

***TOWN OF NORTH SMITHFIELD, RHODE ISLAND  
ANNUAL FINANCIAL STATEMENTS***

*For the Fiscal Year Ended  
June 30, 2017*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**ANNUAL FINANCIAL STATEMENTS**  
*For the Fiscal Year Ended June 30, 2017*

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**FINANCIAL SECTION**

**THIS SECTION CONTAINS THE FOLLOWING:**

**Independent Auditor's Report**

**Management Discussion and Analysis**

**Basic Financial Statements**

**Required Supplementary Information**

**Other Supplementary Information**



CERTIFIED PUBLIC ACCOUNTANTS

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### **Independent Auditor's Report**

To the Honorable President and  
Members of the Town Council  
Town of North Smithfield, Rhode Island

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, 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 Smithfield, 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 Smithfield, 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, and supplementary other postemployment benefit and pension information on pages 4 through 12 and pages 70 through 83 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 Smithfield, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 nonmajor fund financial statements, the combining fiduciary fund financial statements, and other supplementary

information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018 on our consideration of the Town of North Smithfield, 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 solely 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 the effectiveness of the Town of North Smithfield, Rhode Island's 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 Smithfield, Rhode Island's internal control over financial reporting and compliance.

*Bacon & Company, LLC*

Warwick, Rhode Island  
January 2, 2018

## **TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

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

Management of the Town of North Smithfield provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of North Smithfield is for fiscal year ended June 30, 2017.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate changes in the Town's financial position. These tables will reflect governmental activities, business - type activities and total activities for the 2016 and 2017 fiscal years. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's annual financial statements. The financial section of this report consists of four parts — management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information that includes combining statements for non-major governmental funds and other fiduciary funds.

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall status. The remaining statements are fund-financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government wide statements.

The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

Proprietary fund statements offer short and long term financial information about the activities the Government operates like businesses, such as the water and sewer system.

Fiduciary fund statements provide information about assets that are held by the Town as a trustee or agent for the benefit of someone or something other than the Town itself. The Town cannot use these assets to support its own programs.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements. The Town of North Smithfield adopted the provision of Governmental Accounting Standards Board Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions and Governmental Accounting Standards Board Statement No. 34, Basic Financial statements Management's Discussion and Analysis – for State and Local Governments as of July 1, 2002.



## Government-Wide Statements

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

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

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

The government-wide financial statements of the Town are divided into two categories:

***Governmental activities*** - Most of the Town's basic services are included here, such as the police, fire, library, public works, parks & recreation and general administration. Property taxes, charges for services and state funding finance most of these activities.

***Business-Type activities*** - The Town charges fees to customers to cover the costs of certain services it provides. The Town Water and Sewer Enterprise Funds are included here.

The government-wide financial statements are reported on pages 13 and 14.

## Fund Financial Statements

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

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

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

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

The Town maintains 26 governmental funds; 3 are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Data from the remaining 23 governmental 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” later in this report. The Town's three major governmental funds are:

1. General Fund
2. School Unrestricted Fund
3. Town Building Bond

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

***Proprietary Funds*** - The Town maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town maintains an enterprise fund to account for its Water and Sewer operations. The basic proprietary fund financial statements can be found on pages 19 through 22 of this report.

***Fiduciary Funds*** – The Town maintains one private-purpose trust fund and eight agency funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 23 and 24 of this report.

***Notes to the financial statements*** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 25 through 69 of this report.

***Other Information*** - In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This section includes budgetary comparison schedules, which include reconciliation between the statutory revenues and expenditures for budgetary purposes and the revenues and expenditures for the General Fund and School Unrestricted Fund as presented in the governmental fund financial statements. Required supplementary information follows the notes to the financial statements and can be found beginning on page 70 of this report. The combining statements referred to earlier in connection with non-major governmental funds and other information related to the individual funds are presented immediately following the required supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$24,226,303 at the close of the most recent fiscal year.

<b>Town of North Smithfield Net Position</b>						
	<b>June 30, 2017</b>			<b>June 30, 2016</b>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<b><u>Assets</u></b>						
Current assets	\$ 17,855,726	\$ 3,215,912	\$ 21,071,638	\$ 19,967,322	\$ 3,872,652	\$ 23,839,974
Capital assets, net	51,953,529	11,598,300	63,551,829	49,859,287	12,321,549	62,180,836
Other noncurrent assets	3,033,302	2,513,304	5,546,606	3,232,266	2,874,828	6,107,094
<b>Total assets</b>	<b>72,842,557</b>	<b>17,327,516</b>	<b>90,170,073</b>	<b>73,058,875</b>	<b>19,069,029</b>	<b>92,127,904</b>
<b><u>Deferred outflow of resources</u></b>						
Deferred pension amounts	6,390,618	-	6,390,618	2,798,572	-	2,798,572
Deferred amounts on refunding	1,402,379	39,905	1,442,284	111,612	43,230	154,842
<b>Total deferred outflow of resources</b>	<b>7,792,997</b>	<b>39,905</b>	<b>7,832,902</b>	<b>2,910,184</b>	<b>43,230</b>	<b>2,953,414</b>
<b><u>Liabilities</u></b>						
Current liabilities	4,243,300	913,479	5,156,779	5,078,471	781,398	5,859,869
Noncurrent liabilities	59,639,872	4,059,691	63,699,563	58,745,792	4,461,886	63,207,678
<b>Total liabilities</b>	<b>63,883,172</b>	<b>4,973,170</b>	<b>68,856,342</b>	<b>63,824,263</b>	<b>5,243,284</b>	<b>69,067,547</b>
<b><u>Deferred inflow of resources</u></b>						
Deferred pension amounts	2,141,379	-	2,141,379	1,338,057	-	1,338,057
Deferred sewer assessments	-	2,778,951	2,778,951	-	3,143,590	3,143,590
<b>Total deferred inflow of resources</b>	<b>2,141,379</b>	<b>2,778,951</b>	<b>4,920,330</b>	<b>1,338,057</b>	<b>3,143,590</b>	<b>4,481,647</b>
<b><u>Net position</u></b>						
Net investment in capital assets	23,808,245	7,703,603	31,511,848	21,504,983	8,029,508	29,534,491
Restricted for specific use	3,491,053	-	3,491,053	3,018,230	-	3,018,230
Unrestricted	(12,688,295)	1,911,697	(10,776,598)	(13,716,474)	2,695,877	(11,020,597)
<b>Total net position</b>	<b>\$ 14,611,003</b>	<b>\$ 9,615,300</b>	<b>\$ 24,226,303</b>	<b>\$ 10,806,739</b>	<b>\$ 10,725,385</b>	<b>\$ 21,532,124</b>

The largest portion of the Town's net position, \$31,511,848 reflects its investment in capital such as land, building, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$3,491,053 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$10,776,598) may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

## Changes in Net Position

Town of North Smithfield Changes in Net Position						
June 30, 2017			June 30, 2016			
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 2,091,466	\$ 2,619,677	\$ 4,711,143	\$ 2,234,037	\$ 2,602,400	\$ 4,836,437
Operating grants	9,194,841	-	9,194,841	9,650,934	-	9,650,934
Capital grants	-	-	-	52,723	-	52,723
<b>General Revenues</b>						
Property taxes, levied for general purposes	33,790,297	-	33,790,297	31,778,072	-	31,778,072
State aid	645,821	-	645,821	697,420	-	697,420
Interest income	45,304	11,217	56,521	13,254	4,403	17,657
Miscellaneous	22,632	-	22,632	67,519	-	67,519
<b>Total revenues</b>	<u>45,790,361</u>	<u>2,630,894</u>	<u>48,421,255</u>	<u>44,493,959</u>	<u>2,606,803</u>	<u>47,100,762</u>
<b>Expenses</b>						
General government	1,533,907	-	1,533,907	1,632,297	-	1,632,297
Financial administration	876,290	-	876,290	922,061	-	922,061
Public safety	7,299,454	-	7,299,454	7,166,942	-	7,166,942
Public works	2,985,925	-	2,985,925	2,665,777	-	2,665,777
Grants & contributions	8,920	-	8,920	8,936	-	8,936
Settlements	155,000	-	155,000	-	-	-
Education	28,406,952	-	28,406,952	29,169,610	-	29,169,610
Interest	861,993	-	861,993	1,353,334	-	1,353,334
Water	-	481,975	481,975	-	471,289	471,289
Sewer	-	3,116,660	3,116,660	-	2,539,419	2,539,419
<b>Total expenses</b>	<u>42,128,441</u>	<u>3,598,635</u>	<u>45,727,076</u>	<u>42,918,957</u>	<u>3,010,708</u>	<u>45,929,665</u>
Excess (deficiency) of revenues over (under) expenses before transfers	3,661,920	(967,741)	2,694,179	1,575,002	(403,905)	1,171,097
Transfers in (out)	142,344	(142,344)	-	(23,724)	23,724	-
Change in net position	3,804,264	(1,110,085)	2,694,179	1,551,278	(380,181)	1,171,097
<b>Net position - beginning</b>	<u>10,806,739</u>	<u>10,725,385</u>	<u>21,532,124</u>	<u>9,255,461</u>	<u>11,105,566</u>	<u>20,361,027</u>
<b>Net position - ending</b>	<u>\$ 14,611,003</u>	<u>\$ 9,615,300</u>	<u>\$ 24,226,303</u>	<u>\$ 10,806,739</u>	<u>\$ 10,725,385</u>	<u>\$ 21,532,124</u>

**Governmental Activities** - To aid in the understanding of the new Statement of Activities, some additional explanation is given. Of particular interest is the format which is different than a typical Statement of Revenues, Expenditures and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden to our taxpayers of each of the Town's functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Governmental activities increased the Town's net position by \$3,804,264.

**Business-Type activities** - Business-type activities decreased the Town's net position by \$1,110,085.

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

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$14,993,182 a decrease of \$1,475,082 (8.96%) in comparison with the prior year beginning fund balance. The General Fund and School Unrestricted Fund are the chief operating funds of the Town.

At the end of the current fiscal year, the total fund balance of the General Fund was \$6,055,305, of which \$4,330,447 is unassigned (71.51%). The General Fund total fund balance increased by \$830,968 (15.91%) during the current fiscal year. The unassigned fund balance in the General Fund represents 11.98% of the total Fiscal Year 2017 General Fund budgeted expenditures.

At the end of the current fiscal year, the total fund balance of the School Unrestricted Fund was \$2,427,238, of which \$2,207,005 is restricted for education with the balance being assigned for specific purposes. There are no unassigned balances in the School Unrestricted Fund. The School Unrestricted Fund total fund balance has increased by \$306,343 (14.44%) during the current fiscal year.

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

At the end of the current fiscal year, net position of the Water Fund amounted to \$1,127,874, an increase of \$108,872 (10.68%) from the prior year Net Position. In the Sewer Fund, net position amounted to \$8,487,426, a decrease of \$1,218,957 (12.56%) from the prior year Net Position.

## **General Fund Budgetary Highlights**

The following Revenue Sources had revenue that was materially over/(under) budget for the fiscal year:

***Property taxes*** - were \$169,828 over budget. This positive variance is attributed to a higher collection percentage of billed taxes, as well as less than anticipated tax abatements. For the current fiscal year, a tax sale was held that generated payments on many delinquent accounts. Additionally, DMV registry blocks has aided in the collection of Motor Vehicle taxes.

***Intergovernmental and grant revenue*** – was over budget by \$148,844, primarily due to School Housing under budgeted by \$120,364.

***Town clerk licenses and fees*** – were over budget by \$48,697 due to favorable collections of Real Estate recordings and the budget committee’s conservative approach for revenue estimation.

***Other Revenues*** – were over budget by \$15,838 due to favorable collections of Rescue Service Fees and the budget committee’s conservative approach for revenue estimation.

The following Departments had expenditures that were materially over/(under) budget for the fiscal year:

***General governmental expenditures*** - were under budget by \$160,340, primarily due to unexpended contingency fund items (\$77,966), administrator’s office salary line under spent (\$4,506) and grant writer line under spent (\$5,000), planning department’s salary line under spent (\$12,084), and plant operations line items being under spent (\$46,210).

***Financial administration expenditures*** - were under budget by \$87,602, primarily due to the Audits and Computer Services expenditure line item under spent by \$46,229, finance department salary line under spent (\$11,974), Insurance expense was lower than originally projected (\$11,958).

***Public safety expenditures*** – were over budget by \$22,874 primarily due to overtime costs in the Police Department.

***Public works expenditures*** – were under budget by \$51,149 primarily due to favorable outcomes for the Highway Department in FY17.

## Capital Assets and Debt Administration

**Capital Assets** - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$63,551,829 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and construction in progress.

Additional information on the Town's capital assets can be found in the notes to the financial statements of this report. A summary of the Town's capital assets is presented below:

### Town of North Smithfield Capital Assets (Net of Accumulated Depreciation)

	June 30, 2017			June 30, 2016		
	Govern- mental Activities	Business Type Activities	Total	Govern- mental Activities	Business Type Activities	Total
Land	\$ 8,720,242	\$ 16,141	\$ 8,736,383	\$ 8,720,242	\$ 16,141	\$ 8,736,383
Construction in progress	827,289	-	827,289	351,475	-	351,475
Land improvements	1,340,042	15,436	1,355,478	1,388,824	16,299	1,405,123
Buildings and improvements	35,762,823	1,503,088	37,265,911	36,910,565	1,550,014	38,460,579
Infrastructure	2,936,287	5,449,691	8,385,978	575,289	5,601,172	6,176,461
Machinery, equipment and furniture	1,013,509	4,597,423	5,610,932	1,191,363	5,106,869	6,298,232
Vehicles	1,353,337	16,521	1,369,858	721,529	31,054	752,583
<b>Total</b>	<u>\$ 51,953,529</u>	<u>\$ 11,598,300</u>	<u>\$ 63,551,829</u>	<u>\$ 49,859,287</u>	<u>\$ 12,321,549</u>	<u>\$ 62,180,836</u>

**Long-Term Obligations** – At the end of the fiscal year, the Town had total debt outstanding of \$67,099,271. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. A summary of the Town's Long-Term Obligations is presented below:

### Town of North Smithfield Long-Term Obligations

	June 30, 2017			June 30, 2016		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
General Obligation Bonds & Loans	\$ 30,917,624	\$ 4,257,917	\$ 35,175,541	\$ 35,307,624	\$ 4,612,033	\$ 39,919,657
Capital leases payable	209,530	38,269	247,799	478,368	79,609	557,977
Amortized premium on bonds	3,529,652	44,938	3,574,590	699,664	48,683	748,347
Accrued compensated absences	950,273	-	950,273	947,369	-	947,369
Settlements payable	100,100	215,143	315,243	100,100	110,552	210,652
Net OPEB obligation	2,618,990	-	2,618,990	2,239,683	-	2,239,683
Net pension liabilities	24,216,835	-	24,216,835	21,850,733	-	21,850,733
<b>Totals</b>	<u>\$ 62,543,004</u>	<u>\$ 4,556,267</u>	<u>\$ 67,099,271</u>	<u>\$ 61,623,541</u>	<u>\$ 4,850,877</u>	<u>\$ 66,474,418</u>

The Town retired bond debt of \$21,505,000 for Governmental Activities and \$354,116 for Business-Type Activities during the current fiscal year. Additionally, the Town issued \$17,115,000 of refunding debt in the current fiscal year. State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. Currently, the Town is in compliance with the Legal Debt margin requirement.

Additional information on the Town's long-term obligations can be found in the notes to the financial statements.

### **Independent Audit**

State statutes and the Town Charter require an annual audit by independent certified public accountants. The accounting firm of Bacon & Company, LLC provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2017.

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

The budget for fiscal year 2017-2018 is \$43,307,228, an increase of \$794,034 (1.87%) from the prior year. Education, at \$25,311,775 or 58.45% of the total budgeted expenditures. The increase for education was \$290,216, which is made up primarily of Town Appropriation.

For the fiscal year 2017-2018, the tax rate was broken down into three tiers: residential, commercial and personal property, with rates of \$16.82, \$18.66 and \$41.95, respectively. The breakdown consists of 41.55% for municipal and 58.45% for education. For the fiscal year 2016-2017, the tax rate was broken down into the same three tiers, with rates of \$16.36, \$18.16 and \$40.83, respectively. The breakdown consists of 41.10% for municipal and 58.90% for education.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town Hall, 1 Main Street, Slatersville, Rhode Island 02876.

Thank you very much!

Cynthia DeJesus  
Finance Director



## **BASIC FINANCIAL STATEMENTS**

### **THE BASIC FINANCIAL STATEMENTS INCLUDE:**

#### **Government-Wide Financial Statements**

##### **Fund Financial Statements:**

- Governmental Funds**
- Proprietary Funds**
- Fiduciary Funds**

**In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Statement of Net Position*

June 30, 2017

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 14,792,813	\$ 3,257,547	\$ 18,050,360
Real estate and personal property tax receivable, net	1,390,526	-	1,390,526
Water and sewer use fees receivable, net	-	234,475	234,475
Sewer assessments receivable, net	-	348,818	348,818
Due from federal and state government	288,446	-	288,446
Accrued interest receivable, net	455,329	-	455,329
Other receivables	80,881	-	80,881
Internal balances	624,928	(624,928)	-
Prepaid expenses	211,353	-	211,353
Inventory	11,450	-	11,450
<b>Total current assets</b>	<b>17,855,726</b>	<b>3,215,912</b>	<b>21,071,638</b>
<b>Noncurrent assets:</b>			
Sewer assessments receivable, net	-	2,513,304	2,513,304
Capital assets: (Note 6)			
Land and land easements	8,720,242	16,141	8,736,383
Construction in progress	827,289	-	827,289
Depreciable buildings, property, equipment, infrastructure, net	42,405,998	11,582,159	53,988,157
Capital assets, net	51,953,529	11,598,300	63,551,829
Net pension assets	3,033,302	-	3,033,302
<b>Total noncurrent assets</b>	<b>54,986,831</b>	<b>14,111,604</b>	<b>69,098,435</b>
<b>Total assets</b>	<b>72,842,557</b>	<b>17,327,516</b>	<b>90,170,073</b>
<b>Deferred outflows of resources:</b>			
Deferred pension amounts	6,390,618	-	6,390,618
Deferred amounts on refunding	1,402,379	39,905	1,442,284
<b>Total deferred outflows of resources</b>	<b>7,792,997</b>	<b>39,905</b>	<b>7,832,902</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	1,167,915	250,219	1,418,134
Accrued interest payable	171,293	64,914	236,207
Unearned revenue	960	-	960
Settlements payable - due within one year	14,300	215,143	229,443
Long-term debt - due within one year (Note 7)	2,888,832	383,203	3,272,035
<b>Total current liabilities</b>	<b>4,243,300</b>	<b>913,479</b>	<b>5,156,779</b>
<b>Noncurrent liabilities:</b>			
Long-term debt - due in more than one year (Note 7)	31,767,974	3,957,921	35,725,895
Accrued compensated absences	950,273	-	950,273
Settlements payable - due in more than one year	85,800	-	85,800
Other liabilities	-	101,770	101,770
Net pension liabilities	24,216,835	-	24,216,835
Net other post employment benefit obligation	2,618,990	-	2,618,990
<b>Total noncurrent liabilities</b>	<b>59,639,872</b>	<b>4,059,691</b>	<b>63,699,563</b>
<b>Total liabilities</b>	<b>63,883,172</b>	<b>4,973,170</b>	<b>68,856,342</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension amounts	2,141,379	-	2,141,379
Deferred sewer assessments	-	2,778,951	2,778,951
<b>Total deferred inflows of resources</b>	<b>2,141,379</b>	<b>2,778,951</b>	<b>4,920,330</b>
<b>Net Position:</b>			
Net investment in capital assets	23,808,245	7,703,603	31,511,848
Restricted for:			
Education programs	2,266,584	-	2,266,584
Public safety programs	1,012,120	-	1,012,120
Historical records preservation	73,825	-	73,825
Other programs	138,524	-	138,524
Unrestricted	(12,688,295)	1,911,697	(10,776,598)
<b>Total net position</b>	<b>\$ 14,611,003</b>	<b>\$ 9,615,300</b>	<b>\$ 24,226,303</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2017*

<i>Functions/Programs</i>	<i>Expenses</i>	<i>Program Revenues</i>			<i>Net (Expense) Revenue and Changes in Net Position</i>		
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>Governmental Activities:</b>							
General government	\$ 1,533,907	\$ 473,791	\$ 97,129	\$ -	\$ (962,987)	\$ -	\$ (962,987)
Financial administration	876,290	71,664	-	-	(804,626)	-	(804,626)
Public safety	7,299,454	797,852	22,508	-	(6,479,094)	-	(6,479,094)
Public works	2,985,925	107,406	5,850	-	(2,872,669)	-	(2,872,669)
Grants and contributions	8,920	-	-	-	(8,920)	-	(8,920)
Settlements	155,000	-	-	-	(155,000)	-	(155,000)
Education	28,406,952	640,753	8,011,096	-	(19,755,103)	-	(19,755,103)
Interest on long-term debt	861,993	-	1,058,258	-	196,265	-	196,265
<b>Total governmental activities</b>	<b>42,128,441</b>	<b>2,091,466</b>	<b>9,194,841</b>	<b>-</b>	<b>(30,842,134)</b>	<b>-</b>	<b>(30,842,134)</b>
<b>Business-Type Activities:</b>							
Water	481,975	590,847	-	-	-	108,872	108,872
Sewer	3,116,660	2,028,830	-	-	-	(1,087,830)	(1,087,830)
<b>Total business-type activities</b>	<b>3,598,635</b>	<b>2,619,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(978,958)</b>	<b>(978,958)</b>
<b>Total</b>	<b>\$ 45,727,076</b>	<b>\$ 4,711,143</b>	<b>\$ 9,194,841</b>	<b>\$ -</b>	<b>(30,842,134)</b>	<b>(978,958)</b>	<b>(31,821,092)</b>
<b>General Revenues:</b>							
Taxes:							
Property taxes							
					33,790,297	-	33,790,297
State aid and in lieu of taxes,							
not restricted for a specific purpose							
					645,821	-	645,821
Investment earnings							
					45,304	11,217	56,521
Miscellaneous							
					22,632	-	22,632
<b>Transfers</b>							
					142,344	(142,344)	-
<b>Total general revenues and transfers</b>							
					34,646,398	(131,127)	34,515,271
<b>Change in net position</b>							
					3,804,264	(1,110,085)	2,694,179
<b>Net position - beginning of year</b>							
					10,806,739	10,725,385	21,532,124
<b>Net position - end of year</b>							
					\$ 14,611,003	\$ 9,615,300	\$ 24,226,303

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Balance Sheet  
Governmental Funds  
June 30, 2017*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Town Building Bond</i>	<i>Other Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets</b>					
Cash and cash equivalents	\$ 6,233,567	\$ 2,237,768	\$ 4,967,094	\$ 1,354,384	\$ 14,792,813
Real estate and personal property tax receivable (net)	1,390,526	-	-	-	1,390,526
Due from federal and state governments	-	23,554	-	264,892	288,446
Other receivables	68,076	2,769	-	10,036	80,881
Due from other funds	1,068,562	806,931	-	671,904	2,547,397
Prepaid expenditures	211,353	-	-	-	211,353
Inventory	11,450	-	-	-	11,450
<b>Total assets</b>	<b>\$ 8,983,534</b>	<b>\$ 3,071,022</b>	<b>\$ 4,967,094</b>	<b>\$ 2,301,216</b>	<b>\$ 19,322,866</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenditures	\$ 300,759	\$ 535,750	\$ -	\$ 261,943	\$ 1,098,452
Due to other funds	1,395,496	108,034	-	488,402	1,991,932
Unearned revenue	960	-	-	-	960
<b>Total liabilities</b>	<b>1,697,215</b>	<b>643,784</b>	<b>-</b>	<b>750,345</b>	<b>3,091,344</b>
<b>Deferred Inflows of Resources:</b>					
Deferred property taxes	1,231,014	-	-	-	1,231,014
Other deferred revenues	-	-	-	7,326	7,326
<b>Total deferred inflows of resources</b>	<b>1,231,014</b>	<b>-</b>	<b>-</b>	<b>7,326</b>	<b>1,238,340</b>
<b>Fund Balances (Deficits):</b>					
Nonspendable:					
Prepaid expenditures	211,353	-	-	-	211,353
Inventory	11,450	-	-	-	11,450
Restricted for:					
Education programs	-	2,207,005	-	59,579	2,266,584
Public safety programs	-	-	-	1,012,120	1,012,120
Historical records preservation	-	-	-	73,825	73,825
Capital projects	-	-	4,967,094	142,049	5,109,143
Other programs	4,126	-	-	127,072	131,198
Committed for:					
Other postemployment benefits	250,010	-	-	-	250,010
Revaluation	259,920	-	-	-	259,920
Capital assets and projects	170,623	-	-	199,850	370,473
Branch Village project	67,000	-	-	-	67,000
Public safety programs	-	-	-	45,210	45,210
Other	23,740	-	-	-	23,740
Assigned to:					
Road resurfacing and repairs	420,650	-	-	-	420,650
Capital assets and projects	208,146	-	-	-	208,146
Other	97,840	-	-	-	97,840
Building and field maintenance	-	102,713	-	-	102,713
Preschool program	-	91,822	-	-	91,822
Extraordinary special education costs	-	25,698	-	-	25,698
Unassigned	4,330,447	-	-	(116,160)	4,214,287
<b>Total fund balances (deficits)</b>	<b>6,055,305</b>	<b>2,427,238</b>	<b>4,967,094</b>	<b>1,543,545</b>	<b>14,993,182</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 8,983,534</b>	<b>\$ 3,071,022</b>	<b>\$ 4,967,094</b>	<b>\$ 2,301,216</b>	<b>\$ 19,322,866</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 14,993,182</b>
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>	
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 6 to the financial statements.	51,953,529
Accrued interest receivable on property taxes is reported as revenue in Government-Wide financial statements in the period earned. In Governmental Funds financial statements, interest on property taxes is reported when received.	455,329
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	7,326
Property taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as revenue when received in Governmental Funds financial statements.	1,231,014
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(171,293)
Long-term liabilities (including bonds and loans payable, capital leases, settlements, compensated absences, net other post employment benefit obligations, and net pension liabilities) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See Note 7 to the financial statements.	(62,543,004)
Deferred outflows related debt refunding are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements.	1,402,379
Net pension assets are not available to pay for current period expenditures and, therefore, are not reported in Governmental Funds financial statements.	3,033,302
Deferred outflows and inflows related to pensions are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements.	
Deferred outflows - pension	6,390,618
Deferred inflows - pension	<u>(2,141,379)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 14,611,003</u></b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Town Building Bond</i>	<i>Other Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>					
Property taxes	\$ 33,665,657	\$ -	\$ -	\$ -	\$ 33,665,657
Motor vehicle excise in lieu of tax	183,264	-	-	-	183,264
Intergovernmental and grant revenue	1,609,104	7,321,591	-	656,508	9,587,203
Town clerk licenses and fees	377,747	-	-	-	377,747
Other departmental fines and fees	369,974	340,361	-	65,181	775,516
Investment and interest income	30,235	-	8,692	6,377	45,304
Other revenues	337,109	15,014	-	646,121	998,244
<b>Total revenues</b>	<b>36,573,090</b>	<b>7,676,966</b>	<b>8,692</b>	<b>1,374,187</b>	<b>45,632,935</b>
<b>Expenditures:</b>					
Current:					
General government	1,335,386	-	-	28,100	1,363,486
Financial administration	731,767	-	-	-	731,767
Public safety	5,455,695	-	-	128,893	5,584,588
Public works	2,322,751	-	-	19,167	2,341,918
Fixed charges	1,911,066	-	-	-	1,911,066
Grants and contributions	8,920	-	-	-	8,920
Settlements	155,000	-	-	-	155,000
Education	-	25,848,846	-	928,823	26,777,669
Other	-	-	-	16,731	16,731
Capital outlay	1,014,286	-	131,475	3,112,974	4,258,735
Debt service:					
Principal	3,008,838	-	-	-	3,008,838
Interest and issuance costs	1,184,590	-	-	-	1,184,590
<b>Total expenditures</b>	<b>17,128,299</b>	<b>25,848,846</b>	<b>131,475</b>	<b>4,234,688</b>	<b>47,343,308</b>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>					
	19,444,791	(18,171,880)	(122,783)	(2,860,501)	(1,710,373)
<b>Other financing sources (uses):</b>					
Refunding bonds issued	17,115,000	-	-	-	17,115,000
Premium on bonds issued	3,160,422	-	-	-	3,160,422
Payment to refunding bond escrow agent	(20,182,475)	-	-	-	(20,182,475)
Transfers from other funds	142,344	18,642,223	-	742,369	19,526,936
Transfers to other funds	(18,849,114)	(164,000)	-	(371,478)	(19,384,592)
<b>Total other financing sources (uses)</b>	<b>(18,613,823)</b>	<b>18,478,223</b>	<b>-</b>	<b>370,891</b>	<b>235,291</b>
<b>Net change in fund balances</b>	<b>830,968</b>	<b>306,343</b>	<b>(122,783)</b>	<b>(2,489,610)</b>	<b>(1,475,082)</b>
<b>Fund balances (deficits) - beginning of year</b>	<b>5,224,337</b>	<b>2,120,895</b>	<b>5,089,877</b>	<b>4,033,155</b>	<b>16,468,264</b>
<b>Fund balances (deficits) - end of year</b>	<b>\$ 6,055,305</b>	<b>\$ 2,427,238</b>	<b>\$ 4,967,094</b>	<b>\$ 1,543,545</b>	<b>\$ 14,993,182</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in the Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

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**Net Changes in Fund Balances - Total Governmental Funds** \$ (1,475,082)

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

Governmental Funds financial statements report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount of capital assets recorded in the current period.	4,262,883
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported in the Governmental Funds financial statements.	(2,168,641)
Long-term compensated absences, net pension liabilities (assets) and net other post employment benefit (OPEB) obligation are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences, net pension liabilities (assets) and net OPEB obligation are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in these long-term liabilities from the prior year.	(158,553)
Bond, loan and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal and payments to escrow agents are expenditures or uses of current financial resources in Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position.	
This amount represents long-term debt issued.	(17,115,000)
This amount represents long-term debt principal payments.	3,008,838
This amount represents payments to refunding bond escrow agent.	20,182,475
Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Deferred amounts on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.	
This amount represents premium on long-term debt issued.	(3,160,422)
This amount represents amortization of deferred amounts on refunding during the current period.	(126,708)
This amount represents amortization of premium on debt during the current period.	330,434
Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year.	118,871
Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds.	105,169
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 3,804,264</u></u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Statement of Net Position*

*Proprietary Funds*

*June 30, 2017*

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<u><i>Water</i></u>	<u><i>Sewer</i></u>	<u><i>Total</i></u>
	<u><i>Fund</i></u>	<u><i>Fund</i></u>	<u></u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ -	\$ 3,257,547	\$ 3,257,547
Accounts receivable:			
Water and sewer use fees, net	136,056	98,419	234,475
Sewer assessments, net	-	348,818	348,818
Due from other funds	203,989	-	203,989
<b>Total current assets</b>	<u>340,045</u>	<u>3,704,784</u>	<u>4,044,829</u>
<b>Noncurrent assets:</b>			
Sewer assessments receivable, net	-	2,513,304	2,513,304
Capital assets:			
Non-depreciable assets	16,141	-	16,141
Depreciable assets - net	2,229,030	9,353,129	11,582,159
<b>Total noncurrent assets</b>	<u>2,245,171</u>	<u>11,866,433</u>	<u>14,111,604</u>
<b>Total assets</b>	<u>2,585,216</u>	<u>15,571,217</u>	<u>18,156,433</u>
<b>Deferred outflows of resources</b>			
Deferred amounts on refunding	-	39,905	39,905
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>39,905</u>	<u>39,905</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued expenses	190,010	60,209	250,219
Accrued interest payable	36,775	28,139	64,914
Due to other funds	-	828,917	828,917
Settlements payable	-	215,143	215,143
Current portion of long term debt	136,324	246,879	383,203
<b>Total current liabilities</b>	<u>363,109</u>	<u>1,379,287</u>	<u>1,742,396</u>
<b>Noncurrent liabilities:</b>			
Long-term debt	1,050,933	2,906,988	3,957,921
Other liabilities	43,300	58,470	101,770
<b>Total noncurrent liabilities</b>	<u>1,094,233</u>	<u>2,965,458</u>	<u>4,059,691</u>
<b>Total liabilities</b>	<u>1,457,342</u>	<u>4,344,745</u>	<u>5,802,087</u>
<b>Deferred inflows of resources</b>			
Deferred sewer assessments	-	2,778,951	2,778,951
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>2,778,951</u>	<u>2,778,951</u>
<b>Net position</b>			
Net investment in capital assets	1,057,914	6,645,689	7,703,603
Unrestricted	69,960	1,841,737	1,911,697
<b>Total net position</b>	<u>\$ 1,127,874</u>	<u>\$ 8,487,426</u>	<u>\$ 9,615,300</u>

*The accompanying notes are an integral part of the basic financial statements.*



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<i>Water Fund</i>	<i>Sewer Fund</i>	<i>Total</i>
<b><i>Operating revenues</i></b>			
Assessments and user fees	\$ 550,612	\$ 1,923,441	\$ 2,474,053
Other revenues	40,235	105,389	145,624
<b><i>Total operating revenues</i></b>	<b>590,847</b>	<b>2,028,830</b>	<b>2,619,677</b>
<b><i>Operating expenses</i></b>			
Salaries and benefits	30,563	161,645	192,208
Service	260,256	1,162,773	1,423,029
Operating supplies	350	4,817	5,167
Fixed and general charges	59,130	261,188	320,318
Settlements	-	631,350	631,350
Depreciation	75,996	824,864	900,860
<b><i>Total operating expenses</i></b>	<b>426,295</b>	<b>3,046,637</b>	<b>3,472,932</b>
<b><i>Operating income (loss)</i></b>	<b>164,552</b>	<b>(1,017,807)</b>	<b>(853,255)</b>
<b><i>Nonoperating revenues (expenses)</i></b>			
Interest income	-	11,217	11,217
Interest expense	(55,680)	(70,023)	(125,703)
<b><i>Total non-operating revenues (expenses)</i></b>	<b>(55,680)</b>	<b>(58,806)</b>	<b>(114,486)</b>
<b><i>Income (loss) before transfers</i></b>	<b>108,872</b>	<b>(1,076,613)</b>	<b>(967,741)</b>
Transfers out	-	(142,344)	(142,344)
<b><i>Change in net position</i></b>	<b>108,872</b>	<b>(1,218,957)</b>	<b>(1,110,085)</b>
<b><i>Total net position - beginning of year</i></b>	<b>1,019,002</b>	<b>9,706,383</b>	<b>10,725,385</b>
<b><i>Total net position - end of year</i></b>	<b>\$ 1,127,874</b>	<b>\$ 8,487,426</b>	<b>\$ 9,615,300</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Statement of Cash Flows*

*Proprietary Funds*

*For the Fiscal Year Ended June 30, 2017*

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<u><i>Water</i></u> <u><i>Fund</i></u>	<u><i>Sewer</i></u> <u><i>Fund</i></u>	<u><i>Total</i></u>
<b><i>Cash flows from operating activities</i></b>			
Cash received from customers	\$ 571,577	\$ 1,909,589	\$ 2,481,166
Cash payments to suppliers for goods and services	(301,242)	(1,425,450)	(1,726,692)
Cash payments to employees for services	(30,470)	(161,119)	(191,589)
<b><i>Net cash provided by operating activities</i></b>	<u>239,865</u>	<u>323,020</u>	<u>562,885</u>
<b><i>Cash flows from non-capital financing activities</i></b>			
Interfund transactions	596	1,825,351	1,825,947
Transfers out	-	(142,344)	(142,344)
Settlements paid	-	(254,904)	(254,904)
<b><i>Net cash provided by non-capital financing activities</i></b>	<u>596</u>	<u>1,428,103</u>	<u>1,428,699</u>
<b><i>Cash flows from capital and related financing activities</i></b>			
Acquisition and construction of capital assets	(43,131)	(134,481)	(177,612)
Principal paid on bonds and loans	(139,328)	(256,128)	(395,456)
Interest paid on bonds and loans	(58,002)	(66,065)	(124,067)
<b><i>Net cash used for capital and related financing activities</i></b>	<u>(240,461)</u>	<u>(456,674)</u>	<u>(697,135)</u>
<b><i>Cash flows from investing activities</i></b>			
Investment income	-	11,217	11,217
<b><i>Net cash provided by investing activities</i></b>	<u>-</u>	<u>11,217</u>	<u>11,217</u>
<b><i>Net increase in cash and cash equivalents</i></b>	-	1,305,666	1,305,666
<b><i>Cash and cash equivalents, beginning of year</i></b>	-	1,951,881	1,951,881
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ -</u>	<u>\$ 3,257,547</u>	<u>\$ 3,257,547</u>

*(Continued)*

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Statement of Cash Flows (Continued)*  
**Proprietary Funds**  
For the Fiscal Year Ended June 30, 2017

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<i>Water</i>	<i>Sewer</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	<i>Total</i>
<b><i>Reconciliation of operating income (loss) to net cash provided by operating activities</i></b>			
Operating income (loss)	\$ 164,552	\$ (1,017,807)	\$ (853,255)
<b><i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i></b>			
Depreciation	75,996	824,864	900,860
Settlements	-	631,350	631,350
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(19,270)	245,398	226,128
Increase (decrease) in accounts payable and accrued expenses	18,587	3,854	22,441
Increase (decrease) in deferred sewer assessments	-	(364,639)	(364,639)
<b><i>Net cash provided by operating activities</i></b>	<b>\$ 239,865</b>	<b>\$ 323,020</b>	<b>\$ 562,885</b>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Statement of Fiduciary Net Position*

*Fiduciary Funds*

*June 30, 2017*

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	<i>Private-Purpose Trust</i>	
	<u><i>Buxton Family Association</i></u>	<u><i>Agency Funds</i></u>
<i>Assets</i>		
Cash and cash equivalents	\$ 795	\$ 217,646
Accounts receivable	-	9,381
Due from other funds	-	69,463
<b><i>Total assets</i></b>	<u>795</u>	<u>296,490</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	-	55
Deposits held in custody for others	-	296,435
<b><i>Total liabilities</i></b>	<u>-</u>	<u>296,490</u>
<i>Net position</i>		
Restricted for other purposes	<u>\$ 795</u>	<u>\$ -</u>

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2017**

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	<i>Private-Purpose Trust</i>
	<i>Buxton Family Association</i>
<i>Additions</i>	
Earnings on investments	\$ 3
<i>Total additions</i>	3
 <i>Deductions</i>	
Miscellaneous	-
<i>Total deductions</i>	-
<i>Change in net position</i>	3
 <i>Net position - beginning of year</i>	 792
 <i>Net position - end of year</i>	 \$ 795

*The accompanying notes are an integral part of the basic financial statements.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

The financial statements of the Town of North Smithfield, Rhode Island, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's financial statements.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Town of North Smithfield, Rhode Island was incorporated under the provisions of Chapter 728 of the Public Laws of Rhode Island. The Town operates under a Town Council-Administrator form of government and provides the following services as authorized by its charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning, zoning and inspection, and general administrative services.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting entity, the Town applied the criteria prescribed by GASB Statement No. 14, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, GASB Statement No. 61 “Financial Reporting Entity-Omnibus” and GASB Statement No. 80 “Blending Requirements for Certain Component Units”. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable or based on the nature and significance of the organization’s relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. The Town of North Smithfield does not have any component units.

**B. BASIS OF PRESENTATION AND ACCOUNTING**

**Government-Wide Financial Statements**

The Town’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the Town are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the Town’s governmental activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

These statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

**Fund Financial Statements**

The Fund Financial Statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Town functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the Fund Financial Statements.

**Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the Town are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

expenditures to the extent they have matured.

**Major Governmental Funds:**

**General Fund** – The General Fund is used to account for resources devoted to financing the general services that the Town performs for its citizens and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted or reported in another fund.

**School Unrestricted Fund** – The School Unrestricted Fund is used to account for the budgeted resources devoted to financing the general operations of the School Department.

**Town Building Bond Fund** – This fund accounts for debt proceeds used for major capital projects for Town buildings.

**Proprietary Fund Financial Statements**

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town has two Enterprise Funds, which are major funds, as follows:

**Water Fund** – The Water Fund is used to account for the water use fees and the expenses associated with providing water services to Town residents.

**Sewer Fund** – The Sewer Fund is used to account for the sewer use and assessment fees and the expenses associated with providing sewer services to Town residents.

**Fiduciary Fund Financial Statements**

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s Fiduciary Funds include a Private Purpose Trust Fund and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations or other governments. The Fiduciary



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Funds are accounted for on a spending or “*economic resources*” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

***Private Purpose Trust Funds*** – This fund accounts for assets held by the Town under a trust arrangement for the benefit of certain individuals.

***Agency Funds*** – These funds account for assets held by the Town for performance bonds, student activities and other activities.

**C. RECENTLY ISSUED ACCOUNTING STANDARDS**

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 77 – *Tax Abatement Disclosures*, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 78 – *Pensions Provided Through Certain Multiple – Employer Defined Benefit Pension Plans*, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 80 – *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 82 – *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*, effective for the Town’s fiscal year ending June 30, 2017.

The adoption of GASB Statements Nos. 74, 77, 78, 79, 80 and 82 did not have an impact on the Town’s financial position or results of operations.

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

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 83 – *Certain Asset Retirement Obligations*, effective for the Town’s fiscal year ending June 30, 2019.
- GASB Statement No. 84 – *Fiduciary Activities*, effective for the Town’s fiscal year ending June 30, 2020.
- GASB Statement No. 85 – *Omnibus 2017*, effective for the Town’s fiscal year ending June 30, 2018.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

- GASB Statement No. 86 – *Certain Debt Extinguishment Issues*, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 87 – *Leases*, effective for the Town’s fiscal year ending June 30, 2021.

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

***D. CASH AND CASH EQUIVALENTS***

The Town considers cash and cash equivalents in the Proprietary Funds to include cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

***E. INVESTMENTS***

The Town’s investments are reported at fair value.

***F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE***

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The allowances are calculated based on the age of the individual receivables.

***G. PREPAID ITEMS***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

***H. INVENTORY***

Inventory is maintained on a periodic system and is stated at cost (first in, first out method of inventory valuation). Inventory is generally recorded as expenditures/expenses when consumed.

***I. CAPITAL ASSETS***

Capital assets are reported in the Government-Wide Statement of Net Position. In the Fund Financial Statements, capital assets used in governmental fund activities are accounted for as capital expenditures. Capital assets used in proprietary fund operations are accounted for in the same manner as in the Government-Wide Financial Statements.

All capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at acquisition value as of the date received.

Capitalized assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Infrastructure assets are defined generally as capital assets that are immovable and of value only to the governmental unit, including roads, bridges, sidewalks and street lighting.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20-50
Buildings and improvements	20-50
Motor vehicles, equipment and heavy machinery	5-20
Furniture and office equipment	5-10
Infrastructure	25-40
Water lines and projects	30-65
Sewer mains and laterals	30-65

***J. DEBT PREMIUMS***

In the Governmental Fund Financial Statements, debt premiums are reported as an “other financing source”. In the Government-Wide Statements, debt premiums are deferred and amortized over the term of the debt. Debt premiums are presented as an addition to the face amount of the debt payable.

***K. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES***

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

In the Governmental Fund Financial Statements, deferred inflows of resources are reported for receivables recorded in the Governmental Fund Financial Statements for which the revenue is not available or amounts received before the period for which property taxes are levied. In the Government-Wide Financial Statements, deferred amounts are reported for amounts related to refunding debt issues which will be amortized as a component of interest expense in future years. Deferred outflows of resources and deferred inflows of resources are also reported for amounts related to the Town’s pension plans that will be amortized as a component of pension expense in future years.

***L. PROPERTY TAXES***

The Town is permitted by state law to levy property taxes. Current tax collections for the Town were approximately 98.5% of the total 2016 levy. The Town's fiscal 2016-2017 property taxes were levied on July 6, 2016 on assessed valuation as of December 31, 2015. Upon levy, taxes are due and payable on August 15 or may be paid quarterly on August 15, October 15, January 15, and April 15. Failure to mail payments by due dates will result in lien on taxpayer's property. Taxable assessed values are established by Tax Assessor's Office and are currently calculated at approximately 100% of current market value for real estate and 100% of current market value for motor vehicles.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

***M. COMPENSATED ABSENCES***

Under the terms of various contracts and agreements, Town employees are granted vacation and sick leave in varying amounts based on length of service.

Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are accrued based on the sick leave accumulated as of June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2017.

The entire compensated absence liability is reported on the Government-Wide Financial Statements. For Governmental Fund Financial Statements, the amount of accumulated vacation and sick leave has been recorded as a current liability to the extent that the amounts are due to employees that have resigned or retired.

***N. ACCRUED LIABILITIES AND LONG-TERM DEBT***

All accrued liabilities and long-term debt are reported in the Government-Wide Financial Statements.

For Governmental Fund Financial Statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the Governmental Fund Financial Statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the Governmental Fund Financial Statements until due.

***O. PENSIONS***

For the purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Rhode Island, Teachers' Survivor Benefit and Municipal Employees' Retirement System plans and the additions to/ deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the 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.

***P. 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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. LEGAL DEBT MARGIN**

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$48,091,133. As of June 30, 2017, the Town’s debt subject to the legal debt margin is \$6,460,541 and the Town is under the debt limit by \$41,630,592. The debt subject to the debt limitation is based on the type of debt that is issued.

**B. DEFICIT FUND BALANCES**

The following other nonmajor governmental funds have deficit fund balances as of June 30, 2017: School Building Fund \$(14,987); Renewable Energy Grant \$(101,173).

**NOTE 3 – CASH DEPOSITS**

**DEPOSITS** – are in four financial institutions and are carried at cost. The carrying amount of deposits is separately displayed on the Balance Sheet of the Fund Financial Statements and the Statement of Net Position as “Cash and Cash Equivalents”.

	<i>Carrying Amount</i>
Total Deposits	\$18,240,926
Add: Petty cash and cash on hand	<u>27,875</u>
<b>Total Cash and Cash Equivalents Reported in the Financial Statements</b>	<u><u>\$18,268,801</u></u>

**CUSTODIAL CREDIT RISK** – custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State laws as described below. As of June 30, 2017, \$17,878,744 of the Town’s bank balance of \$18,903,472 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (Federal depository insurance funds)	\$1,024,728
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	9,787,159
Collateralized with securities held by pledging financial institution or its agent, but not in the Town’s name	7,519,013
Uninsured and uncollateralized	<u>572,572</u>
<b>Total</b>	<u><u>\$18,903,472</u></u>

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Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2017, the Town's uncollateralized deposits with institutions were \$572,572. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

**NOTE 4 – INVESTMENTS**

The Town's General Fund investments are governed by Title 35, Chapter 10, Section 11 of the State's General Laws. This law generally allows for short-term investments, such as Certificate of Deposits, Money Market Funds, Obligations guaranteed by the U.S. Government, etc. with the goal of seeking responsible income while preserving capital.

**Interest Rate Risk** – The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** –The Town does not have a formal policy that limits investment choices.

**Concentration of Credit Risk** –The Town does not have a formal policy that limits the amount that can be invested with one issuer.

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that in the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy governing custodial credit risk.

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Town categorizes its fair value measurements within 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 asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town had no recurring or nonrecurring fair value measurements as of June 30, 2017.

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**NOTE 6 - CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land and land easements	\$ 8,720,242	\$ -	\$ -	\$ 8,720,242
Construction in progress	351,475	601,242	125,428	827,289
	<u>9,071,717</u>	<u>601,242</u>	<u>125,428</u>	<u>9,547,531</u>
Depreciable assets:				
Land improvements	3,370,532	63,655	-	3,434,187
Buildings and improvements	55,294,867	181,218	-	55,476,085
Infrastructure	24,021,784	2,554,080	1,765,454	24,810,410
Machinery, equipment and furniture	5,092,015	71,247	-	5,163,262
Vehicles	3,271,429	916,869	-	4,188,298
	<u>91,050,627</u>	<u>3,787,069</u>	<u>1,765,454</u>	<u>93,072,242</u>
<b>Total capital assets</b>	<u>100,122,344</u>	<u>4,388,311</u>	<u>1,890,882</u>	<u>102,619,773</u>
Less accumulated depreciation for:				
Land improvements	1,981,708	112,437	-	2,094,145
Buildings and improvements	18,384,302	1,328,960	-	19,713,262
Infrastructure	23,446,495	193,082	1,765,454	21,874,123
Machinery, equipment and furniture	3,900,652	249,101	-	4,149,753
Vehicles	2,549,900	285,061	-	2,834,961
	<u>50,263,057</u>	<u>2,168,641</u>	<u>1,765,454</u>	<u>50,666,244</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 49,859,287</u>	<u>\$ 2,219,670</u>	<u>\$ 125,428</u>	<u>\$ 51,953,529</u>
<b>Business-Type Activities</b>				
Nondepreciable assets:				
Land	\$ 16,141	\$ -	\$ -	\$ 16,141
	<u>16,141</u>	<u>-</u>	<u>-</u>	<u>16,141</u>
Depreciable assets:				
Land improvements	32,405	-	-	32,405
Buildings and improvements	2,346,289	-	-	2,346,289
Infrastructure	11,366,032	-	-	11,366,032
Machinery, equipment and furniture	19,033,776	177,611	-	19,211,387
Vehicles	139,110	-	-	139,110
	<u>32,917,612</u>	<u>177,611</u>	<u>-</u>	<u>33,095,223</u>
<b>Total capital assets</b>	<u>32,933,753</u>	<u>177,611</u>	<u>-</u>	<u>33,111,364</u>
Less accumulated depreciation for:				
Land improvements	16,106	863	-	16,969
Buildings and improvements	796,275	46,926	-	843,201
Infrastructure	5,764,860	151,481	-	5,916,341
Machinery, equipment and furniture	13,926,907	687,057	-	14,613,964
Vehicles	108,056	14,533	-	122,589
	<u>20,612,204</u>	<u>900,860</u>	<u>-</u>	<u>21,513,064</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 12,321,549</u>	<u>\$ (723,249)</u>	<u>\$ -</u>	<u>\$ 11,598,300</u>

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Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 67,229
Public safety	189,487
Public works	441,678
Education	1,470,247
<b>Total depreciation expense, governmental activities</b>	<b><u><u>\$ 2,168,641</u></u></b>
Business-type activities:	
Water fund	\$ 75,996
Sewer fund	824,864
<b>Total depreciation expense, business-type activities</b>	<b><u><u>\$ 900,860</u></u></b>

**NOTE 7 – LONG-TERM LIABILITIES**

**A. LONG-TERM LIABILITIES:**

Changes in long-term liabilities during the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
<b>Bonds, loans and capital leases payable:</b>					
Bonds and loans payable	\$ 35,307,624	\$ 17,115,000	\$ 21,505,000	\$ 30,917,624	\$ 2,743,208
Capital leases	478,368	-	268,838	209,530	145,624
	<u>35,785,992</u>	<u>17,115,000</u>	<u>21,773,838</u>	<u>31,127,154</u>	<u>2,888,832</u>
Plus amortized premium on bonds	699,664	3,160,422	330,434	3,529,652	-
<b>Total bonds, loans and capital leases</b>	<u>36,485,656</u>	<u>20,275,422</u>	<u>22,104,272</u>	<u>34,656,806</u>	<u>2,888,832</u>
<b>Other liabilities:</b>					
Accrued compensated absences	947,369	96,396	93,492	950,273	-
Settlements payable	100,100	-	-	100,100	14,300
Net other postemployment benefit obligation	2,239,683	379,307	-	2,618,990	-
Net pension liabilities	21,850,733	2,366,102	-	24,216,835	-
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<u><u>\$ 61,623,541</u></u>	<u><u>\$ 23,117,227</u></u>	<u><u>\$ 22,197,764</u></u>	<u><u>\$ 62,543,004</u></u>	<u><u>\$ 2,903,132</u></u>
<b>Business-type activities:</b>					
<b>Bonds, loans and capital leases payable:</b>					
Bonds and loans payable	\$ 4,612,033	\$ -	\$ 354,116	\$ 4,257,917	\$ 364,273
Capital leases	79,609	-	41,340	38,269	18,930
	<u>4,691,642</u>	<u>-</u>	<u>395,456</u>	<u>4,296,186</u>	<u>383,203</u>
Plus amortized premium on bonds	48,683	-	3,745	44,938	-
<b>Total bonds, loans and capital leases</b>	<u>4,740,325</u>	<u>-</u>	<u>399,201</u>	<u>4,341,124</u>	<u>383,203</u>
<b>Other liabilities:</b>					
Settlements payable	110,552	631,350	526,759	215,143	215,143
<b>Total Business-Type Activities</b>					
<b>Long-Term Liabilities</b>	<u><u>\$ 4,850,877</u></u>	<u><u>\$ 631,350</u></u>	<u><u>\$ 925,960</u></u>	<u><u>\$ 4,556,267</u></u>	<u><u>\$ 598,346</u></u>



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All debt of the Government Activities is general obligation debt. The payments on the bonds, loans, and capital leases are paid from the General Fund. The payments on the bonds, loans, and capital leases in the Business-Type Activities are paid from the Water Fund and Sewer Fund. The compensated absences are paid from the General Fund and School Unrestricted Fund. The net other postemployment benefit obligation and net pension liabilities will be paid from the General Fund and School Unrestricted Fund.

**B. GENERAL OBLIGATION BONDS AND LOANS DEBT SERVICE REQUIREMENTS**

The debt service requirements at June 30, 2017 were as follows:

<i>Fiscal Year</i> <i>Ended June 30,</i>	<i>Governmental Activities</i> <i>Bonds and Loans Payable</i>		<i>Business-Type Activities</i> <i>Bonds and Loans Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2018	\$ 2,743,208	\$ 1,209,454	\$ 364,273	\$ 127,719
2019	2,725,893	1,097,632	401,213	114,820
2020	2,806,766	1,000,413	384,312	101,373
2021	2,903,767	893,879	353,510	83,059
2022	3,019,767	783,242	331,306	71,463
2023-2027	14,457,208	2,214,045	1,334,953	234,915
2028-2032	2,261,015	85,791	795,379	94,373
2033-2037	-	-	172,431	58,039
2038-2040	-	-	120,540	12,727
	<u>\$ 30,917,624</u>	<u>\$ 7,284,456</u>	<u>\$ 4,257,917</u>	<u>\$ 898,488</u>

**C. CAPITAL LEASE COMMITMENTS**

The Town acquired equipment and vehicles valued at \$1,236,661 that were financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2017.

Obligations of Governmental and Business-Type Activities under capital leases as of June 30, 2017 were as follows:

<i>Fiscal Year</i> <i>Ended June 30,</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
	<i>Lease Payment</i> <i>Requirements</i>	<i>Lease Payment</i> <i>Requirements</i>
2018	\$ 148,110	\$ 19,360
2019	64,986	19,664
Total minimum lease payments	213,096	39,024
Less: Amount representing interest cost	(3,566)	(755)
Present value of minimum lease payments	<u>\$ 209,530</u>	<u>\$ 38,269</u>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Notes to Financial Statements*

June 30, 2017

**D. SCHEDULE OF BONDS AND LOANS PAYABLE**

<i>Purpose</i>	<i>Date Issued</i>	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Authorized and Issued</i>	<i>Outstanding June 30, 2016</i>	<i>New Issues</i>	<i>Refundings/ Maturities During Year</i>	<i>Outstanding June 30, 2017</i>
<b>Governmental Activities:</b>								
School loan	9/2/2010	3.84%	4/1/2026	\$ 3,550,000	\$ 2,905,000	\$ -	\$ 190,000	\$ 2,715,000
School loan	5/14/2008	3.50-5.00%	4/1/2028	30,000,000	21,610,000	-	20,155,000	1,455,000
General obligation bond	7/1/2007	4.125-5.50%	7/1/2027	2,100,000	210,000	-	105,000	105,000
School general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	700,000	105,000	-	35,000	70,000
Refunding bond	6/12/2012	1.89%	10/15/2021	2,068,000	1,236,000	-	220,000	1,016,000
General obligation bond	12/30/2013	2.25%	12/15/2023	545,000	450,000	-	50,000	400,000
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	1,441,624	1,441,624	-	-	1,441,624
General obligation bond	6/30/2016	2.00-4.00%	6/15/2026	7,350,000	7,350,000	-	655,000	6,695,000
Refunding loan	8/10/2016	4.125-4.75%	5/15/2028	17,115,000	-	17,115,000	95,000	17,020,000
<b>Total Governmental Activities</b>				<u>64,869,624</u>	<u>35,307,624</u>	<u>17,115,000</u>	<u>21,505,000</u>	<u>30,917,624</u>
<b>Business-Type Activities:</b>								
<b>Water Fund:</b>								
Water bond	5/11/1982	5.00%	5/11/2022	50,000	14,658	-	2,175	12,483
Water bond	5/16/1995	6.00%	5/16/2020	500,000	134,112	-	30,987	103,125
Water bond	8/26/1999	5.00%	8/26/2039	790,900	635,635	-	14,296	621,339
Shell oil bond	9/16/1997	5.50%	9/16/2022	500,000	211,523	-	25,625	185,898
Refunding bond	6/12/2012	1.89%	10/15/2021	517,000	309,000	-	55,000	254,000
				<u>2,357,900</u>	<u>1,304,928</u>	<u>-</u>	<u>128,083</u>	<u>1,176,845</u>
<b>Sewer Fund:</b>								
Sewer general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	1,000,000	150,000	-	50,000	100,000
Mendon road project #1 bond	12/18/1990	7.25%	12/18/2020	303,000	99,466	-	17,643	81,823
Mendon road project #2 bond	4/7/1992	6.625%	4/7/2021	60,000	19,226	-	3,422	15,804
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	558,376	558,376	-	-	558,376
Clean water revolving loan	10/6/2009	0.49-1.93%	9/1/2029	4,750,000	2,480,037	-	154,968	2,325,069
				<u>6,671,376</u>	<u>3,307,105</u>	<u>-</u>	<u>226,033</u>	<u>3,081,072</u>
<b>Total Business-Type Activities</b>				<u>9,029,276</u>	<u>4,612,033</u>	<u>-</u>	<u>354,116</u>	<u>4,257,917</u>
<b>Total Bonds and Loans Payable</b>				<u>\$ 73,898,900</u>	<u>\$ 39,919,657</u>	<u>\$ 17,115,000</u>	<u>\$ 21,859,116</u>	<u>\$ 35,175,541</u>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
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**E. REFUNDINGS OF LONG-TERM DEBT**

On August 10, 2016, the Town entered into a loan agreement with the RI Health and Educational Building Corporation (RIHEBC) in the amount of \$17,115,000 with an average interest rate of 4.57% to advance refund \$18,765,000 of the RIHEBC Series 2008A loan with an average interest rate of 4.56%. The net proceeds of \$20,182,475 (after receipt of premium of \$3,160,422 and payment of \$92,947 in underwriter's fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2008A loan. As a result, the Series 2008A loan is considered defeased and the liability for the loan has been removed from long-term debt.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,417,475. The difference is reported in the accompanying Government-wide financial statements as deferred outflows of resources and is being amortized to interest expense in the Statement of Activities through 2028 using the straight-line method. The Town completed the advance refunding to reduce its total debt service payments over the next 12 years by \$2,435,664 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,168,173.

**NOTE 8 – INTERFUND BALANCES**

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2017 were as follows:

	<i>Due From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	
<i>Due To:</i>					
General Fund	\$ 14,234	\$ -	\$ 225,411	\$ 828,917	\$ 1,068,562
School Unrestricted Fund	543,940	-	262,991	-	806,931
Nonmajor Governmental Funds	563,870	108,034	-	-	671,904
Water Fund	203,989	-	-	-	203,989
Agency Funds	69,463	-	-	-	69,463
<b>Total</b>	<b>\$ 1,395,496</b>	<b>\$ 108,034</b>	<b>\$ 488,402</b>	<b>\$ 828,917</b>	<b>\$ 2,820,849</b>

The balances primarily result from the time lag between the dates the 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
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**NOTE 9 – INTERFUND TRANSFERS**

	<i>Transfer From:</i>				<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	
<i>Transfer To:</i>					
General Fund	\$ -	\$ -	\$ -	\$ 142,344	\$ 142,344
School Unrestricted Fund	18,642,223	-	-	-	18,642,223
Nonmajor Governmental Funds	206,891	164,000	371,478	-	742,369
<b>Total</b>	<b>\$ 18,849,114</b>	<b>\$ 164,000</b>	<b>\$ 371,478</b>	<b>\$ 142,344</b>	<b>\$ 19,526,936</b>

Transfers are used to move revenues from the fund that the budget requires to collect them, to the funds that the budget requires to expend them.

**NOTE 10 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES**

**A. ACCOUNTS RECEIVABLE**

The Town disaggregates significant components of receivables in the financial statements. Receivable balances determined immaterial are included as other receivables. The Town expects to receive all receivables within the subsequent year, except for CDBG loan receivables which are due in accordance with individual loan amortization schedules and sewer assessment receivables which are payable over 20 years. The following allowances for doubtful accounts are included in the financial statements:

<u><i>Fund/Description</i></u>	<u><i>Allowance for Doubtful Accounts</i></u>
Governmental Activities/General Fund – Real estate and personal property tax receivable	\$589,563
Governmental Activities – Accrued interest receivable	\$294,287
Business-Type Activities/Water Fund – Use fees receivable	\$1,336
Business-Type Activities/Sewer Fund – Use fees receivable	\$2,570
Business-Type Activities/Sewer Fund – Sewer assessments receivable	\$2,479

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
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**B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities at June 30, 2017, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 169,999	\$ 111,112	\$ 19,648	\$ 300,759
School Unrestricted Fund	238,225	297,525	-	535,750
Nonmajor Governmental Funds	260,333	1,610	-	261,943
Reconciliation of balances in fund financial statements to government- wide financial statements	-	-	69,463	69,463
<b>Total Governmental Activities</b>	<u>\$ 668,557</u>	<u>\$ 410,247</u>	<u>\$ 89,111</u>	<u>\$ 1,167,915</u>
Business-Type Activities:				
Water Fund	\$ 89,213	\$ 441	\$ 100,356	\$ 190,010
Sewer Fund	57,712	2,497	-	60,209
<b>Total Business-Type Activities</b>	<u>\$ 146,925</u>	<u>\$ 2,938</u>	<u>\$ 100,356</u>	<u>\$ 250,219</u>

**NOTE 11 – NET POSITION/FUND BALANCES**

The Government-Wide Financial Statements and Proprietary Fund Statements utilize a net position presentation. Net position is segregated into the following three categories:

**Net Investment in Capital Assets** – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

**Restricted Net Position** – This category represents balances limited to uses specified either externally by creditors, grantors, contributors, laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

**Unrestricted Net Position** – This category represents the residual component of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

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***Nonspendable Fund Balance*** – This classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts, and noncurrent receivables).

***Restricted Fund Balance*** – This classification includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

***Committed Fund Balance*** – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town’s highest level of decision-making authority. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specific use by taking the same type of action it employed to previously commit those amounts.

***Assigned Fund Balance*** – This classification includes amounts constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

***Unassigned Fund Balance*** – This classification is the residual fund balance for the General Fund. This classification represents fund balance that has not been assigned to another fund and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Committed fund balances are established, modified or rescinded by an ordinance or resolution adopted by the Town Council. Assigned fund balances are authorized by the Town Council or an official that the governing body has delegated the authority to assign amounts to be used for specific purposes. The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers unrestricted fund balance classifications to be used in the following order when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used: 1) committed; 2) assigned; and 3) unassigned.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**A. DIFFERENCES BETWEEN GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION**

The total fund balances for Governmental Funds of \$14,993,182 differs from the total net position for Governmental Activities \$14,611,003 reported in the Statement of Net Position. The differences arise primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Funds Balance Sheet. The effect of the differences is illustrated below.

*Balance Sheet/Statement of Net Position:*

	<b>Total Governmental Funds</b>	<b>Long-Term Assets/ Liabilities (1)</b>	<b>Reclassifications and Eliminations</b>	<b>Statement Net Position Totals</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 14,792,813	\$ -	\$ -	\$ 14,792,813
Real and personal property				
tax receivable, net	1,390,526	-	-	1,390,526
Due from federal and state governments	288,446	-	-	288,446
Accrued interest receivable, net	-	455,329	-	455,329
Other receivables	80,881	-	-	80,881
Internal balances	2,547,397	-	(1,922,469)	624,928
Prepaid expenditures	211,353	-	-	211,353
Inventory	11,450	-	-	11,450
Capital assets, net	-	51,953,529	-	51,953,529
Net pension assets	-	3,033,302	-	3,033,302
<b>Total assets</b>	<b>\$ 19,322,866</b>	<b>\$ 55,442,160</b>	<b>\$ (1,922,469)</b>	<b>\$ 72,842,557</b>
<b>Total deferred outflows of resources</b>	<b>\$ -</b>	<b>\$ 7,792,997</b>	<b>\$ -</b>	<b>\$ 7,792,997</b>
<b>Liabilities:</b>				
Accounts payable and accrued expenditures	\$ 1,098,452	\$ -	\$ 69,463	\$ 1,167,915
Accrued interest payable	-	171,293	-	171,293
Internal balances	1,991,932	-	(1,991,932)	-
Unearned revenue	960	-	-	960
Long-term liabilities:				
Due within one year	-	2,903,132	-	2,903,132
Due in more than one year	-	59,639,872	-	59,639,872
<b>Total liabilities</b>	<b>\$ 3,091,344</b>	<b>\$ 62,714,297</b>	<b>\$ (1,922,469)</b>	<b>\$ 63,883,172</b>
<b>Total deferred inflows of resources</b>	<b>\$ 1,238,340</b>	<b>\$ 903,039</b>	<b>\$ -</b>	<b>\$ 2,141,379</b>
<b>Total fund balances/net position</b>	<b>\$ 14,993,182</b>	<b>\$ (382,179)</b>	<b>\$ -</b>	<b>\$ 14,611,003</b>

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(1) When capital assets (land, buildings, equipment) that are to be used in Governmental Activities are purchased or constructed, the cost of these assets are reported as expenditures in Governmental Funds. However, the Statement of Net Position includes those capital assets of the Town as a whole.

Cost of capital assets	\$ 102,619,773
Accumulated depreciation	(50,666,244)
	\$ 51,953,529

Because the focus of Governmental Funds is on short term financing some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the Governmental Funds and thus are not included in the fund balances.

Adjustment of deferred revenue	\$ (1,238,340)
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Accrued interest receivable on property taxes is reported as revenue in the Government-Wide financial statements in the period earned and in the Governmental Funds when received.

	\$ 455,329
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Long-term liabilities (assets) applicable to the Town's Governmental Activities are not due and payable in the current period and accordingly are not reported as fund assets or liabilities. All assets and liabilities, both current and long-term, are reported in the Statement of Net Position. Deferred inflows and outflows related to long-term liabilities (assets) are also not reported in the Governmental Funds.

Bonds and loans payable	\$ 34,447,276
Capital leases payable	209,530
Accrued compensated absences	950,273
Settlements payable	100,100
Net OPEB obligation	2,618,990
Net pension liabilities	24,216,835
Accrued interest payable	171,293
	\$ 62,714,297
Deferred outflows - refunding	\$ 1,402,379
Net pension assets	\$ 3,033,302
Deferred outflows - pension	\$ 6,390,618
Deferred inflows - pension	\$ 2,141,379



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**B. DIFFERENCES BETWEEN GOVERNMENTAL FUNDS OPERATING STATEMENT AND STATEMENT OF ACTIVITIES**

The net change in the fund balances for Governmental Funds of \$(1,475,082) differs from the change in net position for Governmental Activities \$3,804,264 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the Governmental Funds. The effect of the differences is illustrated below.

*Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities:*

	Total Governmental Funds	Long-Term Revenues/ Expenses (1)	Capital- Related Items (2)	Long-Term Liability Transactions (3)	Reclassifications and Eliminations	Statement of Activities Totals
<b>Revenues:</b>						
Property taxes	\$ 33,665,657	\$ 124,640	\$ -	\$ -	\$ -	\$ 33,790,297
Motor vehicle excise in lieu of tax	183,264		-	-	(183,264)	-
Intergovernmental and grant revenue	9,587,203	51,559	-	-	201,900	9,840,662
Town clerk licenses and fees	377,747	-	-	-	-	377,747
Other departmental fines and fees	775,516	-	-	-	938,203	1,713,719
Investment and interest income	45,304	-	-	-	-	45,304
Other revenues	998,244	(19,471)	-	-	(956,141)	22,632
<b>Total revenues</b>	<u>45,632,935</u>	<u>156,728</u>	<u>-</u>	<u>-</u>	<u>698</u>	<u>45,790,361</u>
<b>Expenditures:</b>						
Current:						
General government	1,363,486	-	80,679	(392,913)	482,655	1,533,907
Financial administration	731,767	-	-	(43,224)	187,747	876,290
Public safety	5,584,588	-	189,487	481,107	1,044,272	7,299,454
Public works	2,341,918	-	358,864	(31,356)	316,499	2,985,925
Fixed charges	1,911,066	-	-	-	(1,911,066)	-
Grants and contributions	8,920	-	-	-	-	8,920
Settlements	155,000	-	-	-	-	155,000
Education	26,777,669	51,559	1,417,985	144,939	14,800	28,406,952
Other	16,731	-	-	-	(16,731)	-
Capital outlay	4,258,735	-	(4,141,257)	-	(117,478)	-
Debt service:						
Principal	3,008,838	-	-	(3,008,838)	-	-
Interest	1,184,590	(118,871)	-	(203,726)	-	861,993
<b>Total expenditures</b>	<u>47,343,308</u>	<u>(67,312)</u>	<u>(2,094,242)</u>	<u>(3,054,011)</u>	<u>698</u>	<u>42,128,441</u>
<b>Other financing sources (uses):</b>						
Refunding bonds issued	17,115,000	-	-	(17,115,000)	-	-
Premium on bonds issued	3,160,422	-	-	(3,160,422)	-	-
Payment to refunding bond escrow agent	(20,182,475)	-	-	20,182,475	-	-
Transfer from (to) other funds	142,344	-	-	-	-	142,344
<b>Total other financing sources (uses)</b>	<u>235,291</u>	<u>-</u>	<u>-</u>	<u>(92,947)</u>	<u>-</u>	<u>142,344</u>
<b>Net change for the year</b>	<u>\$ (1,475,082)</u>	<u>\$ 224,040</u>	<u>\$ 2,094,242</u>	<u>\$ 2,961,064</u>	<u>\$ -</u>	<u>\$ 3,804,264</u>

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(1) Because some property taxes and other revenues will not be collected soon enough after the Town's fiscal year end, they are not considered to be "available" revenues in the Governmental Funds.

Change in deferred property taxes	\$ 88,555
Change in accrued interest receivable	36,085
Change in other deferred revenues	(19,471)
	\$ 105,169

Accrued interest on long-term debt is reported in the government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, it is not reported in the Governmental Funds financial statements.

Change in accrued interest payable	\$ (118,871)
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Change in on-behalf pension payments made by the State related to recording the net pension liability in the Government-Wide Statement of Activities.

Change in intergovernmental and grant revenue	\$ 51,559
Change in education expense	\$ 51,559

(2) When capital assets that are to be used in Governmental Activities are purchased or constructed, the resources expended for those assets are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ (4,262,883)
Depreciation expense	2,168,641
	\$ (2,094,242)

(3) Repayment of debt principal is reported as an expenditure in the Governmental Funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the Town as a whole, however, the principal payments reduce the liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.

Bond principal payments made	\$ (2,740,000)
Lease principal payments made	(268,838)
	\$ (3,008,838)

The issuance and refunding of debt provides current financial resources and results in current financial uses in Governmental Funds. However, issuing and refunding debt increases and decreases liabilities in the Statement of Net Position and does not result in revenue or expenses in the Statement of Activities.

Refunding bonds issued	\$ (17,115,000)
Premium on bonds issued	(3,160,422)
Payment to refunding bond escrow agent	20,182,475
	\$ (92,947)

Debt issued at a premium provide current financial resources to Governmental Funds, but are deferred and amortized in the Government-Wide financial statements. Deferred amounts on refunding are expenditures in the Governmental Funds, but are deferred and amortized in the Government-Wide financial statements.

Amortization of premium on long-term debt	\$ (330,434)
Amortization of deferred amounts on refunding	126,708
	\$ (203,726)

Certain accrued expenditures that do not use current financial resources are not reported in the Governmental Funds financial statements. However, in the Statement of Activities these accrued expenses are recognized and charged to current activities.

Net increase in compensated absences	\$ 2,904
Net increase in net OPEB obligation	379,307
Net change in net pension liabilities (assets) and related deferred outflows/inflows	(223,658)
	\$ 158,553

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**NOTE 13 – RISK MANAGEMENT**

The Town of North Smithfield is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. As a result, the Town participates in a non-profit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) which provides coverage for property/liability claims and workers' compensation claims. Upon joining the Trust, the Town signed a participation agreement which outlines the rights and responsibilities of both the Trust and the Town. The agreement states that for premiums paid by the Town, the Trust will assume financial responsibility for the Town's losses up to the maximum amount of insurance purchased, minus the Town's deductible amounts. The Trust provides this insurance coverage through a pooled, self-insurance mechanism which includes reinsurance purchased by the Trust to protect against large, catastrophic claims above the losses the Trust retains internally for payment from the pooled contributions of its members. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years, except for in fiscal year 2017 the Town paid \$155,000 related to a settled claim that exceeded Trust coverage.

**NOTE 14 – LITIGATION AND CONTINGENCIES**

**A. LITIGATION**

The Town is a party to various claims, legal actions and complaints. The potential liability to the Town, if any or an evaluation of the outcome of these matters cannot be made at the present time.

**B. FEDERALLY FUNDED PROGRAMS**

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

**NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLAN**

**Plan Description**

The Town of North Smithfield administers a single-employer, defined benefit post-employment benefit plan. The plan does not include the pension benefits discussed in Note 16. The plan provides medical and dental insurance for eligible retirees and their dependents through the Town's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contracts through negotiations between the Town and the respective unions.

The plan does not issue a stand-alone financial report.

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The Town provides health care and dental insurance for retirees who meet certain service requirements with no benefits beyond age 65. For School Department employees, individual plan benefits only are afforded to teachers that qualify for up to seven years with no benefits beyond age 65 and individual plan benefits only are afforded to support staff that qualify for up to five years with no benefits beyond age 65. Generally, an employee may retire at any age after 20 years of service (25 for teachers). Certain other minimum age/service requirements may apply. The Town generally pays 82%-100% toward medical and dental coverage, depending on employee category (police, teachers, other Town, other School).

As of July 1, 2015, the plan membership data is as follows:

Active participants	317
Retired participants	23
	<u>340</u>

**Funding Policy**

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of health care and dental benefits, less the amount of any applicable retiree share of premiums. For the year ended June 30, 2017, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2017, the Town contributed \$353,261 to the plan.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other post-employment benefit (OPEB) cost for the plan is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$793,881
Interest on net OPEB obligation	85,937
Adjustment to annual required contribution	<u>(147,250)</u>
Annual OPEB cost	732,568
Contributions made	<u>353,261</u>
Increase in net OPEB obligation	379,307
Net OPEB obligation, beginning of year	<u>2,239,683</u>
Net OPEB obligation, end of year	<u>\$2,618,990</u>

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The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three fiscal years are as follows:

<i><b>Fiscal Year</b></i>	<i><b>Annual</b></i>	<i><b>Percentage of Annual</b></i>	<i><b>Net OPEB</b></i>
<u><i><b>Ended</b></i></u>	<u><i><b>OPEB Cost</b></i></u>	<u><i><b>OPEB Cost</b></i></u>	<u><i><b>Obligation</b></i></u>
6/30/15	\$809,602	59.0%	\$1,941,068
6/30/16	\$690,567	56.8%	\$2,239,683
6/30/17	\$732,568	48.2%	\$2,618,990

**Funded Status and Funding Progress**

The funded status of the Town's plan as of July 1, 2015, the most recent actuarial valuation, is as follows:

Actuarial Accrued Liability (AAL)	\$6,231,640
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$6,231,640</u>
Funded ratio (Actuarial Value of Plan Assets/AAL)	0%
Annual Covered Payroll (Active Plan Members)	\$18,682,246
UAAL as a Percentage of Covered Payroll	33.4%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2015 actuarial valuation used the projected unit credit actuarial funding method. Under this funding method, projected benefits are assumed to accrue on a straight line basis from the date

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of hire to the date of retirement for each participant. Normal cost for a participant is the present value of the projected benefit which accrues in the current plan year. Normal cost for the plan is the sum of the normal costs for all participants. The actuarial assumptions included: a) 4% discount rate; b) medical cost trend rate – 8% per year (9% in prior valuation) graded down to an ultimate rate of 5% per year in 2021; c) dental cost trend rate – 5%; and d) inflation rate – 3%. The unfunded actuarial accrued liability as of July 1, 2015 is being amortized using the level dollar 30-year closed amortization basis. The actuarial value of assets is equal to market value.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about employment, mortality and healthcare cost trends. Actuarial valuations are subject to continual revision as actual results are compared to past expectations and new estimates are formulated about the future.

**NOTE 16 – PENSION PLANS**

**A. EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS**

**Defined Benefit Plan**

**General Information about the Pension Plan**

**Plan Description** - Certain employees of the North Smithfield 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 administered by the System. The report may be obtained at <http://www.ersri.org>.

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

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applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

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

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments 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 2017, North Smithfield 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 must contribute 11% of their annual covered salary. The State and the North Smithfield School Department 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 the North Smithfield School Department; the rates were 9.48% and 12.47% of annual covered payroll for the fiscal year ended June 30, 2017 for the State and the North Smithfield School Department, respectively. The North Smithfield School Department contributed \$1,515,153, \$1,562,602, and \$1,492,336 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$1,133,286 for fiscal year 2017 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

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

At June 30, 2017, the North Smithfield School Department reported a liability of \$20,668,314 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the North Smithfield School Department 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 North Smithfield School Department were as follows:

North Smithfield School Department's proportionate share of the net pension liability	\$20,668,314
State's proportionate share of the net pension liability associated with the North Smithfield School Department	<u>14,154,760</u>
Total net pension liability	<u>\$34,823,074</u>

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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 North Smithfield School Department's proportion of the net pension liability was based on a projection of the North Smithfield School Department'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 North Smithfield School Department's proportion was 0.69273594%.

For the year ended June 30, 2017, the North Smithfield School Department recognized in the Government-Wide financial statements gross pension expense of \$2,883,747 and revenue of \$1,184,845 for support provided by the State. At June 30, 2017, the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$1,515,153
Changes in proportion and differences between employer contributions and proportionate share of contributions	192,700
Net difference between projected and actual earnings on pension plan investments	<u>1,612,859</u>
Total	<u><u>\$3,320,712</u></u>
Deferred inflows of resources:	
Change of assumptions	\$428,133
Differences between expected and actual experience	407,797
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>351,243</u>
Total	<u><u>\$1,187,173</u></u>

\$1,515,153 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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Year ended June 30:	
2018	\$102,945
2019	102,945
2020	465,928
2021	197,288
2022	(185,938)
Thereafter	(64,782)

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

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

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

The actuarial assumptions used in the June 30, 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.

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:

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<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1.00 Increase <u>(8.5%)</u>
\$25,523,559	\$20,668,314	\$16,693,568

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**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

**Defined Contribution Plan**

***Plan Description***

Employees participating in the defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants.

Employees contribute 7% of their annual covered salary and employers contribute between 3% and 3.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. The employer contribution is split between the State and the school department. 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 North Smithfield School Department recognized pension expense of \$337,571 and employees contributed \$748,100 for the fiscal year ended June 30, 2017. For financial reporting purposes, the State's share of contributions totaling \$48,976 for fiscal year 2017 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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

***B. TEACHERS' SURVIVOR BENEFIT PLAN***

**General Information about the Pension Plan**

***Plan Description*** - Certain employees of the North Smithfield School Department participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit (TSB) plan - administered by the Employees' Retirement System of the State of Rhode Island (System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides a survivor benefit to public school teachers in

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lieu of Social Security since not all school districts participate in Social Security.

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

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

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

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

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

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

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

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

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

The North Smithfield School Department contributed \$15,936, \$17,184, and \$16,354, for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

**Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2017 the North Smithfield School Department reported an asset of \$2,664,032 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The North Smithfield School Department's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016 the North Smithfield School Department's proportion was 2.67548651%

For the year ended June 30, 2017 the North Smithfield School Department recognized pension expense of (\$42,663) – an increase in the net pension asset. At June 30, 2017 the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$15,936
Difference between expected and actual experience	507,144
Changes in proportion and differences between employer contributions and proportionate share of contributions	25,439
Net difference between projected and actual earnings on pension plan investments	<u>487,285</u>
Total	<u><u>\$1,035,804</u></u>
Deferred inflows of resources:	
Difference between expected and actual experience	<u>\$529,604</u>
Total	<u><u>\$529,604</u></u>

\$15,936 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$96,000
2019	96,000
2020	204,826
2021	125,482
2022	8,756
Thereafter	(40,800)

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

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

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

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

The actuarial assumptions used in the June 30, 2016 valuation 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, 2016.

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:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers

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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 Asset to Changes in the Discount Rate** - The following presents the net pension asset calculated using the discount rate of 7.5 percent as well as what the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1.00 Increase <u>(8.5%)</u>
\$2,113,940	\$2,664,032	\$3,114,108

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

**C. MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND PLANS**

**Defined Benefit Plans**

**General Information about the Pension Plan**

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

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



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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. The Town of North Smithfield has only general employees and police officers that participate in the MERS Plan.

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

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

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

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

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

Members who had at least five years of contributory service as of June 30, 2012 will be eligible for retirement at an individually determined age. This age is the result of interpolating between the member's prior retirement date, described below, and the retirement age applicable to members hired after June 30, 2012. 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.,

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

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

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

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

Prior to July 1, 2012, members designated as police officers or firefighters were eligible for retirement at or after age 55 with credit for at least 10 years of service or at any age with credit for 25 or more years of service. Members were also eligible to retire and receive a reduced benefit if they are at least age 50 and have at least 20 years of service. If the municipality elected to adopt the

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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. The Town of North Smithfield has elected to participate in the 20-year retirement provision.

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 above and one calculated based on a 2.25% multiplier for all years of service.

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

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

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

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

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

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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 (a) 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. The Town of North Smithfield has elected the optional cost-of-living provision for general employees and police officers.

**Employees Covered by Benefit Terms** - At the June 30, 2015 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries Inactive, Nonretired	72	19
Members	66	1
Active Members	90	26
Total	228	46

**Contributions** - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Police officers are required to contribute 10% of their salaries. The Town of North Smithfield contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of North Smithfield contributed the following amounts in the year ended June 30, 2017: general employees plan - \$229,468 and police officers plan - \$343,389. The Town's contributions represented the following percentages of annual covered payroll: general employees plan – 6.14%; police officers plan – 20.72%.

**Net Pension Liability** - 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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<b>Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability at the June 30, 2016 Measurement Date (June 30, 2015 valuation rolled forward to June 30, 2016)</b>	
Actuarial Cost Method	Entry Age Normal - The Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS Police: 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: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	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.

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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:

<u>Type of Investment</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity:	38.00%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8.00%	4.10%
Private Equity	7.00%	10.15%
Core Fixed Income	15.00%	2.37%
Absolute Return Hedge Funds	7.00%	4.10%
Infrastructure	3.00%	5.58%
Real Estate	8.00%	5.33%
Other Real Return Assets:	11.00%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash, Overlay and Money Market	3.00%	0.82%
	<u>100.00%</u>	

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.

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**General Employees Plan**  
**Changes in the Net Pension Asset**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of June 30, 2015	\$13,178,460	\$13,880,504	\$(702,044)
Changes for the Year:			
Service cost	320,223	-	320,223
Interest on the total pension liability	965,788	-	965,788
Changes in benefits	-	-	-
Difference between expected and actual experience	(211,249)	-	(211,249)
Changes in assumptions	-	-	-
Employer contributions	-	228,318	(228,318)
Employee contributions	-	93,355	(93,355)
Net investment income	-	(4,755)	4,755
Benefit payments, including employee refunds	(922,792)	(922,792)	-
Administrative expense	-	(12,792)	12,792
Other changes	-	437,862	(437,862)
Net changes	151,970	(180,804)	332,774
<b>Balances as of June 30, 2016</b>	<b>\$13,330,430</b>	<b>\$13,699,700</b>	<b>\$(369,270)</b>

**Police Officers Plan**  
**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$11,875,951	\$8,879,524	\$2,996,427
Changes for the Year:			
Service cost	293,881	-	293,881
Interest on the total pension liability	878,066	-	878,066
Changes in benefits	-	-	-
Difference between expected and actual experience	(111,065)	-	(111,065)
Changes in assumptions	-	-	-
Employer contributions	-	356,690	(356,690)
Employee contributions	-	163,316	(163,316)
Net investment income	-	(3,040)	3,040
Benefit payments, including employee refunds	(630,681)	(630,681)	-
Administrative expense	-	(8,177)	8,177
Other changes	-	(1)	1
Net changes	430,201	(121,893)	552,094
<b>Balances as of June 30, 2016</b>	<b>\$12,306,152</b>	<b>\$8,757,631</b>	<b>\$3,548,521</b>

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**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate** - The following presents the net pension liability (asset) of the employer calculated using the discount rate of 7.5 percent, as well as what the employer's 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.

<b>Plan</b>	<b>1.00% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.00 Increase (8.5%)</b>
General Employees	\$1,061,128	\$(369,270)	\$(1,540,195)
Police Officers	\$4,845,020	\$3,548,521	\$2,487,392

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ERSRI financial report.

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

For the year ended June 30, 2017, the Town recognized pension expense as follows: general employees plan - \$(228,432); and police officers plan - \$440,710. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>General Employees Plan</b>	<b>Police Officers Plan</b>
<b>Deferred Outflows of Resources:</b>		
Assumption changes	\$ 10,207	\$ -
Net difference between projected and actual investment earnings	878,459	565,321
Difference between expected and actual experience	-	7,258
Contributions subsequent to the measurement date	229,468	343,389
<b>Total</b>	<b>\$ 1,118,134</b>	<b>\$ 915,968</b>
<b>Deferred Inflows of Resources:</b>		
Assumption changes	\$ -	\$ 41,239
Difference between expected and actual experience	286,154	97,209
<b>Total</b>	<b>\$286,154</b>	<b>\$ 138,448</b>



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**JUNE 30, 2017**

The deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Net Deferred Outflows/(Inflows) of Resources</b>	
	<b>General Employees Plan</b>	<b>Police Officers Plan</b>
2018	\$32,561	\$85,408
2019	53,570	85,409
2020	309,715	203,195
2021	206,666	113,445
2022	-	(19,466)
Thereafter	-	(33,860)

**Defined Contribution Plan**

***Plan Description***

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

Certain general employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on years of service. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The Town of North Smithfield recognized pension expense of \$36,651 and employees contributed \$170,249 for the fiscal year ended June 30, 2017.

The System issues an annual financial report that includes financial statements and required supplementary information for plans administered by the System. The reports can be obtained at <http://www.ersri.org>.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS**

	<b>Deferred Outflows of Resources – Pension Amounts</b>	<b>Deferred Inflows of Resources – Pension Amounts</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Pension Expense</b>
Employees’ Retirement System Plan	\$3,320,712	\$1,187,173	\$ -	\$20,668,314	\$2,883,747
Teachers’ Survivor Benefits Plan	1,035,804	529,604	2,664,032	-	(42,663)
General Employees Plan	1,118,134	286,154	369,270	-	(228,432)
Police Officers Plan	915,968	138,448	-	3,548,521	440,710
<b>Total</b>	<b>\$6,390,618</b>	<b>\$2,141,379</b>	<b>\$3,033,302</b>	<b>\$24,216,835</b>	<b>\$3,053,362</b>

**NOTE 17 – OPERATING LEASES**

The Town leases certain equipment under noncancellable operating leases expiring in June 2020. At June 30, 2017, future minimum lease payments are as follows:

<i>Year Ending June 30,</i>	
2018	\$ 32,692
2019	32,692
2020	32,692
2021	17,891
2022	11,198
	<u>\$127,165</u>

Rental expenditures for operating leases for the year ended June 30, 2017 totaled \$33,835.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:**

**Schedule of Funding Progress – Other Postemployment Benefit Plan**

**Schedule of Town’s Proportionate Share of the Net Pension Liability – Pension Plans**

**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios – Pension Plans**

**Schedule of Town Contributions – Pension Plans**

**Budgetary Comparison Schedules - General Fund & School Unrestricted Fund**

**In addition, the notes to the required supplementary information are included to provide information that is essential to a user's understanding of the required supplementary information.**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Required Supplementary Information - Other Post Employment Benefit Plan*  
*Schedule of Funding Progress (1)*  
*"Unaudited"*

	<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL) (2)</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>Unfunded Liability as a Percentage of Covered Payroll</i>
<b><i>Other Post Employment Benefit Plan</i></b>							
	07/01/2009	\$0	\$5,796,707	\$5,796,707	0.0%	\$15,979,607	36.3%
	07/01/2011	\$0	\$6,291,808	\$6,291,808	0.0%	\$14,929,351	42.1%
	07/01/2013	\$0	\$7,141,640	\$7,141,640	0.0%	\$17,746,038	40.2%
	07/01/2015	\$0	\$6,231,640	\$6,231,640	0.0%	\$18,682,246	33.4%

(1) The information included in the schedule of funding progress was obtained from the actuarial valuation at the date indicated.

(2) Projected Unit Credit Actuarial Cost Method

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Required Supplementary Information*  
**Employees' Retirement System Pension Plan**  
*Schedule of the Town's Proportionate Share of the Net Pension Liability (1)*  
*"Unaudited"*

<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.69273594%	0.68486334%	0.70243536%
Town's proportionate share of the net pension liability	\$ 20,668,314	\$ 18,854,306	\$ 17,097,279
State's proportionate share of the net pension liability associated with the Town	<u>14,154,760</u>	<u>12,880,670</u>	<u>11,724,392</u>
Total	<u>\$ 34,823,074</u>	<u>\$ 31,734,976</u>	<u>\$ 28,821,671</u>
Town's covered-employee payroll	\$ 11,951,207	\$ 11,674,039	\$ 11,842,195
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.94%	161.51%	144.38%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	57.55%	61.40%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Required Supplementary Information**  
**Teachers' Survivor Benefit Pension Plan**  
**Schedule of the Town's Proportionate Share of the Net Pension Asset (1)**  
**"Unaudited"**

<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension asset	2.67548651%	2.71030550%	2.69832872%
Town's proportionate share of the net pension asset	\$ 2,664,032	\$ 2,530,222	\$ 3,354,582
Town's covered-employee payroll	\$ 11,951,207	\$ 11,674,039	\$ 11,842,195
Town's proportionate share of the net pension asset as a percentage of its covered-employee payroll	22.29%	21.67%	28.33%
Plan fiduciary net position as a percentage of the total pension liability	153.30%	146.60%	173.30%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Required Supplementary Information**  
**General Employees Pension Plan**  
**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios (1)**  
**"Unaudited"**

<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>			
Service cost	\$ 320,223	\$ 313,382	\$ 323,197
Interest	965,788	940,220	906,468
Changes of benefit terms	-	248,558	-
Differences between expected and actual experience	(211,249)	(287,684)	-
Changes of assumptions	-	-	29,011
Benefits payments, including refunds of member contributions	(922,792)	(831,170)	(776,322)
<b>Net change in total pension liability</b>	<u>151,970</u>	<u>383,306</u>	<u>482,354</u>
<b>Total pension liability - beginning</b>	<u>13,178,460</u>	<u>12,795,154</u>	<u>12,312,800</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 13,330,430</u>	<u>\$ 13,178,460</u>	<u>\$ 12,795,154</u>
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 228,318	\$ 202,160	\$ 193,061
Contributions - employee	93,355	65,426	77,177
Net investment income	(4,755)	325,291	1,880,372
Benefits payments, including refunds of member contributions	(922,792)	(831,170)	(776,322)
Administrative expense	(12,792)	(13,127)	(11,775)
Other	437,862	13,836	(104,407)
<b>Net change in plan fiduciary net position</b>	<u>(180,804)</u>	<u>(237,584)</u>	<u>1,258,106</u>
<b>Plan fiduciary net position - beginning</b>	<u>13,880,504</u>	<u>14,118,088</u>	<u>12,859,982</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 13,699,700</u>	<u>\$ 13,880,504</u>	<u>\$ 14,118,088</u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (369,270)</u>	<u>\$ (702,044)</u>	<u>\$ (1,322,934)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	102.77%	105.33%	110.34%
<b>Covered employee payroll</b>	\$ 3,530,574	\$ 3,271,216	\$ 3,248,212
<b>Net pension liability as a percentage of covered employee payroll</b>	-10.46%	-21.46%	-40.73%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Required Supplementary Information**  
**Police Officers Pension Plan**  
**Schedule of Changes in the Net Pension Liability and Related Ratios (1)**  
**"Unaudited"**

<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>			
Service cost	\$ 293,881	\$ 257,868	\$ 234,523
Interest	878,066	808,451	783,066
Changes of benefit terms	-	451,265	-
Differences between expected and actual experience	(111,065)	9,656	-
Changes of assumptions	-	-	(61,666)
Benefits payments, including refunds of member contributions	(630,681)	(603,406)	(654,847)
<b>Net change in total pension liability</b>	<u>430,201</u>	<u>923,834</u>	<u>301,076</u>
<b>Total pension liability - beginning</b>	<u>11,875,951</u>	<u>10,952,117</u>	<u>10,651,041</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 12,306,152</u>	<u>\$ 11,875,951</u>	<u>\$ 10,952,117</u>
<b>Plan fiduciary net position:</b>			
Contributions - employer	\$ 356,690	\$ 312,414	\$ 182,437
Contributions - employee	163,316	126,484	104,549
Net investment income	(3,040)	208,093	1,177,979
Benefits payments, including refunds of member contributions	(630,681)	(603,406)	(654,847)
Administrative expense	(8,177)	(8,485)	(7,376)
Other	(1)	1	(1)
<b>Net change in plan fiduciary net position</b>	<u>(121,893)</u>	<u>35,101</u>	<u>802,741</u>
<b>Plan fiduciary net position - beginning</b>	<u>8,879,524</u>	<u>8,844,423</u>	<u>8,041,682</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 8,757,631</u>	<u>\$ 8,879,524</u>	<u>\$ 8,844,423</u>
<b>Town's net pension liability - ending (a) - (b)</b>	<u>\$ 3,548,521</u>	<u>\$ 2,996,427</u>	<u>\$ 2,107,694</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	71.16%	74.77%	80.76%
<b>Covered employee payroll</b>	\$ 1,635,400	\$ 1,581,045	\$ 1,441,443
<b>Net pension liability as a percentage of covered employee payroll</b>	216.98%	189.52%	146.22%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Required Supplementary Information - Pension Plans**  
**Schedule of Town Contributions (I)**  
**"Unaudited"**

<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Employees' Retirement System Plan</u></b>			
Actuarially determined contribution	\$ 1,515,153	\$ 1,562,602	\$ 1,492,336
Contributions in relation to the actuarially determined contribution	1,515,153	1,562,602	1,492,336
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	12.56%	13.07%	12.78%
<b><u>Teachers' Survivor Benefit Plan</u></b>			
Statutorily determined contribution	\$ 15,936	\$ 17,184	\$ 16,354
Contributions in relation to the statutorily determined contribution	15,936	17,184	16,354
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 12,065,776	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	0.13%	0.14%	0.14%
<b><u>General Employees Plan</u></b>			
Actuarially determined contribution	\$ 229,468	\$ 228,318	\$ 202,160
Contributions in relation to the actuarially determined contribution	229,468	228,318	202,160
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,735,007	\$ 3,530,574	\$ 3,271,216
Contributions as a percentage of covered employee payroll	6.14%	6.47%	6.18%

(I) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Required Supplementary Information - Pension Plans**  
**Schedule of Town Contributions (1)**  
**"Unaudited"**

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<i>Fiscal Year</i>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Police Officers Plan</u></b>			
Actuarially determined contribution	\$ 343,389	\$ 356,690	\$ 312,414
Contributions in relation to the actuarially determined contribution	343,389	356,690	312,414
<b>Contribution deficiency (excess)</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered employee payroll	 \$ 1,657,283	 \$ 1,635,400	 \$ 1,581,045
 Contributions as a percentage of covered employee payroll	 20.72%	 21.81%	 19.76%

(1) This schedule is intended to show 10 years - additional information will be presented as it becomes available.

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 33,475,829	\$ 33,495,829	\$ 33,665,657	\$ 169,828
Motor vehicle excise in lieu of tax	177,990	177,990	183,264	5,274
Intergovernmental and grant revenue	1,453,760	1,453,760	1,602,604	148,844
Town clerk licenses and fees	329,050	329,050	377,747	48,697
Other departmental fines and fees	269,000	274,050	268,656	(5,394)
Investment and interest income	30,000	30,000	30,235	235
Other revenues	398,229	398,229	414,067	15,838
Use of fund balance	-	155,000	155,000	-
<b>Total revenues</b>	<u>36,133,858</u>	<u>36,313,908</u>	<u>36,697,230</u>	<u>383,322</u>
<b>Expenditures</b>				
<b>General Government:</b>				
Town council	10,750	10,750	10,042	708
Probate court	8,100	8,100	6,940	1,160
Town solicitor	186,725	186,725	186,725	-
Municipal court	36,447	36,447	32,814	3,633
Administrator's office	121,998	121,998	109,502	12,496
Town clerk's office	140,713	140,713	141,327	(614)
Planning division	121,686	141,610	126,191	15,419
Board of canvassers	15,550	15,550	14,465	1,085
Zoning board	9,655	9,655	6,261	3,394
Personnel board	1	1	-	1
Conservation commission	1,585	1,585	1,578	7
Historic district commission	250	250	-	250
Housing authority	1	1	-	1
Economic development	2,500	2,500	-	2,500
Public safety commission	1	1	-	1
Budget committee	2,000	2,000	34	1,966
Juvenile hearing board	3,405	3,405	2,912	493
Town hall	9,357	11,857	11,726	131
Plant operations	174,594	186,194	139,984	46,210
Printing and advertising	17,500	17,500	16,850	650
Contingency	536,716	514,028	436,062	77,966
Scouter's Hall	2,660	2,660	1,530	1,130
N.S. Library	419,949	419,949	428,196	(8,247)
	<u>1,822,143</u>	<u>1,833,479</u>	<u>1,673,139</u>	<u>160,340</u>
<b>Financial Administration:</b>				
Finance department	212,944	212,944	198,593	14,351
Tax assessor's office	121,657	121,657	115,398	6,259
Tax collector's office	89,439	109,439	101,134	8,305
Board of tax review	500	500	-	500
Audits and computer services	170,508	170,508	124,279	46,229
Insurance	184,500	209,500	197,542	11,958
	<u>779,548</u>	<u>824,548</u>	<u>736,946</u>	<u>87,602</u>
<b>Public Safety:</b>				
Police department	2,229,225	2,353,536	2,421,839	(68,303)
Animal control	79,733	83,878	80,292	3,586
EMA	22,610	22,610	20,539	2,071
N.S. Fire and Rescue Department	2,801,655	2,801,655	2,777,776	23,879
Hydrant rental	51,375	51,375	51,563	(188)
Inspection division	124,282	124,282	108,201	16,081
	<u>5,308,880</u>	<u>5,437,336</u>	<u>5,460,210</u>	<u>(22,874)</u>

(Continued)

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)*  
**General Fund**  
*For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Public Works:</b>				
DPW administration	98,977	100,402	98,831	1,571
Highway division	1,248,942	1,248,942	1,208,388	40,554
Parks and recreation division	132,166	139,258	136,790	2,468
Tree warden	4,230	4,230	1,730	2,500
Street lights	293,000	293,000	296,440	(3,440)
Rubbish disposal	717,565	717,565	710,070	7,495
Sealer of weights and measures	1	1	-	1
	<u>2,494,881</u>	<u>2,503,398</u>	<u>2,452,249</u>	<u>51,149</u>
<b>Fixed Charges</b>	<u>1,861,685</u>	<u>1,926,585</u>	<u>2,039,413</u>	<u>(112,828)</u>
<b>Debt Service:</b>				
Principal	2,909,375	2,958,449	3,008,838	(50,389)
Interest	1,386,593	1,104,360	1,091,643	12,717
	<u>4,295,968</u>	<u>4,062,809</u>	<u>4,100,481</u>	<u>(37,672)</u>
<b>Grants and contributions</b>	<u>19,666</u>	<u>19,666</u>	<u>8,920</u>	<u>10,746</u>
<b>Settlements</b>	<u>-</u>	<u>155,000</u>	<u>155,000</u>	<u>-</u>
<b>Capital Outlay:</b>				
Town	705,141	705,141	697,861	7,280
	<u>705,141</u>	<u>705,141</u>	<u>697,861</u>	<u>7,280</u>
<b>Total expenditures</b>	<u>17,287,912</u>	<u>17,467,962</u>	<u>17,324,219</u>	<u>143,743</u>
<b>Excess of revenues over expenditures before other financing sources (uses)</b>	<u>18,845,946</u>	<u>18,845,946</u>	<u>19,373,011</u>	<u>527,065</u>
<b>Other financing sources (uses)</b>				
<b>Transfers from other funds:</b>				
Sewer fund	-	-	142,344	142,344
<b>Transfers to other funds:</b>				
School unrestricted fund	(18,642,223)	(18,642,223)	(18,642,223)	-
Substance abuse fund	(3,723)	(3,723)	(6,891)	(3,168)
RIDE revolving capital fund	(200,000)	(200,000)	(200,000)	-
<b>Total other financing sources (uses)</b>	<u>(18,845,946)</u>	<u>(18,845,946)</u>	<u>(18,706,770)</u>	<u>139,176</u>
<b>Net change in fund balance, budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,241</u>	<u>\$ 666,241</u>

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual*  
**School Unrestricted Fund**  
*For the Fiscal Year Ended June 30, 2017*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Local appropriations	\$18,642,223	\$18,642,223	\$ 18,642,223	\$ -
State of Rhode Island - education aid	6,124,336	6,124,336	6,139,329	14,993
Medicaid	205,000	205,000	242,803	37,803
Rental Income - fields and buildings	50,000	50,000	53,815	3,815
Re-appropriation of fund balance	-	-	141,125	141,125
Other	-	-	15,014	15,014
<b>Total revenues</b>	<u>25,021,559</u>	<u>25,021,559</u>	<u>25,234,309</u>	<u>212,750</u>
<b>Expenditures</b>				
Salaries	15,014,665	15,014,665	14,737,334	277,331
Employee benefits	4,812,570	4,812,570	4,408,216	404,354
Purchased services	3,940,978	3,886,014	3,946,287	(60,273)
Supplies and materials	1,044,068	1,030,982	1,051,362	(20,380)
Property and equipment	171,140	232,318	427,170	(194,852)
Other costs	38,138	45,010	42,671	2,339
<b>Total expenditures</b>	<u>25,021,559</u>	<u>25,021,559</u>	<u>24,613,040</u>	<u>408,519</u>
<b>Excess of revenues over expenditures before other financing uses</b>	<u>-</u>	<u>-</u>	<u>621,269</u>	<u>621,269</u>
<b>Other financing uses</b>				
Transfers to other funds	-	-	(164,000)	(164,000)
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>(164,000)</u>	<u>(164,000)</u>
<b>Net change in fund balance- budgetary basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,269</u>	<u>\$ 457,269</u>

*The notes to the required supplementary information are an integral part of this schedule.*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

*Notes to Required Supplementary Information*

June 30, 2017

*"Unaudited"*

**NOTE 1 - SCHEDULE OF FUNDING PROGRESS**

*The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:*

		<u><i>Other Post Employment Benefit Plan</i></u>	
Valuation date	07/01/2015		
Actuarial cost method	Projected Unit Credit		
Amortization method	Level dollar, closed over 30 years		
Average amortization period	22 years remaining as of the valuation date		
Asset valuation method	Market value		
Actuarial assumptions:			
Discount rate	4% per annum		
Inflation rate	3% per annum		
Health care cost trend rate - health	<u>Year</u>	<u>Assumed Increase</u>	
	1	8.0%	
	2	7.5%	
	3	7.0%	
	4	6.5%	
	5	6.0%	
	6	5.5%	
	7+	5.0%	
Health care cost trend rate - dental	5% per annum		
Participant information	Active participants	317	
	Retired participants	23	
		<u>340</u>	

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2017**  
**“Unaudited”**

**NOTE 2 – PENSION PLANS**

The actuarial methods and assumptions used to calculate the total pension liability (asset) are described in Note 16 A, B and C to the financial statements.

The net pension liability (asset) amounts presented for each fiscal year were determined as of the June 30 measurement date prior to the fiscal year-end.

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

At its October 2016 meeting, the State Investment Commission voted to redeem the investment in seven hedge funds totaling approximately \$586 million held within the Pooled Investment Trust. The action was taken as part of an overall asset allocation review. Approximately \$508 million has been redeemed through August 31, 2017. Remaining redemptions are estimated to continue through March 2018.

In May 2017, the Employees’ Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7.0% which will be reflected in the determination of the net pension liability (asset) for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

**Actuarially Determined Contributions:**

Actuarially determined contribution rates are calculated as of June 30 of each plan year and effective 2 years after the actuarial valuation. The following actuarial methods and assumptions were used to determine contribution amounts reported in that schedule:

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 21 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases –3.50% to 13.50% for teachers; 3.75% to 7.50% for general employees; 4% to 14% for police and fire employees.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General, Police and Fire Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General, Police and Fire Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Males and Females, Teachers – 97% and 92%, respectively, of rates in GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Employers participating in the Employees’ Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Teachers’ Survivors Benefit Plan contribute at a rate established by RI General Laws, 16-16-35. Employers participating in the Municipal Employees’ Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Notes to Required Supplementary Information*  
**June 30, 2017**  
**“Unaudited”**

**NOTE 3 - BUDGETARY DATA AND BUDGETARY COMPLIANCE**

The Town Charter provides that the Administrator, with the Town Budget Committee, must submit a proposed operating budget, capital budget and a budget message containing an explanation of proposed financial policies and the important features of the budget plan to the Town Council by the third Monday in March. The budget must reflect all anticipated revenues and proposed expenditures and the proposed expenditures cannot exceed anticipated revenues. The budget is presented to the public on the third Monday in May at a public hearing. The Town Council may revise the budget, but the final adoption of the budget shall be voted no later than June 30th. The Town Charter requires annual budgets for the General Fund and School Unrestricted Fund.

***Explanation of Differences between Budgetary Revenues and Other Financing Sources and Expenditures and Other Financing Uses and GAAP Revenues and Other Financing Sources and Expenditures and Other Financing Uses***

<u><i>Revenues and Other Financing Sources</i></u>	<u><i>General Fund</i></u>	<u><i>School Unrestricted Fund</i></u>
Actual amounts (budgetary basis)	\$36,839,574	\$25,234,309
Differences – budget to GAAP:		
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary revenues, but are revenues for financial reporting purposes.	-	1,182,262
Re-appropriated fund balance is a budgetary revenue, but is not a revenue for financial reporting purposes.	(155,000)	(141,125)
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(76,958)	-
Refunding bond proceeds and premium are not reported for budgetary purposes, but are included for financial reporting purposes.	20,275,422	-
Unbudgeted revenues are not included for budgetary purposes, but are included for financial reporting purposes.	107,818	43,743
<b><i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<u><u>\$56,990,856</u></u>	<u><u>\$26,319,189</u></u>



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2017**  
**“Unaudited”**

<u><b>Expenditures and Other Financing Uses</b></u>	<u><b>General Fund</b></u>	<u><b>School Unrestricted Fund</b></u>
Actual amounts (budgetary basis)	\$36,173,333	\$24,777,040
Differences – budget to GAAP:		
Increases and carryforwards of commitments and assignments of fund balance are expenditures for budgetary purposes, but are not expenditures for financial reporting purposes.	(532,749)	-
Unbudgeted expenditures are not included for budgetary purposes, but are included for financial reporting purposes.	545,782	53,544
Restoration of fund balance is a budgetary expenditure, but is not an expenditure for financial reporting purposes.	(224,942)	-
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(76,958)	-
Payment to the refunding bond escrow agent and bond issuance costs are not reported for budgetary purposes, but are included for financial reporting purposes.	20,275,422	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary expenditures, but are expenditures for financial reporting purposes.	-	1,182,262
<b><i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i></b>	<u><u>\$56,159,888</u></u>	<u><u>\$26,012,846</u></u>

**OTHER SUPPLEMENTARY INFORMATION**

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**

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

	<i>Special Revenue Funds</i>				
	<i>School Restricted Fund</i>	<i>Governor's Justice Commission Fund</i>	<i>Substance Abuse Donations Fund</i>	<i>Substance Abuse Prevention Council Fund</i>	<i>Project D.A.R.E. Fund</i>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	247,392	-	-	-	-
Other receivables	-	-	-	2,710	-
Due from other funds	158,469	859	-	-	41
<b>Total assets</b>	<b>\$ 405,861</b>	<b>\$ 859</b>	<b>\$ -</b>	<b>\$ 2,710</b>	<b>\$ 41</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ 83,291	\$ -	\$ -	\$ 353	\$ -
Due to other funds	262,991	-	-	2,357	-
<b>Total liabilities</b>	<b>346,282</b>	<b>-</b>	<b>-</b>	<b>2,710</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>					
Other deferred revenues	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>					
Restricted for:					
Education programs	59,579	-	-	-	-
Public safety programs	-	859	-	-	41
Historical records preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed for:					
Public safety programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>59,579</b>	<b>859</b>	<b>-</b>	<b>-</b>	<b>41</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 405,861</b>	<b>\$ 859</b>	<b>\$ -</b>	<b>\$ 2,710</b>	<b>\$ 41</b>

*(Continued)*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<b>Special Revenue Funds</b>				
	<b>Business Revolving Loan Fund</b>	<b>CDBG Fund</b>	<b>Police Forfeiture Funds</b>	<b>Dattco Fund</b>	<b>EMS Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 54,358	\$ 23,473	\$ -	\$ -	\$ 1,030,190
Due from federal and state governments	-	-	-	-	-
Other receivables	-	7,326	-	-	-
Due from other funds	-	-	7,303	8,800	-
<b>Total assets</b>	<b>\$ 54,358</b>	<b>\$ 30,799</b>	<b>\$ 7,303</b>	<b>\$ 8,800</b>	<b>\$ 1,030,190</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 9,172
Due to other funds	-	-	-	-	35,324
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,496</b>
<b>Deferred Inflows of Resources:</b>					
Other deferred revenues	-	7,326	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>7,326</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	7,303	-	985,694
Historical records preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	54,358	23,473	-	8,800	-
Committed for:					
Public safety programs	-	-	-	-	-
Capital projects	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>54,358</b>	<b>23,473</b>	<b>7,303</b>	<b>8,800</b>	<b>985,694</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 54,358</b>	<b>\$ 30,799</b>	<b>\$ 7,303</b>	<b>\$ 8,800</b>	<b>\$ 1,030,190</b>

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<i>Special Revenue Funds</i>			
	<i>Record Retention Fund</i>	<i>Police Cruiser Fees</i>	<i>Recycling Grant</i>	<i>Clean &amp; Green Day</i>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	78,583	45,210	35,723	803
<b>Total assets</b>	<b>\$ 78,583</b>	<b>\$ 45,210</b>	<b>\$ 35,723</b>	<b>\$ 803</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 4,758	\$ -	\$ 3,383	\$ -
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>4,758</b>	<b>-</b>	<b>3,383</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Other deferred revenues	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits)</b>				
Restricted for:				
Education programs	-	-	-	-
Public safety programs	-	-	-	-
Historical records preservation	73,825	-	-	-
Capital projects	-	-	-	-
Other programs	-	-	32,340	803
Committed for:				
Public safety programs	-	45,210	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>73,825</b>	<b>45,210</b>	<b>32,340</b>	<b>803</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 78,583</b>	<b>\$ 45,210</b>	<b>\$ 35,723</b>	<b>\$ 803</b>

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<u>Special Revenue Funds</u>			<i>Total Special Revenue Funds</i>
	<i>Pumpkin Festival</i>	<i>EMA Grants</i>	<i>Adopt- A-Spot Fund</i>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,108,021
Due from federal and state governments	-	-	-	247,392
Other receivables	-	-	-	10,036
Due from other funds	5,136	19,407	2,501	362,835
<b>Total assets</b>	<u>\$ 5,136</u>	<u>\$ 19,407</u>	<u>\$ 2,501</u>	<u>\$ 1,728,284</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenditures	\$ 339	\$ 1,184	\$ -	\$ 102,480
Due to other funds	-	-	-	300,672
<b>Total liabilities</b>	<u>339</u>	<u>1,184</u>	<u>-</u>	<u>403,152</u>
<b>Deferred Inflows of Resources:</b>				
Other deferred revenues	-	-	-	7,326
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,326</u>
<b>Fund balances (deficits)</b>				
Restricted for:				
Education programs	-	-	-	59,579
Public safety programs	-	18,223	-	1,012,120
Historical records preservation	-	-	-	73,825
Capital projects	-	-	-	-
Other programs	4,797	-	2,501	127,072
Committed for:				
Public safety programs	-	-	-	45,210
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<b>Total fund balances (deficits)</b>	<u>4,797</u>	<u>18,223</u>	<u>2,501</u>	<u>1,317,806</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 5,136</u>	<u>\$ 19,407</u>	<u>\$ 2,501</u>	<u>\$ 1,728,284</u>

(Continued)

**TOWN OF NORTH SMITHFIELD RHODE ISLAND**  
**Combining Balance Sheet (Continued)**  
**Nonmajor Governmental Funds**  
**June 30, 2017**

	<i>Capital Project Funds</i>						<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Projects Fund</i>	<i>Road Bond</i>	<i>Renewable Energy Grant</i>	<i>Middle School Construction</i>	<i>RIDE Revolving Capital</i>	<i>School Building</i>		
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 246,363	\$ -	\$ -	\$ -	\$ -	\$ 246,363	\$ 1,354,384
Due from federal and state governments	-	-	17,500	-	-	-	17,500	264,892
Other receivables	-	-	-	-	-	-	-	10,036
Due from other funds	88,639	-	-	20,580	199,850	-	309,069	671,904
<b>Total assets</b>	<b>\$ 88,639</b>	<b>\$ 246,363</b>	<b>\$ 17,500</b>	<b>\$ 20,580</b>	<b>\$ 199,850</b>	<b>\$ -</b>	<b>\$ 572,932</b>	<b>\$ 2,301,216</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued expenditures	\$ -	\$ 156,023	\$ 3,440	\$ -	\$ -	\$ -	\$ 159,463	\$ 261,943
Due to other funds	-	57,510	115,233	-	-	14,987	187,730	488,402
<b>Total liabilities</b>	<b>-</b>	<b>213,533</b>	<b>118,673</b>	<b>-</b>	<b>-</b>	<b>14,987</b>	<b>347,193</b>	<b>750,345</b>
<b>Deferred Inflows of Resources:</b>								
Other deferred revenues	-	-	-	-	-	-	-	7,326
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,326</b>
<b>Fund balances (deficits)</b>								
<b>Restricted for:</b>								
Education programs	-	-	-	-	-	-	-	59,579
Public safety programs	-	-	-	-	-	-	-	1,012,120
Historical records preservation	-	-	-	-	-	-	-	73,825
Capital projects	88,639	32,830	-	20,580	-	-	142,049	142,049
Other programs	-	-	-	-	-	-	-	127,072
<b>Committed for:</b>								
Public safety programs	-	-	-	-	-	-	-	45,210
Capital projects	-	-	-	-	199,850	-	199,850	199,850
Unassigned	-	-	(101,173)	-	-	(14,987)	(116,160)	(116,160)
<b>Total fund balances (deficits)</b>	<b>88,639</b>	<b>32,830</b>	<b>(101,173)</b>	<b>20,580</b>	<b>199,850</b>	<b>(14,987)</b>	<b>225,739</b>	<b>1,543,545</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 88,639</b>	<b>\$ 246,363</b>	<b>\$ 17,500</b>	<b>\$ 20,580</b>	<b>\$ 199,850</b>	<b>\$ -</b>	<b>\$ 572,932</b>	<b>\$ 2,301,216</b>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2017*

	<i>Special Revenue Funds</i>				
	<i>School Restricted Fund</i>	<i>Governor's Justice Commission Fund</i>	<i>Substance Abuse Donations Fund</i>	<i>Substance Abuse Prevention Council Fund</i>	<i>Project D.A.R.E. Fund</i>
<b>Revenues</b>					
Intergovernmental and grant revenue	\$ 637,946	\$ 4,019	\$ -	\$ 10,943	\$ -
Other departmental fees	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Other revenue	300,392	-	-	-	946
<b>Total revenues</b>	<u>938,338</u>	<u>4,019</u>	<u>-</u>	<u>10,943</u>	<u>946</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	5,308	-	21,722	970
Public works	-	-	-	-	-
Education	928,823	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>928,823</u>	<u>5,308</u>	<u>-</u>	<u>21,722</u>	<u>970</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>9,515</u>	<u>(1,289)</u>	<u>-</u>	<u>(10,779)</u>	<u>(24)</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	-	-	-	10,779	-
Transfers to other funds	-	-	(3,888)	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(3,888)</u>	<u>10,779</u>	<u>-</u>
<b>Net change in fund balances</b>	9,515	(1,289)	(3,888)	-	(24)
<b>Fund balances (deficits) - beginning of year</b>	<u>50,064</u>	<u>2,148</u>	<u>3,888</u>	<u>-</u>	<u>65</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 59,579</u>	<u>\$ 859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41</u>

(Continued)



**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2017*

	<i>Special Revenue Funds</i>				
	<i>Business Revolving Loan Fund</i>	<i>CDBG Fund</i>	<i>Police Forfeiture Funds</i>	<i>Dattco Fund</i>	<i>EMS Fund</i>
<b>Revenues</b>					
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Other departmental fees	-	-	-	3,000	-
Investment and interest income	227	54	-	-	2,849
Other revenue	-	23,710	-	-	303,383
<b>Total revenues</b>	<u>227</u>	<u>23,764</u>	<u>-</u>	<u>3,000</u>	<u>306,232</u>
<b>Expenditures</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	3,696	-	84,841
Public works	-	-	-	-	-
Education	-	-	-	-	-
Other	-	300	-	-	-
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>300</u>	<u>3,696</u>	<u>-</u>	<u>84,841</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>227</u>	<u>23,464</u>	<u>(3,696)</u>	<u>3,000</u>	<u>221,391</u>
<b>Other financing sources (uses)</b>					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	227	23,464	(3,696)	3,000	221,391
<b>Fund balances (deficits) - beginning of year</b>	<u>54,131</u>	<u>9</u>	<u>10,999</u>	<u>5,800</u>	<u>764,303</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 54,358</u>	<u>\$ 23,473</u>	<u>\$ 7,303</u>	<u>\$ 8,800</u>	<u>\$ 985,694</u>

*(Continued)*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2017*

	<i>Special Revenue Funds</i>			
	<i>Record Retention Fund</i>	<i>Police Cruiser Fees</i>	<i>Recycling Grant</i>	<i>Clean &amp; Green Day</i>
<b>Revenues</b>				
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -
Other departmental fees	29,911	26,182	6,088	-
Investment and interest income	-	-	-	-
Other revenue	-	-	-	1,800
<b>Total revenues</b>	<u>29,911</u>	<u>26,182</u>	<u>6,088</u>	<u>1,800</u>
<b>Expenditures</b>				
Current:				
General government	28,100	-	-	-
Public safety	-	5,511	-	-
Public works	-	-	11,795	2,382
Education	-	-	-	-
Other	-	-	-	-
Capital outlay	-	39,899	16,991	-
<b>Total expenditures</b>	<u>28,100</u>	<u>45,410</u>	<u>28,786</u>	<u>2,382</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>1,811</u>	<u>(19,228)</u>	<u>(22,698)</u>	<u>(582)</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	1,811	(19,228)	(22,698)	(582)
<b>Fund balances (deficits) - beginning of year</b>	<u>72,014</u>	<u>64,438</u>	<u>55,038</u>	<u>1,385</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 73,825</u>	<u>\$ 45,210</u>	<u>\$ 32,340</u>	<u>\$ 803</u>

*(Continued)*

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
**Nonmajor Governmental Funds**  
*For the Fiscal Year Ended June 30, 2017*

	<u>Special Revenue Funds</u>			<i>Total Special Revenue Funds</i>
	<i>Pumpkin Festival</i>	<i>EMA Grants</i>	<i>Adopt- A-Spot Fund</i>	
<b>Revenues</b>				
Intergovernmental and grant revenue	\$ -	\$ 3,600	\$ -	\$ 656,508
Other departmental fees	-	-	-	65,181
Investment and interest income	-	-	-	3,130
Other revenue	11,840	-	4,050	646,121
<b>Total revenues</b>	<u>11,840</u>	<u>3,600</u>	<u>4,050</u>	<u>1,370,940</u>
<b>Expenditures</b>				
Current:				
General government	-	-	-	28,100
Public safety	-	6,845	-	128,893
Public works	-	-	4,990	19,167
Education	-	-	-	928,823
Other	16,431	-	-	16,731
Capital outlay	-	-	-	56,890
<b>Total expenditures</b>	<u>16,431</u>	<u>6,845</u>	<u>4,990</u>	<u>1,178,604</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>(4,591)</u>	<u>(3,245)</u>	<u>(940)</u>	<u>192,336</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	-	-	10,779
Transfers to other funds	-	-	-	(3,888)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,891</u>
<b>Net change in fund balances</b>	(4,591)	(3,245)	(940)	199,227
<b>Fund balances (deficits) - beginning of year</b>	<u>9,388</u>	<u>21,468</u>	<u>3,441</u>	<u>1,118,579</u>
<b>Fund balances (deficits) - end of year</b>	<u>\$ 4,797</u>	<u>\$ 18,223</u>	<u>\$ 2,501</u>	<u>\$ 1,317,806</u>

*(Continued)*

**TOWN OF NORTH SMITHFIELD RHODE ISLAND**  
*Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)*  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<i>Capital Project Funds</i>					<i>Total Capital Project Funds</i>	<i>Total All Nonmajor Governmental Funds</i>
	<i>Capital Projects Fund</i>	<i>Road Bond</i>	<i>Renewable Energy Grant</i>	<i>Middle School Construction</i>	<i>RIDE Revolving Capital</i>		
<b>Revenues</b>							
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 656,508
Other departmental fees	-	-	-	-	-	-	65,181
Investment and interest income	3	3,244	-	-	-	3,247	6,377
Other revenue	-	-	-	-	-	-	646,121
<b>Total revenues</b>	<u>3</u>	<u>3,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,247</u>	<u>1,374,187</u>
<b>Expenditures</b>							
Current:							
General government	-	-	-	-	-	-	28,100
Public safety	-	-	-	-	-	-	128,893
Public works	-	-	-	-	-	-	19,167
Education	-	-	-	-	-	-	928,823
Other	-	-	-	-	-	-	16,731
Capital outlay	-	2,423,171	468,763	-	164,150	-	3,056,084
<b>Total expenditures</b>	<u>-</u>	<u>2,423,171</u>	<u>468,763</u>	<u>-</u>	<u>164,150</u>	<u>-</u>	<u>4,234,688</u>
<b>Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)</b>	<u>3</u>	<u>(2,419,927)</u>	<u>(468,763)</u>	<u>-</u>	<u>(164,150)</u>	<u>-</u>	<u>(2,860,501)</u>
<b>Other financing sources (uses)</b>							
Transfers from other funds	-	-	367,590	-	364,000	-	731,590
Transfers to other funds	-	-	-	(367,590)	-	-	(371,478)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>367,590</u>	<u>(367,590)</u>	<u>364,000</u>	<u>-</u>	<u>370,891</u>
<b>Net change in fund balances</b>	3	(2,419,927)	(101,173)	(367,590)	199,850	-	(2,489,610)
<b>Fund balances (deficits) - beginning of year</b>	88,636	2,452,757	-	388,170	-	(14,987)	4,033,155
<b>Fund balances (deficits) - end of year</b>	<u>\$ 88,639</u>	<u>\$ 32,830</u>	<u>\$ (101,173)</u>	<u>\$ 20,580</u>	<u>\$ 199,850</u>	<u>\$ (14,987)</u>	<u>\$ 1,543,545</u>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
*Combining Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2017*

	<u>Subdivision Bond</u>	<u>Planning Escrow</u>	<u>Soup Kitchen</u>	<u>Student Activities - Senior High School</u>	<u>Student Activities - Middle School</u>	<u>Student Activities - Halliwell Elementary</u>	<u>Student Activities - North Smithfield Elementary</u>	<u>Athletic Fund</u>	<u>Total Agency Funds</u>
<b>Assets</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 147,112	\$ 14,666	\$ 22,373	\$ 33,296	\$ 199	\$ 217,646
Accounts receivable	-	-	-	9,381	-	-	-	-	9,381
Due from other funds	<u>15,412</u>	<u>39,101</u>	<u>14,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,463</u>
<b>Total assets</b>	<u>\$ 15,412</u>	<u>\$ 39,101</u>	<u>\$ 14,950</u>	<u>\$ 156,493</u>	<u>\$ 14,666</u>	<u>\$ 22,373</u>	<u>\$ 33,296</u>	<u>\$ 199</u>	<u>\$ 296,490</u>
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ -	\$ -	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55
Deposits held in custody for others	<u>15,412</u>	<u>39,101</u>	<u>14,895</u>	<u>156,493</u>	<u>14,666</u>	<u>22,373</u>	<u>33,296</u>	<u>199</u>	<u>296,435</u>
<b>Total liabilities</b>	<u>\$ 15,412</u>	<u>\$ 39,101</u>	<u>\$ 14,950</u>	<u>\$ 156,493</u>	<u>\$ 14,666</u>	<u>\$ 22,373</u>	<u>\$ 33,296</u>	<u>\$ 199</u>	<u>\$ 296,490</u>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<i>Balance</i> <i>June 30, 2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2017</i>
<b>SUBDIVISION BOND</b>				
<i>Assets</i>				
Due from other funds	\$ 15,412	\$ -	\$ -	\$ 15,412
<b>Total assets</b>	<b>\$ 15,412</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,412</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 15,412	\$ -	\$ -	\$ 15,412
<b>Total liabilities</b>	<b>\$ 15,412</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,412</b>
<b>PLANNING ESCROW</b>				
<i>Assets</i>				
Due from other funds	\$ 38,501	\$ 1,000	\$ 400	\$ 39,101
<b>Total assets</b>	<b>\$ 38,501</b>	<b>\$ 1,000</b>	<b>\$ 400</b>	<b>\$ 39,101</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 38,501	\$ 1,000	\$ 400	\$ 39,101
<b>Total liabilities</b>	<b>\$ 38,501</b>	<b>\$ 1,000</b>	<b>\$ 400</b>	<b>\$ 39,101</b>
<b>SOUP KITCHEN</b>				
<i>Assets</i>				
Due from other funds	\$ 12,521	\$ 19,937	\$ 17,508	\$ 14,950
<b>Total assets</b>	<b>\$ 12,521</b>	<b>\$ 19,937</b>	<b>\$ 17,508</b>	<b>\$ 14,950</b>
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ -	\$ 55	\$ -	\$ 55
Deposits held in custody for others	12,521	19,937	17,563	14,895
<b>Total liabilities</b>	<b>\$12,521</b>	<b>\$19,992</b>	<b>\$17,563</b>	<b>\$14,950</b>
<b>STUDENT ACTIVITIES - SENIOR HIGH SCHOOL</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 139,293	\$ 226,771	\$ 218,952	\$ 147,112
Accounts receivable	11,018	9,381	11,018	9,381
<b>Total assets</b>	<b>\$ 150,311</b>	<b>\$ 236,152</b>	<b>\$ 229,970</b>	<b>\$ 156,493</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 150,311	\$ 236,152	\$ 229,970	\$ 156,493
<b>Total liabilities</b>	<b>\$ 150,311</b>	<b>\$ 236,152</b>	<b>\$ 229,970</b>	<b>\$ 156,493</b>
<b>STUDENT ACTIVITIES - MIDDLE SCHOOL</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 31,452	\$ 45,582	\$ 62,368	\$ 14,666
<b>Total assets</b>	<b>\$ 31,452</b>	<b>\$ 45,582</b>	<b>\$ 62,368</b>	<b>\$ 14,666</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 31,452	\$ 45,582	\$ 62,368	\$ 14,666
<b>Total liabilities</b>	<b>\$ 31,452</b>	<b>\$ 45,582</b>	<b>\$ 62,368</b>	<b>\$ 14,666</b>

(Continued)

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<i>Balance</i> <i>June 30, 2016</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2017</i>
<b>STUDENT ACTIVITIES -HALLIWELL ELEMENTARY</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 24,870	\$ 29,841	\$ 32,338	\$ 22,373
<b>Total assets</b>	<b>\$ 24,870</b>	<b>\$ 29,841</b>	<b>\$ 32,338</b>	<b>\$ 22,373</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 24,870	\$ 29,841	\$ 32,338	\$ 22,373
<b>Total liabilities</b>	<b>\$ 24,870</b>	<b>\$ 29,841</b>	<b>\$ 32,338</b>	<b>\$ 22,373</b>
<b>STUDENT ACTIVITIES -NORTH SMITHFIELD ELEMENTARY</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 35,627	\$ 25,351	\$ 27,682	\$ 33,296
<b>Total assets</b>	<b>\$ 35,627</b>	<b>\$ 25,351</b>	<b>\$ 27,682</b>	<b>\$ 33,296</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 35,627	\$ 25,351	\$ 27,682	\$ 33,296
<b>Total liabilities</b>	<b>\$ 35,627</b>	<b>\$ 25,351</b>	<b>\$ 27,682</b>	<b>\$ 33,296</b>
<b>ATHLETIC FUND</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 262	\$ 7,539	\$ 7,602	\$ 199
<b>Total assets</b>	<b>\$ 262</b>	<b>\$ 7,539</b>	<b>\$ 7,602</b>	<b>\$ 199</b>
<i>Liabilities</i>				
Deposits held in custody for others	\$ 262	\$ 7,539	\$ 7,602	\$ 199
<b>Total liabilities</b>	<b>\$ 262</b>	<b>\$ 7,539</b>	<b>\$ 7,602</b>	<b>\$ 199</b>
<b>TOTAL AGENCY FUNDS</b>				
<i>Assets</i>				
Cash and cash equivalents	\$ 231,504	\$ 335,084	\$ 348,942	\$ 217,646
Accounts receivable	11,018	9,381	11,018	9,381
Due from other funds	66,434	20,937	17,908	69,463
<b>Total assets</b>	<b>\$ 308,956</b>	<b>\$ 365,402</b>	<b>\$ 377,868</b>	<b>\$ 296,490</b>
<i>Liabilities</i>				
Accounts payable and accrued expenses	\$ -	\$ 55	\$ -	\$ 55
Deposits held in custody for others	308,956	365,402	377,923	296,435
<b>Total liabilities</b>	<b>\$308,956</b>	<b>\$365,457</b>	<b>\$377,923</b>	<b>\$296,490</b>

**TOWN OF NORTH SMITHFIELD, RHODE ISLAND**  
**Tax Collector's Annual Report**  
**For the Fiscal Year Ending June 30, 2017**

**Real Estate and Personal Property Taxes**

<u>Year</u>	<u>Balance June 30, 2016</u>	<u>Levy</u>	<u>Additions</u>	<u>Abatements, Refunds and Adjustments</u>	<u>Amount to be Collected</u>	<u>Current Year Collections</u>	<u>Balance June 30, 2017</u>
2017	\$ 1,360	\$ 33,595,739	\$ 140,132	\$ 15,305	\$ 33,752,536	\$ 33,232,050	\$ 520,486
2016	486,335	-	3,573	40,848	530,756	328,404	202,352
2015	246,163	-	-	6,618	252,781	43,833	208,948
2014	227,323	-	-	2,649	229,972	11,389	218,583
2013	186,583	-	-	136	186,719	10,245	176,474
2012	157,933	-	4,902	(9,991)	152,844	6,507	146,337
2011	138,554	-	-	1,357	139,911	1,893	138,018
2010	83,818	-	-	1,043	84,861	2,389	82,472
2009	81,139	-	-	837	81,976	1,920	80,056
2008	61,447	-	-	-	61,447	315	61,132
2007	36,817	-	-	-	36,817	92	36,725
2006	36,165	-	-	-	36,165	235	35,930
2005	31,894	-	-	-	31,894	191	31,703
2004	33,761	-	-	-	33,761	496	33,265
2003	7,195	-	-	-	7,195	-	7,195
2002 and prior	(141)	-	-	554	413	-	413
	<u>\$ 1,816,346</u>	<u>\$ 33,595,739</u>	<u>\$ 148,607</u>	<u>\$ 59,356</u>	<u>\$ 35,620,048</u>	<u>\$ 33,639,959</u>	<u>1,980,089</u>
						<i>Allowance for Uncollectible Accounts</i>	<u>(589,563)</u>
						<i>Net Property Tax Receivable</i>	<u>\$ 1,390,526</u>

**Schedule of Most Recent Net Assessed Property Value by Category**

<u>Description of Property</u>	<u>Valuation</u>	<u>Levy</u>
Real property - residential	\$ 1,072,498,600	\$ 17,549,295
Real property - commercial	258,354,360	4,690,940
Real property - FFOS	2,699,640	44,174
Real property - frozen	5,999,760	81,270
Motor vehicles	129,066,625	4,855,486
Tangible personal property	187,444,540	7,652,986
<b>Total</b>	<u>1,656,063,525</u>	<u>34,874,151</u>
Exemptions	53,025,769	1,278,412
<b>Net assessed value</b>	<u>\$ 1,603,037,756</u>	<u>\$ 33,595,739</u>





CERTIFIED PUBLIC ACCOUNTANTS

875 Centerville Road, Building 3, Unit 10 • Warwick, RI 02886  
(401) 586-6565 • Fax (401) 826-1710

***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***

***Independent Auditor's Report***

To the Honorable President and  
Members of the Town Council  
North Smithfield, 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 Smithfield, 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 Smithfield, Rhode Island's basic financial statements, and have issued our report thereon dated January 2, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of North Smithfield, 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 Smithfield, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of North Smithfield, 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 Smithfield, 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 result 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.

*Bacon & Company, LLC*

Warwick, Rhode Island  
January 2, 2018