961	(\$1,242,602)	\$ 13,560,802	20.88%
2016	\$3,854,662	\$3,257,830	(\$596,832)	\$ 13,102,224	24.86%
2015	\$5,651,000	\$3,839,000	(\$1,812,000)	\$ 37,460,000	10.25%
2014	\$5,332,000	\$2,961,000	(\$2,371,000)	\$ 37,460,000	7.90%
2013	\$4,955,000	\$2,841,000	(\$2,114,000)	\$ 41,332,000	6.87%
2012	\$4,686,000	\$2,771,000	(\$1,915,000)	\$ 41,332,000	6.70%
2011	\$4,549,000	\$2,208,000	(\$2,341,000)	n/a	n/a
2010	\$4,289,000	\$1,945,000	(\$2,344,000)	n/a	n/a
2009	\$4,039,000	\$1,646,000	(\$2,393,000)	n/a	n/a

**The Actuarially Determined Contribution (ADC) for 2016 and 2017 is only calculated for the Town who is pre-funding the retiree health benefits. The ADC prior to fiscal 2016 is based on the Annual Required Contribution calculated in the prior GASB 45 actuarial valuations and they are for both the Town and School as was reported in the Town's financial statements**

**Schedule of Investment Returns**

Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
2016	4.26%
2017	11.95%

**\*\* The OPEB Trust Fund is utilized for Town personnel not the School Department. This exhibits reflects information pertaining only for the Town which is prefunding the retiree health benefits.**

The information in these schedules is intended to show 10 years. However as of June 30, 2017 only nine years are available for contributions and two years for investment returns.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information  
Notes to Schedules  
OPEB Trust Fund**

**The following reflects the actuarial methods and assumptions related to the OPEB Trust Fund for the Town and School.**

Valuation date:	June 30, 2016 with results projected to June 30, 2017
Measurement date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal Level %
Discount Rate:	Accounting 2.92% for Town and School at June 30, 2016 and 3.56% at June 30, 2017. Funding - 7.5% for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire and 3.5% for all other employees except Police plus merit and longevity increases. The assumptions are based on the State of RI ERS and MERS actuarial valuation as of June 30, 2015.
Asset Method:	Market value of assets.
Mortality:	Police: RP-2000 Combined Healthy Table for males and females fully generational using scale AA. Teachers: 50% of RP-2000 Combined Healthy Table for male with white collar adjustment and 50% of RP-2000 Combined Healthy Table for female with white collar adjustment. All others: 75% of RP-2000 Combined Healthy Table for male with white collar adjustment and 75% of RP-2000 Combined Healthy Table for female with white collar adjustment.
Health Care Trend Rates:	8.5% in fiscal 2018 decreasing by .5% annually through fiscal 2025 at which time the trend rate for medical and prescriptions remains at 5%.  Annual dental trend is assumed to be 3%.

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# **TOWN OF NORTH PROVIDENCE**

## **OTHER SUPPLEMENTARY INFORMATION**



# TOWN OF NORTH PROVIDENCE

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

Police Grants Fund	Community Development Block Grant
Community Fund Program	State Drug Forfeiture
Treasury Forfeiture Fund	Emergency Management
Fire Alarm Tie-in	Historical Records Trust
Fire Prevention Fund	Land Trust Reserve Fund
Recording Fees Fund	Decon Grant Fund
Substance Abuse Task Force	Fireworks Parade Fund
Meehan Overlook at Notte	Recycling Fund
Youth Commission Fund/Special Fund	Roadway Aid Grant
EPA Grant Fund	School Restricted Funds

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

Title I	Feinstein Foundation
K-3 Formative Assessment	Project IDEA Part B
IDEA Preschool Grant	Title II
Title III	Perkins
Perkins Marine	Perkins Technology
Skills Up Grant	HEZ Grant
Math & Science Partnership	United Way Grant
Champlin Foundation Grant	RI Foundation Grant
Ptech Grant	

(CONTINUED)

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# TOWN OF NORTH PROVIDENCE

## NONMAJOR GOVERNMENTAL FUNDS (Continued)

### CAPITAL PROJECTS FUNDS

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

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

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

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

**Fire Equipment Capital Fund** – This fund was created by Town Council Ordinance #16-006. The purpose of the fund is to allocate 20% of the annual "net" rescue funds reimbursements to be used for the purchase of fire and rescue apparatus.

(CONCLUDED)

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017**

	<b>SPECIAL REVENUE FUNDS</b>							
	Police Grants	Community Development Block Grants	Community Fund Program	State Drug Forfeiture	Treasury Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	Historical Records Trust
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 126,028	\$ -	\$ 86,940	\$ 44,934	\$ -	\$ -	\$ -
Accounts and other receivable(net)	-	287,795	-	-	-	-	-	-
Due from federal & state governments	13,795	59,721	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-
Due from other funds	-	-	556	-	-	32,675	36,821	77,696
<b>TOTAL ASSETS</b>	<b>\$ 13,795</b>	<b>\$ 473,544</b>	<b>\$ 556</b>	<b>\$ 86,940</b>	<b>\$ 44,934</b>	<b>\$ 32,675</b>	<b>\$ 36,821</b>	<b>\$ 77,696</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 1,289	\$ 33,282	\$ -	\$ 440	\$ -	\$ -	\$ -	\$ 6,342
Accrued liabilities	-	3,741	-	-	-	-	-	-
Due to other funds	13,390	53,417	-	-	-	-	-	-
Unearned revenue - other	-	287,795	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>14,679</b>	<b>378,235</b>	<b>-</b>	<b>440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,342</b>
<b>FUND BALANCES</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted	-	95,309	556	86,500	44,934	32,675	36,821	71,354
Committed	-	-	-	-	-	-	-	-
Unassigned	(884)	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>(884)</b>	<b>95,309</b>	<b>556</b>	<b>86,500</b>	<b>44,934</b>	<b>32,675</b>	<b>36,821</b>	<b>71,354</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 13,795</b>	<b>\$ 473,544</b>	<b>\$ 556</b>	<b>\$ 86,940</b>	<b>\$ 44,934</b>	<b>\$ 32,675</b>	<b>\$ 36,821</b>	<b>\$ 77,696</b>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2017

	<b>SPECIAL REVENUE FUNDS</b>								
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Meehan Overlook at Notte	Recycling Fund	Youth Commission/ Special Fund
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ 198,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivable(net)	-	-	-	-	-	-	-	-	-
Due from federal & state governments	-	-	-	7,985	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-	-	-
Due from other funds	88,903	165,232	11,651	-	6,996	4,050	20,965	156,510	28,270
<b>TOTAL ASSETS</b>	<b>\$ 88,903</b>	<b>\$ 165,232</b>	<b>\$ 209,776</b>	<b>\$ 7,985</b>	<b>\$ 6,996</b>	<b>\$ 4,050</b>	<b>\$ 20,965</b>	<b>\$ 156,510</b>	<b>\$ 28,270</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 526	\$ -	\$ -	\$ 1,646	\$ 4,762	\$ -	\$ -	\$ 123	\$ 27,900
Accrued liabilities	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	6,339	-	-	-	-	-
Unearned revenue - other	-	-	-	-	2,234	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>526</b>	<b>-</b>	<b>-</b>	<b>7,985</b>	<b>6,996</b>	<b>-</b>	<b>-</b>	<b>123</b>	<b>27,900</b>
<b>FUND BALANCES</b>									
Non-spendable	-	-	-	-	-	-	-	-	-
Restricted	88,377	-	209,776	-	-	4,050	-	-	370
Committed	-	165,232	-	-	-	-	20,965	156,387	-
Unassigned	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>88,377</b>	<b>165,232</b>	<b>209,776</b>	<b>-</b>	<b>-</b>	<b>4,050</b>	<b>20,965</b>	<b>156,387</b>	<b>370</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 88,903</b>	<b>\$ 165,232</b>	<b>\$ 209,776</b>	<b>\$ 7,985</b>	<b>\$ 6,996</b>	<b>\$ 4,050</b>	<b>\$ 20,965</b>	<b>\$ 156,510</b>	<b>\$ 28,270</b>

(CONTINUED)



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS					Total Nonmajor Governmental Funds
	Roadway Aid Grant	EPA Grant Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Fire Equipment Capital Fund	Total Capital Project Funds	
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 456,027	\$ 250,609	\$ -	\$ 56,076	\$ -	\$ 306,685	\$ 762,712
Accounts and other receivable(net)	-	-	15,000	302,795	-	-	5,334	-	5,334	308,129
Due from federal & state governments	-	200,000	787,666	1,069,167	92,771	-	-	-	92,771	1,161,938
Prepaid expenses	-	-	3,000	3,000	-	-	-	-	-	3,000
Due from other funds	12,518	62,328	69,174	774,345	57,060	235,392	-	91,913	384,365	1,158,710
<b>TOTAL ASSETS</b>	<b>\$ 12,518</b>	<b>\$ 262,328</b>	<b>\$ 874,840</b>	<b>\$ 2,605,334</b>	<b>\$ 400,440</b>	<b>\$ 235,392</b>	<b>\$ 61,410</b>	<b>\$ 91,913</b>	<b>\$ 789,155</b>	<b>\$ 3,394,489</b>
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ 28,464	\$ 104,774	\$ -	\$ 36,482	\$ -	\$ -	\$ 36,482	\$ 141,256
Accrued liabilities	-	62,328	45,507	111,576	-	-	-	-	-	111,576
Due to other funds	-	-	729,719	802,865	960,678	-	-	-	960,678	1,763,543
Unearned revenue - other	-	-	-	290,029	-	-	-	-	-	290,029
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>62,328</b>	<b>803,690</b>	<b>1,309,244</b>	<b>960,678</b>	<b>36,482</b>	<b>-</b>	<b>-</b>	<b>997,160</b>	<b>2,306,404</b>
<b>FUND BALANCES</b>										
Non-spendable	-	-	3,000	3,000	-	-	-	-	-	3,000
Restricted	12,518	200,000	68,150	951,390	-	36,501	-	-	36,501	987,891
Committed	-	-	-	342,584	-	162,409	61,410	91,913	315,732	658,316
Unassigned	-	-	-	(884)	(560,238)	-	-	-	(560,238)	(561,122)
<b>TOTAL FUND BALANCES</b>	<b>12,518</b>	<b>200,000</b>	<b>71,150</b>	<b>1,296,090</b>	<b>(560,238)</b>	<b>198,910</b>	<b>61,410</b>	<b>91,913</b>	<b>(208,005)</b>	<b>1,088,085</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 12,518</b>	<b>\$ 262,328</b>	<b>\$ 874,840</b>	<b>\$ 2,605,334</b>	<b>\$ 400,440</b>	<b>\$ 235,392</b>	<b>\$ 61,410</b>	<b>\$ 91,913</b>	<b>\$ 789,155</b>	<b>\$ 3,394,489</b>

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

Table with columns for SPECIAL REVENUE FUNDS (Police Grants, Community Development Block Grants, Community Fund Program, State Drug Forfeiture, Treasury Forfeiture Fund, Emergency Management, Fire Alarm Tie-In, Historical Records Trust) and rows for REVENUES, EXPENDITURES, and OTHER FINANCING SOURCES (USES).

(CONTINUED)

## TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017**

	<b>SPECIAL REVENUE FUNDS</b>								
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Meehan Overlook at Notte	Recycling Fund	Youth Commission/ Special Fund
<b>REVENUES:</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ 12,260	\$ 12,165	\$ -	\$ -	\$ -	\$ -
Interest and investment income	-	-	343	-	-	-	-	-	-
Fees and assessments	37,358	8,500	38,986	-	-	-	20,965	18,396	-
Private grants	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	1,500
<b>Total revenues</b>	<b>37,358</b>	<b>8,500</b>	<b>39,329</b>	<b>12,260</b>	<b>12,165</b>	<b>-</b>	<b>20,965</b>	<b>18,396</b>	<b>1,500</b>
<b>EXPENDITURES:</b>									
<b>Current:</b>									
Public safety	19,952	-	-	-	12,165	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Other expenses	-	-	55,434	5,019	-	-	-	2,932	3,509
<b>Debt Service:</b>									
Debt service principal	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
<b>Capital Outlays</b>	-	-	-	7,795	-	-	-	-	331,740
<b>Total expenditures</b>	<b>19,952</b>	<b>-</b>	<b>55,434</b>	<b>12,814</b>	<b>12,165</b>	<b>-</b>	<b>-</b>	<b>2,932</b>	<b>335,249</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,406</b>	<b>8,500</b>	<b>(16,105)</b>	<b>(554)</b>	<b>-</b>	<b>-</b>	<b>20,965</b>	<b>15,464</b>	<b>(333,749)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from issuance of debt obligations	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	554	-	-	-	-	331,740
Transfers out	-	-	-	-	-	-	-	-	(200,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>554</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131,740</b>
<b>Net change in fund balances</b>	<b>17,406</b>	<b>8,500</b>	<b>(16,105)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,965</b>	<b>15,464</b>	<b>(202,009)</b>
<b>Fund balances - beginning of year</b>	<b>70,971</b>	<b>156,732</b>	<b>225,881</b>	<b>-</b>	<b>-</b>	<b>4,050</b>	<b>-</b>	<b>140,923</b>	<b>202,379</b>
<b>Fund balances - end of year</b>	<b>\$ 88,377</b>	<b>\$ 165,232</b>	<b>\$ 209,776</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,050</b>	<b>\$ 20,965</b>	<b>\$ 156,387</b>	<b>\$ 370</b>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2017

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS					Total Capital Project Funds	Total Nonmajor Governmental Funds
	Roadway Aid Grant	EPA Grant Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Fire Equipment Capital Fund			
<b>REVENUES:</b>											
Intergovernmental	\$ -	\$ 524,640	\$ 2,704,733	\$ 3,506,872	\$ 489,846	\$ -	\$ -	\$ -	\$ 489,846	\$ 3,996,718	
Interest and investment income	-	-	-	5,450	-	-	76	-	76	5,526	
Fees and assessments	-	-	-	151,459	-	-	35,334	238,590	273,924	425,383	
Private grants	-	-	151,097	151,097	-	-	-	-	-	151,097	
Contributions	-	-	-	256	-	-	-	-	-	256	
Other	12,518	-	-	49,257	-	-	-	-	-	49,257	
<b>Total revenues</b>	<b>12,518</b>	<b>524,640</b>	<b>2,855,830</b>	<b>3,864,391</b>	<b>489,846</b>	<b>-</b>	<b>35,410</b>	<b>238,590</b>	<b>763,846</b>	<b>4,628,237</b>	
<b>EXPENDITURES:</b>											
<b>Current:</b>											
Public safety	-	-	-	135,746	-	-	-	-	-	135,746	
Education	-	-	2,775,880	2,775,880	4,437	-	41	-	4,478	2,780,358	
Public works	-	-	-	-	-	-	-	-	-	-	
Other expenses	-	-	-	276,919	-	-	-	-	-	276,919	
<b>Debt Service:</b>											
Debt service principal	-	-	-	-	44,000	-	-	141,028	185,028	185,028	
Interest expense	-	-	-	-	1,884	-	-	23,411	25,295	25,295	
<b>Capital Outlays</b>	-	723,925	100,089	1,166,534	1,499,763	55,336	-	-	1,555,099	2,721,633	
<b>Total expenditures</b>	<b>-</b>	<b>723,925</b>	<b>2,875,969</b>	<b>4,355,079</b>	<b>1,550,084</b>	<b>55,336</b>	<b>41</b>	<b>164,439</b>	<b>1,769,900</b>	<b>6,124,979</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>12,518</b>	<b>(199,285)</b>	<b>(20,139)</b>	<b>(490,688)</b>	<b>(1,060,238)</b>	<b>(55,336)</b>	<b>35,369</b>	<b>74,151</b>	<b>(1,006,054)</b>	<b>(1,496,742)</b>	
<b>OTHER FINANCING SOURCES (USES)</b>											
Proceeds from issuance of debt obligations	-	-	-	-	-	-	-	-	-	-	
Transfers in	-	399,285	44,360	785,924	-	203,126	-	-	203,126	989,050	
Transfers out	-	-	-	(200,000)	-	-	(44,360)	-	(44,360)	(244,360)	
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>399,285</b>	<b>44,360</b>	<b>585,924</b>	<b>-</b>	<b>203,126</b>	<b>(44,360)</b>	<b>-</b>	<b>158,766</b>	<b>744,690</b>	
<b>Net change in fund balances</b>	<b>12,518</b>	<b>200,000</b>	<b>24,221</b>	<b>95,236</b>	<b>(1,060,238)</b>	<b>147,790</b>	<b>(8,991)</b>	<b>74,151</b>	<b>(847,288)</b>	<b>(752,052)</b>	
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>46,929</b>	<b>1,200,854</b>	<b>500,000</b>	<b>51,120</b>	<b>70,401</b>	<b>17,762</b>	<b>639,283</b>	<b>1,840,137</b>	
<b>Fund balances - end of year</b>	<b>\$ 12,518</b>	<b>\$ 200,000</b>	<b>\$ 71,150</b>	<b>\$ 1,296,090</b>	<b>\$ (560,238)</b>	<b>\$ 198,910</b>	<b>\$ 61,410</b>	<b>\$ 91,913</b>	<b>\$ (208,005)</b>	<b>\$ 1,088,085</b>	

(CONCLUDED)

# TOWN OF NORTH PROVIDENCE

## AGENCY FUNDS

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

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

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

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

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

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

**Student Activities Fund** – To account for funds held in various school programs. During fiscal 2017 the North Providence School Department was administering approximately 15 separate accounts for student activity funds.

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

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

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**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Seized Property:</u></b>				
ASSETS:				
Cash	75,138	\$ 18,575	\$ 15,195	\$ 78,518
TOTAL ASSETS	\$ 75,138	\$ 18,575	\$ 15,195	\$ 78,518
LIABILITIES:				
Deposits held in custody for others	\$ 75,138	\$ 18,575	\$ 15,195	\$ 78,518
TOTAL LIABILITIES	\$ 75,138	\$ 18,575	\$ 15,195	\$ 78,518
<b><u>Low Cost Spay/Neuter:</u></b>				
ASSETS:				
Other receivables	\$ 2,500	\$ 286	\$ -	\$ 2,786
TOTAL ASSETS	\$ 2,500	\$ 286	\$ -	\$ 2,786
LIABILITIES:				
Deposits held in custody for others	\$ 2,500	\$ 286	\$ -	\$ 2,786
TOTAL LIABILITIES	\$ 2,500	\$ 286	\$ -	\$ 2,786
<b><u>Animal Care Donations:</u></b>				
ASSETS:				
Other receivables	15,646	6,019	2,388	\$ 19,277
TOTAL ASSETS	\$ 15,646	\$ 6,019	\$ 2,388	\$ 19,277
LIABILITIES:				
Deposits held in custody for others	\$ 15,646	\$ 6,019	\$ 2,388	\$ 19,277
TOTAL LIABILITIES	\$ 15,646	\$ 6,019	\$ 2,388	\$ 19,277
<b><u>Animal Care Adoptions:</u></b>				
ASSETS:				
Other receivables	\$ 8,180	\$ -	\$ -	\$ 8,180
TOTAL ASSETS	\$ 8,180	\$ -	\$ -	\$ 8,180
LIABILITIES:				
Deposits held in custody for others	\$ 8,180	\$ -	\$ -	\$ 8,180
TOTAL LIABILITIES	\$ 8,180	\$ -	\$ -	\$ 8,180

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<b><u>Realty Tax Transfer Account:</u></b>				
ASSETS:				
Cash	\$ 58,363	\$ 696,706	\$ 640,074	\$ 114,995
TOTAL ASSETS	\$ 58,363	\$ 696,706	\$ 640,074	\$ 114,995
LIABILITIES:				
Deposits held in custody for others	\$ 58,363	\$ 696,706	\$ 640,074	\$ 114,995
TOTAL LIABILITIES	\$ 58,363	\$ 696,706	\$ 640,074	\$ 114,995
<b><u>Student Activities Fund</u></b>				
ASSETS:				
Cash	\$ 371,573	\$ 679,493	\$ 607,927	\$ 443,139
TOTAL ASSETS	\$ 371,573	\$ 679,493	\$ 607,927	\$ 443,139
LIABILITIES:				
Deposits held in custody for others	\$ 371,573	\$ 679,493	\$ 607,927	\$ 443,139
TOTAL LIABILITIES	\$ 371,573	\$ 679,493	\$ 607,927	\$ 443,139
<b><u>Food Pantry Fund</u></b>				
ASSETS:				
Cash	\$ 726	\$ 2,100	\$ 2,100	\$ 726
Other receivables	-	286	-	286
TOTAL ASSETS	\$ 726	\$ 2,386	\$ 2,100	\$ 1,012
LIABILITIES:				
Deposits held in custody for others	\$ 726	\$ 2,386	\$ 2,100	\$ 1,012
TOTAL LIABILITIES	\$ 726	\$ 2,386	\$ 2,100	\$ 1,012
<b><u>Performance Bond Fund</u></b>				
ASSETS:				
Cash	\$ 21,135	\$ 58	\$ -	\$ 21,193
TOTAL ASSETS	\$ 21,135	\$ 58	\$ -	\$ 21,193
LIABILITIES:				
Deposits held in custody for others	\$ 21,135	\$ 58	\$ -	\$ 21,193
TOTAL LIABILITIES	\$ 21,135	\$ 58	\$ -	\$ 21,193
<b><u>Total - All Agency Funds</u></b>				
ASSETS:				
Cash	\$ 526,935	\$ 1,396,932	\$ 1,265,296	\$ 658,571
Other receivables	26,326	6,591	2,388	30,529
TOTAL ASSETS	\$ 553,261	\$ 1,403,523	\$ 1,267,684	\$ 689,100
LIABILITIES:				
Deposits held in custody for others	\$ 553,261	\$ 1,403,523	\$ 1,267,684	\$ 689,100
TOTAL LIABILITIES	\$ 553,261	\$ 1,403,523	\$ 1,267,684	\$ 689,100

(CONCLUDED)

**TOWN OF NORTH PROVIDENCE**

**OTHER EXHIBITS**





TOWN OF NORTH PROVIDENCE, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Year	Residential & Commercial Mill Rate	Property Taxes Receivable July 1, 2016	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections	Property Taxes Receivable June 30, 2017	Collections Summary			Tax Revenue Recognized FYE 6/30/2017
									Subject to 60 Day Rule	Not Subject to 60 Day Rule	Subject to 60 Day Rule	
									July 1, 2016 to August 31, 2016	July 1, 2016 to June 30, 2017	July 1, 2017 to August 31, 2017	
2016	\$27.94 & \$34.68		\$ 70,078,314	\$ 56,987	\$ (209,233)	\$ 69,926,068	\$ 67,206,920	\$ 2,719,148	\$ -	\$ 67,206,920	\$ 682,613	\$ 67,889,533
2015	\$27.94 & \$34.68	\$ 3,162,667	-	2,395	(73,580)	3,091,482	2,278,953	812,529	906,073	1,372,880	55,279	1,428,159
2014	\$27.94 & \$34.68	820,157	-	132	(9,524)	810,765	191,149	619,616	64,184	126,965	14,504	141,469
2013	\$24.29 & \$31.03	757,976	-	-	-	757,976	61,368	696,608	13,009	48,359	7,435	55,794
2012	\$24.29 & \$31.03	696,202	-	-	-	696,202	33,410	662,792	4,996	28,414	2,510	30,924
2011	\$24.15 & \$30.85	668,965	-	-	(745)	668,220	36,295	631,925	3,808	32,487	2,567	35,054
2010	\$24.15 & \$30.85	640,294	-	-	-	640,294	27,499	612,795	1,822	25,677	1,785	27,462
2009	\$19.65 & \$25.60	335,138	-	-	-	335,138	8,349	326,789	933	7,416	603	8,019
2008	\$19.65 & \$25.60	358,827	-	-	-	358,827	5,612	353,215	18	5,594	601	6,195
2007	\$16.75 & \$22.70	351,614	-	-	-	351,614	2,127	349,487	-	2,127	-	2,127
2006	\$16.75 & \$22.70	282,944	-	-	-	282,944	1,907	281,037	537	1,370	100	1,470
2005	\$16.55 & \$22.50	265,848	-	-	(263,411)	2,437	1,170	1,267	1,090	80	-	80
2004 and prior	various	122,846	-	-	(109,862)	12,984	646	12,338	-	646	-	646
Subtotal		8,463,478	\$ 70,078,314	\$ 59,514	\$ (666,355)	\$ 77,934,951	\$ 69,855,405	8,079,546	\$ 996,470	\$ 68,858,935	\$ 767,997	\$ 69,626,932
Less: allowance for uncollectable accounts		(3,858,000)						(3,942,000)				
<b>Net property taxes receivable</b>		<b>\$ 4,605,478</b>						<b>\$ 4,137,546</b>				

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF PROPERTY TAXES RECEIVABLE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Schedule of Net Assessed Property Value by Category</u>				<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2015 (2016 tax roll)</u>				
	<u>Valuations</u>		<u>Levy</u>		
Real Property	\$ 2,305,912,478	\$	67,787,430	Current year collections	\$ 69,855,405
Motor Vehicles	243,007,865		10,194,180	Revenue received 60 days subsequent to fiscal year ending June 30, 2017	767,997
Tangible Property	67,695,474		4,732,591	Subtotal	<u>70,623,402</u>
Total assessments	<u>2,616,615,817</u>		<u>82,714,200</u>	Prior year revenue received in current year fiscal year ending June 30, 2016 - 60 day rule	<u>(996,470)</u>
Exemptions and adjustments	<u>(423,359,490)</u>		<u>(12,635,886)</u>	<b><i>Current year property tax revenue</i></b>	<b><u>\$ 69,626,932</u></b>
<b><i>Net assessed value</i></b>	<b><u>\$ 2,193,256,327</u></b>	<b><u>\$</u></b>	<b><u>70,078,314</u></b>		

(CONCLUDED)

Town of North Providence  
Annual Supplemental Transparency Report (MTP2)  
Fiscal Year Ended June 30, 2017

EXHIBIT - 5

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 66,988,109	\$ -
Last Year's Levy Tax Collection	2,276,551	-
Prior Years Property Tax Collection	362,272	-
Interest & Penalty	494,097	-
PILOT & Tax Treaty (excluded from levy) Collection	-	-
Other Local Property Taxes	-	-
Licenses and Permits	1,327,710	-
Fines and Forfeitures	138,124	-
Investment Income	32,228	-
Departmental	292,543	-
Rescue Run Revenue	1,187,233	-
Police & Fire Detail	413,366	-
Other Local Non-Property Tax Revenues	-	-
Tuition	-	52,549
Impact Aid	-	-
Medicaid	-	1,037,811
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	113,353
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	2,270,109
MV Excise Tax Reimbursement	393,779	-
State PILOT Program	-	-
Distressed Community Relief Fund	1,032,992	-
Library Resource Aid	192,234	-
Library Construction Aid	-	-
Public Service Corporation Tax	403,417	-
Meals & Beverage Tax / Hotel Tax	347,976	-
LEA Aid	-	19,993,635
Group Home	-	-
Housing Aid Capital Projects	-	489,846
Housing Aid Bonded Debt	600,101	-
State Food Service Revenue	-	815,206
Incentive Aid	4,315	-
Property Revaluation Reimbursement	146,106	-
Other State Revenue	-	434,624
Other Revenue	464,111	588,853
Local Appropriation for Education	-	32,550,260
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
<b>Total Revenue</b>	<b><u>\$ 77,097,264</u></b>	<b><u>\$ 58,346,246</u></b>
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	-	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
<b>Total Other Financing Sources</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

EXPENDITURES	General		Social	Centralized	Planning	Libraries	Public Works	Parks and Rec	Police Department
	Government	Finance	Services	IT					
Compensation- Group A	\$ 786,261	\$ 641,672	\$ 9,611	\$ 156,923	\$ 2,050	\$ 627,239	\$ 1,025,961	\$ 465,348	\$ 4,969,453
Compensation - Group B	-	-	-	-	-	-	-	-	224,057
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	32,810	24,358	-	28,126	-	-	42,370	669	336,480
Overtime - Group B	-	-	-	-	-	-	-	-	33,025
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	413,366
Active Medical Insurance - Group A	214,165	133,853	-	71,388	-	141,907	289,825	62,465	1,277,095
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	214,165
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	11,354	9,470	-	7,041	-	7,107	16,315	5,041	58,673
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	11,437
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	85,554	52,074	735	31,140	157	48,321	87,970	32,436	477,474
Life Insurance	8,237	5,766	-	1,647	-	-	4,942	1,236	7,413
State Defined Contribution- Group A	36,516	26,653	-	13,642	-	10,760	45,831	9,325	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	36,289
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	-	-	-	-	-	-	-	-	-
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	1,079,745
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	10,733	13,396	-	2,535	-	17,002	14,638	3,218	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	10,942
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	121,382	53,551	-	17,850	-	-	7,140	17,850	71,401
Purchased Services	285,908	92,587	-	1,323	48,333	15,721	97,461	17,915	241,198
Materials/Supplies	126,800	52,636	-	37,150	-	147,117	197,230	99,499	114,737
Software Licenses	-	-	-	67,648	-	73,037	-	-	-
Capital Outlays	-	-	-	-	-	-	1,494,963	15,616	67,165
Insurance	911,937	-	-	-	-	-	-	-	-
Maintenance	63,084	-	-	-	-	246,893	9,530	35,119	22,373
Vehicle Operations	6,666	-	-	1,811	-	-	178,061	194	132,628
Utilities	52,004	-	-	67,807	-	46,561	269,019	161,246	89,029
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	587,207	-	-
Revaluation	-	186,000	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	323,301	-	-
Trash Removal & Recycling	-	-	-	-	-	-	1,938,025	-	-
Claims & Settlements	25,289	-	-	-	-	-	-	-	-
Community Support	671,313	-	-	-	-	-	-	-	-
Other Operation Expenditures	63,383	46,005	27	7,868	3,355	11,768	120,141	5,432	62,792
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 3,513,395</b>	<b>\$ 1,338,020</b>	<b>\$ 10,373</b>	<b>\$ 513,901</b>	<b>\$ 53,895</b>	<b>\$ 1,393,433</b>	<b>\$ 6,749,931</b>	<b>\$ 932,609</b>	<b>\$ 9,950,938</b>

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ 6,942,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,627,102	\$ 24,310,553
Compensation - Group B	267,990	-	435,755	-	-	-	927,803	2,268,422
Compensation - Group C	-	-	-	-	-	-	-	3,572,005
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	1,585,990	-	-	-	-	-	2,050,803	-
Overtime - Group B	59,874	-	28,754	-	-	-	121,653	-
Overtime - Group C	-	-	-	-	-	-	-	101,320
Police & Fire Detail	-	-	-	-	-	-	413,366	-
Active Medical Insurance - Group A	1,329,669	-	-	-	-	-	3,520,367	2,488,384
Active Medical Insurance- Group B	80,312	-	116,006	-	-	-	410,482	187,095
Active Medical Insurance- Group C	-	-	-	-	-	-	-	1,529,322
Active Dental insurance- Group A	105,466	-	-	-	-	-	220,466	202,504
Active Dental Insurance- Group B	8,269	-	10,052	-	-	-	29,757	11,698
Active Dental Insurance- Group C	-	-	-	-	-	-	-	68,733
Payroll Taxes	593,669	-	35,900	-	-	-	1,445,430	2,228,829
Life Insurance	45,758	-	3,295	-	-	-	78,293	337,669
State Defined Contribution- Group A	-	-	18,579	-	-	-	161,306	146,234
State Defined Contribution - Group B	12,413	-	-	-	-	-	48,701	9,334
State Defined Contribution - Group C	-	-	-	-	-	-	-	30,221
Other Benefits- Group A	-	-	-	-	-	-	-	300,920
Other Benefits- Group B	-	-	-	-	-	-	-	44,914
Other Benefits- Group C	-	-	-	-	-	-	-	450,454
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	1,079,745	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	1,095,592	-	-	-	-	-	1,157,114	3,254,993
State Defined Benefit Pension - Group B	3,999	-	2,851	-	-	-	17,792	315,460
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	180,642
Other Defined Benefit / Contribution	32,131	-	35,701	-	-	-	357,007	45,233
Purchased Services	134,197	-	2,013	-	-	-	936,658	10,562,108
Materials/Supplies	128,912	-	-	-	-	-	904,081	1,237,787
Software Licenses	-	-	-	-	-	-	140,685	14,800
Capital Outlays	164,439	-	-	-	-	-	1,742,182	2,102,957
Insurance	-	-	-	-	-	-	911,937	288,629
Maintenance	28,869	-	3,844	-	-	-	409,712	401,563
Vehicle Operations	116,601	-	5,306	-	-	-	441,268	2,477
Utilities	104,198	-	9,428	-	-	-	799,291	1,036,770
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	587,207	-
Revaluation	-	-	-	-	-	-	186,000	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	323,301	-
Trash Removal & Recycling	-	-	-	-	-	-	1,938,025	-
Claims & Settlements	-	-	-	-	-	-	25,289	-
Community Support	-	-	-	-	-	-	671,313	-
Other Operation Expenditures	48,969	-	5,366	-	-	-	375,106	164,260
Local Appropriation for Education	-	-	-	32,550,260	-	-	32,550,260	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	1,290,000	-	1,290,000	44,000
School Debt- Interest	-	-	-	-	429,783	-	429,783	1,884
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	477,133
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	6,876
OPEB Contribution- Total	-	-	-	-	-	2,481,068	2,481,068	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 12,889,899</b>	<b>\$ -</b>	<b>\$ 712,848</b>	<b>\$ 32,550,260</b>	<b>\$ 1,719,783</b>	<b>\$ 2,481,068</b>	<b>\$ 74,810,354</b>	<b>\$ 58,426,183</b>

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	-	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
<b>Total Other Financing Uses</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net Change in Fund Balance<sup>1</sup></b>	<b>2,286,911</b>	<b>(79,937)</b>
<b>Fund Balance1- beginning of year</b>	<b>\$ 7,847,876</b>	<b>\$ 612,086</b>
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(43,898)
<b>Fund Balance<sup>1</sup> - beginning of year adjusted</b>	<b>7,847,876</b>	<b>568,188</b>
Rounding	-	-
<b>Fund Balance<sup>1</sup> - end of year</b>	<b>\$ 10,134,787</b>	<b>\$ 488,251</b>

<sup>1</sup> and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of North Providence  
Combining Schedule of  
Reportable Government Services with  
Reconciliation to MTP2  
Municipal  
Fiscal Year Ended June 30, 2017

EXHIBIT- 6

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance <sup>1</sup>	Beginning Fund Fund Balance <sup>1</sup> (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance <sup>1</sup> (Deficit)	Ending Fund Balance <sup>1</sup> (Deficit)
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2017</b>						\$ 7,847,876		\$ 7,847,876	
<i>No funds removed from RGS for fiscal 2017</i>						-		-	
<i>No funds added to RGS for Fiscal 2017</i>						-		-	
<i>No misc. adjustments made for fiscal 2017</i>						-		-	
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2017 adjusted</b>						<u>\$ 7,847,876</u>		<u>\$ 7,847,876</u>	
General Fund	\$ 76,445,308	\$ -	\$ 40,937,598	\$ 33,294,950	\$ 2,212,760	\$ 7,830,114		\$ 7,830,114	\$ 10,042,874
Fire Equipment Capital Fund	238,590	-	164,439	-	74,151	17,762		17,762	91,913
<b>Totals per audited financial statements</b>	<u>\$ 76,683,898</u>	<u>\$ -</u>	<u>\$ 41,102,037</u>	<u>\$ 33,294,950</u>	<u>\$ 2,286,911</u>	<u>\$ 7,847,876</u>	<u>\$ -</u>	<u>\$ 7,847,876</u>	<u>\$ 10,134,787</u>
<b><u>Reconciliation from financial statements to MTP2</u></b>									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 32,550,260	\$ (32,550,260)	\$ -	\$ -		\$ -	\$ -
Transfers reclassified to expenditures	-	-	744,690	(744,690)	-	-		-	-
Police Details reflected as net in the financials	413,366	-	413,366	-	-	-		-	-
Rounding	-	-	-	-	-	-		-	-
<b>Totals Per MTP2</b>	<u>\$ 77,097,264</u>	<u>\$ -</u>	<u>\$ 74,810,354</u>	<u>\$ -</u>	<u>\$ 2,286,911</u>	<u>\$ 7,847,876</u>	<u>\$ -</u>	<u>\$ 7,847,876</u>	<u>\$ 10,134,787</u>

<sup>1</sup> and Net Position if Enterprise Fund activity is included in the transparency portal report.

Town of North Providence  
Combining Schedule of  
Reportable Government Services with  
Reconciliation to MTP2  
Education Department  
Fiscal Year Ended June 30, 2017

EXHIBIT - 7

Per Audited Fund Financial Statements	Total Other		Total Other		Net Change	Beginning Fund	Restated Beginnin		Ending
Fund Description	Total	Financing	Total	Financing	in Fund	Fund Balance <sup>1</sup>	Prior Period	Fund Balance <sup>1</sup>	Fund Balance <sup>1</sup>
	Revenue	Sources	Expenditures	Uses	Balance <sup>1</sup>	(Deficit)	Adjustment	(Deficit)	(Deficit)
<b>Fund Balance1 - per MTP-2 at June 30, 2016</b>						\$ 612,086		\$ 612,086	
<i>LESS NET INVESTMENT IN CAPITAL ASSETS FOR SCHOOL LUNCH FUND AS OF JUNE 30, 2015</i>						<u>(43,898)</u>		<u>(43,898)</u>	
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2016 adjusted</b>						<u>\$ 568,188</u>		<u>\$ 568,188</u>	
School Unrestricted Fund	\$ 23,771,238	\$ 32,550,260	\$ 55,420,571	\$ -	\$ 900,927	\$ -		\$ -	\$ 900,927
School Enterprise Fund <sup>1</sup>	1,304,462	-	1,253,612	-	50,850	47,687		47,687	98,537
School Capital Fund	489,846	-	1,550,084	-	(1,060,238)	500,000		500,000	(560,238)
School Special Revenue Funds	2,855,830	44,360.00	2,875,969	-	24,221	46,929		46,929	71,150
<b>Totals per audited financial statements</b>	<u>\$ 28,421,376</u>	<u>\$ 32,594,620</u>	<u>\$ 61,100,236</u>	<u>\$ -</u>	<u>\$ (84,240)</u>	<u>\$ 594,616</u>	<u>\$ -</u>	<u>\$ 594,616</u>	<u>\$ 510,376</u>
<b><u>Reconciliation from financial statements to MTP2</u></b>									
Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2	\$ 32,550,260	\$ (32,550,260)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(2,494,675)	-	(2,494,675)	-	-	-	-	-	-
State Aid Transportation Offset for Private and Parochial Students	(175,072)	-	(175,072)	-	-	-	-	-	-
Depreciation Expenses recognized on Financial Statements NOT recognized for MTP2 or UCOA and NET INVESTMENT IN CAPITAL ASSETS FOR SCHOOL LUNCH FUND AS OF JUNE 30, 2016 NOT RECOGNIZED IN UCOA	-	-	(20,067)	-	20,067	(26,428)	-	(26,428)	(6,361)
Equipment purchases in Enterprise Fund charged to expenditures for UCOA	-	-	25,970	-	(25,970)	-	-	-	(25,970)
Other Financing Sources reclassified to Revenue	44,360	(44,360)	-	-	-	-	-	-	-
Miscellaneous variances between UCOA & FS - Indirect Cost Reimbursement	-	-	(10,210)	-	10,210	-	-	-	10,210
Rounding	(3)	-	1	-	(4)	-	-	-	(4)
<b>Totals Per MTP2</b>	<u>\$ 58,346,246</u>	<u>\$ -</u>	<u>\$ 58,426,183</u>	<u>\$ -</u>	<u>\$ (79,937)</u>	<u>\$ 568,188</u>	<u>\$ -</u>	<u>\$ 568,188</u>	<u>\$ 488,251</u>
<b><u>Reconciliation from MTP2 to UCOA</u></b>									
No reconciling items from MTP2 to UCOA	-	-	-	-	-	-	-	-	-
<b>Totals per UCOA Validated Totals Report</b>	<u>\$ 58,346,246</u>	<u>\$ -</u>	<u>\$ 58,426,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<sup>1</sup> and Net Position if Enterprise Fund activity is included in the transparency portal report.

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)**  
**FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1. Basis of Presentation

The *Annual Supplemental Transparency Report (MTP2)* is a supplemental schedule required by the State of Rhode Island General Laws 45-12-22.2 and 44-35-10. This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) website to host municipal financial information in a centralized location. The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

Data consistency and comparability are among the key objectives of the State's Municipal Transparency portal. Consistent with that goal, the State has defined "reportable government services", RGS, to include those operational revenues, expenditures, and transfers related to activities which are essential to the achievement of municipal operations. The determination of RGS may be different from the activities included within the legally adopted budget of the municipality. In practice, some communities report certain RGS in separate funds (e.g., special revenue funds, enterprise funds) rather than the municipality's general fund. The *Annual Supplemental Transparency Report (MTP2)* includes a reconciliation to the fund level statements.

NOTE 3. Allocations

The State reporting requires expenditures to be reported by departments, as defined by the State. Some of the departmental groupings are not consistent with the departments reflected in the City's (or Town's) budget and accounting system. To report these costs, the City (or Town) made allocations of costs to the State's departmental groupings based on a reasonable basis.

NOTE 4. Employee Groups - Compensation and Benefit Costs

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses. For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

Group A: This group consists of employees who serve the primary function of the department.

- Police Department - police officers (e.g., uniform personnel - including, leadership positions)
- Fire Department - fire fighters (e.g., uniform personnel - including, leadership positions)
- Centralized Dispatch Department - civilian dispatchers only
- Education Department - professional staff providing direct services to students
- For the remaining departments - all employees' compensation and benefits are reported under Group A

Group B: For Police and Fire Departments, compensation and benefits paid to its administrative employees and civilian dispatch employees are reported under Group B. The Education Department reports compensation and benefits paid to executive/mid-level educational administration employees under Group B.

Group C: This group is only used for the Education Department and it includes administrative and support staff.

Other post-employment benefits (OPEB) are not reported by employee groups on the MTP2. They are reported in total as either (1) contributions to a qualified OPEB trust or (2) the amount paid for medical and dental insurance for retirees when an OPEB trust fund has not been established. The detail employee group information for the Education Department can be found on the State's Municipal Transparency portal website.

NOTE 5. Education Revenue and Expenditures

The revenues and expenditures presented on the MTP2 under the Education Department is consistent with existing Uniform Chart of Accounts (UCOA) guidelines. Each MTP account code has been mapped to the corresponding UCOA code or group of UCOA codes to facilitate the preparation of the MTP reporting.

*Additional guidance and definitions regarding the State's Municipal Transparency Portal can be found on the State Division of Municipal Finance website: <http://www.municipalfinance.ri.gov/>.*



# TOWN OF NORTH PROVIDENCE

## SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2017, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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***Robert J. Civetti, CPA, LLC.***  
*Accounting & Tax Preparation Services*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements, and have issued our report thereon dated February 2, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

A handwritten signature in black ink that reads "Robert J. Civetti, CPA, LLC". The signature is written in a cursive style.

Johnston, Rhode Island  
February 2, 2018

***Robert J. Civetti, CPA, LLC.***  
*Accounting & Tax Preparation Services*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited the Town of North Providence, Rhode Island's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2017. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of North Providence, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles*, and *Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of North Providence, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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

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

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

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

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

*Robert J. Civetti, CPA, LLC*

Johnston, Rhode Island  
February 2, 2018

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor</b>	Federal CFDA	Pass-Through Identifying Number	Pass-Through to Subrecipients	<b>Expenditures</b>
<b>Pass-Through Grantor/Program or Cluster Title</b>	<b>Number</b>			
<b>U.S. Department of Transportation</b>				
<b>Passed through Rhode Island Department of Transportation</b>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	None		\$ 1,501
State and Community Highway Safety	20.600	None		2,512
Safety Belt Performance Grants	20.609	None		4,378
Child Safety and Child Booster Seats Incentive Grants	20.613	None		1,016
<b>Total U.S. Department of Transportation</b>			\$ -	<u>9,407</u>
<b>U.S. Department of Justice</b>				
Equitable Sharing Program	16.922	None		3,001,666
<b>Passed through Rhode Island Department of Justice</b>				
Enforcing Underage Drinking Laws Program - Byrne Memorial Grant	16.727	None		36,353
Bulletproof Vest Partnership Program	16.607	None		9,580
<b>Total U.S. Department of Justice</b>			-	<u>3,047,599</u>
<b>U.S. Department of Homeland Security</b>				
<b>Passed through Rhode Island Emergency Management Agency</b>				
Homeland Security Grant Program	97.067	EMW-2015-SS-00027-S01		12,815
<b>Total U.S. Department of Homeland Security</b>			-	<u>12,815</u>
<b>U.S. Department of Health and Human Services</b>				
<b>Passed through Rhode Island Department of Health</b>				
State and Local Public Health Actions to Prevent Obesity etc.	93.757	U58DP005511		226,065
Tobacco Compliance Grant	93.XXX	None		482
<b>Total U.S. Department of Health and Human Services</b>			-	<u>226,547</u>
<b>U.S. Department of Education</b>				
<b>Passed through Rhode Island Department of Education</b>				
Special Education Grants to States - Project IDEA - Part B	84.027	2725-13202-701		882,158
Special Education Preschool Grants	84.173	2725-13502-701		18,908
<b>Special Education Cluster</b>			-	<u>901,066</u>
Title I Grants to Local Educational Agencies	84.010	2725-11702-701		758,352
Mathematics and Science Partnerships	84.366	2725-17702-601		321,577
Supporting Effective Instruction State Grants - Title II	84.367	2725-16402-701		145,560
English Language Acquisition State Grants - Title III	84.365	2725-16502-701		12,805
Career and Technical Education - Basic Grants to States	84.048			130,749
<b>Total U.S. Department of Education</b>			-	<u>2,270,109</u>
<b>U.S. Department of Treasury</b>				
Treasury forfeiture funds	21.000	None		19,509
<b>Environmental Protection Agency</b>				
Congressional Mandated Projects	66.202	None		324,640
<b>U.S. Department of Housing and Urban Development</b>				
<b>Passed through Rhode Island Office of Housing &amp; Community Development</b>				
Community Development Block Grant	14.228		141,838	209,352

(Continued)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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<i>Federal Grantor</i> Pass-Through Grantor/Program or Cluster Title	Federal CFDA <u>Number</u>	Pass-Through <u>Identifying Number</u>	Pass-Through to <u>Subrecipients</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>				
<b>Passed through Rhode Island Department of Education</b>				
School Lunch Cluster:				
National School Lunch Program	10.555	None		612,587
Summer Food Service Program for Children	10.559	None		26,163
National School Breakfast Program	10.553	None		189,044
<b>Total School Lunch Cluster</b>			<u>-</u>	<u>827,794</u>
Fresh Fruit and Vegetable Program	10.582	None		71,735
Child and Adult Care Food Program	10.558	None		15,455
Commodity Supplemental Food Program	10.565	None		95,073
<b>Total U.S. Department of Agriculture</b>			<u>-</u>	<u>1,010,057</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 141,838</u>	<u>\$ 7,130,035</u>

(Concluded)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017**

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**1. *Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of the Town of North Providence, Rhode Island under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

This Schedule presents only a selected portion of the activity and operations of the Town of North Providence, Rhode Island. This schedule is not intended to, and does not, present the financial position, changes in fund balance/net position, or cash flows of the Town of North Providence.

**2. *Summary of Significant Accounting Policies***

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or limited as to reimbursement. The Schedule also includes \$95,073 for the value of food commodities. These commodities have not been reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

**3. *Determination of Major Programs***

The determination of major federal awards programs was based upon the overall level of expenditures for all federal programs for the Town of North Providence, Rhode Island. As such, the threshold for determining Type A programs are defined as those with federal program expenditures equal to \$750,000 when the total federal program expenditures are between \$750,000 but less than or equal to \$25 million.

**4. *Matching Requirements***

The Town may receive federal grants which contain stipulations that requires the Town to contribute non-federal funds to supplement the federal program or project. The Town monitors these requirements and has complied with all matching provisions for the fiscal year ended June 30, 2017. The schedule of expenditures of federal does not include the expenditures covered by the matching funds.



**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

*Financial Statements*

Type of auditor's report issued: *Unmodified Opinion*

Internal control over financial reporting:

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

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

*Federal Awards*

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? \_\_\_ yes       X  no

Identification of major program:

Special Education Cluster:	
Special Education Grants to States – Project IDEA.	CFDA #84.027
Special Education Preschool Grants.....	CFDA #84.173
Title I – Grants to Local Educational Agencies.....	CFDA #84.010
Equitable Sharing Program .....	CFDA #16.922
Mathematics and Science Partnerships.....	CFDA #84.366

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

(CONTINUED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION II. FINANCIAL STATEMENT FINDINGS**

*Current Year Findings:*

*None*

**SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*Current Year Findings:*

*None*

(CONCLUDED)

**TOWN OF NORTH PROVIDENCE, RHODE ISLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**SECTION IV. PRIOR AUDIT FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS**

*None*

**SECTION V. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*None*