

TOWN OF NORTH PROVIDENCE RHODE ISLAND



AMPHITHEATER

CAMP MEEHAN OVERLOOK AT NOTTE PARK

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MAYOR CHARLES A. LOMBARDI

PREPARED BY: FINANCE DEPARTMENT

TOWN OF NORTH PROVIDENCE

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2018

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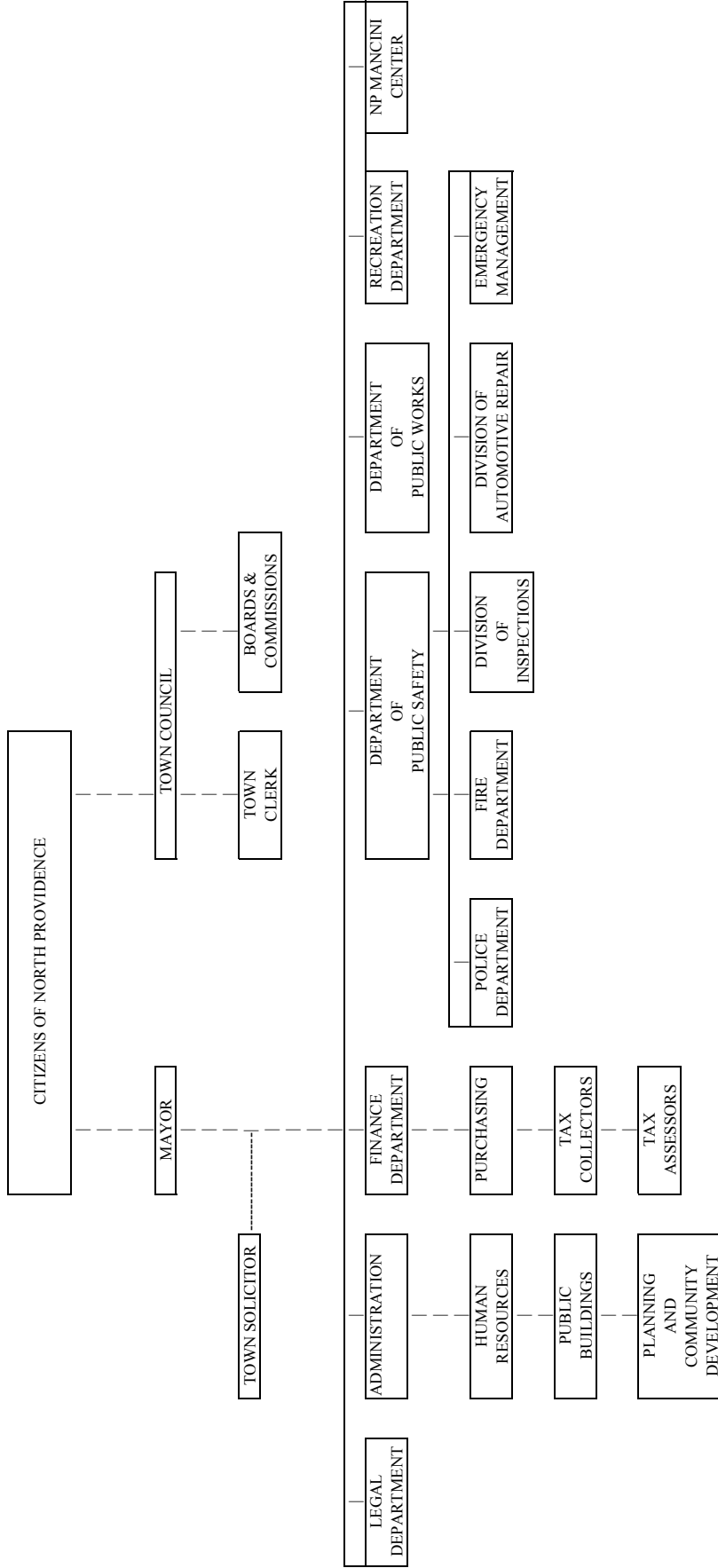
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(CONCLUDED)

TOWN OF NORTH PROVIDENCE
GOVERNMENTAL ORGANIZATION



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

JUNE 30, 2018

TOWN COUNCIL

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

MAYOR

Charles A. Lombardi

FINANCE DEPARTMENT

Maria G. Vallee, Town Controller
Claudette Mooney, Tax Collector
Thomas W. Kane, Tax Assessor

TOWN OF NORTH PROVIDENCE

FINANCIAL SECTION

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the net position of the governmental activities in the government-wide financial statements has been restated as of June 30, 2017, to properly reflect the net pension liability related to the cost of living adjustment component of the Fire Pension Plan as determined by the Town's Actuary. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the required schedules related to pension plans, and OPEB Plans on Pages 4 through 11, Pages 88 through 84, Pages 85 through 95, and Page 96 through 99, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of property taxes receivable, annual supplemental transparency report (MTP2), combining schedule of reportable governmental services with reconciliation to MTP2 municipal and education department, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of the Town of North Providence, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of North Providence, Rhode Island's internal control over financial reporting and compliance.

Prior Year Comparative Information

The financial statements include partial prior-year comparative information for the proprietary funds. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2017, from which the partial information was derived.



Johnston, Rhode Island
March 4, 2019,
except for the paragraphs regarding the
MTP2 supplementary information and the Schedule of Expenditures
of Federal Awards as to which the date is March 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

As management of the Town of North Providence (the Town), we offer readers of the financial statements of the Town of North Providence this narrative overview and analysis of financial activities of the Town for the fiscal year ended June 30, 2018.

Financial Highlights

- For the year ended June 30, 2018, the government-wide Statement of Activities reports an increase of \$1,324,191 in Net Position.
- As of year-end June 30, 2018, the Town's General Fund had a total fund balance of \$13,639,920. This is an increase of \$3,597,047 over last year's total fund balance of \$10,042,873.
- As of June 30, 2018 the School's Unrestricted Fund Balance had a total fund balance of \$1,015,265. This is an increase of \$114,338 over last year's total fund balance of \$900,927.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2018, this fund had an overall net position of \$96,070.
- On the budgetary basis of accounting, the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$3,597,047. The School Unrestricted Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$148,338.
- The Town has ended fiscal year 2018 with its ninth consecutive year of operating surpluses and the Schools ended fiscal 2018 with its third consecutive year of operating surpluses.

Overview of the Financial Statements

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

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

Government-wide financial statements

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

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

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

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are presented on Pages 23 through 79.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information pertinent to the operations of the Town. Required Supplementary information is presented on Pages 80 through 100.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (Agency Funds) (as applicable) are presented on Pages 101 through 107.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Town, its Net Position increased for the year ended June 30, 2018 by \$1,324,191.

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

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NET POSITION

June 30, 2018 and 2017 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 89,840	\$ 57,843	\$338	\$297	\$ 90,178	\$ 58,140
Capital Assets	77,038	55,905	21	32	77,059	55,937
Total Assets	166,878	113,748	359	329	167,237	114,077
Deferred outflows of resources	27,976	21,031	-	-	27,976	21,031
Long-Term Liabilities	210,645	141,894	-	-	210,645	141,894
Other Liabilities	17,814	11,425	263	230	18,077	11,655
Total Liabilities	228,459	152,124	263	232	228,722	153,549
Deferred inflows of resources	17,863	9,999	-	-	17,863	9,999
Net investment in capital assets	54,368	44,482	21	32	54,390	44,514
Restricted	30,376	33,929	-	-	30,376	33,929
Unrestricted	(136,213)	(106,950)	75	67	(136,138)	(106,883)
Total Net Position	(\$51,468)	\$(30,739)	\$96	\$ 99	(\$51,372)	(\$28,440)

As of June 30, 2018 the Town reports a positive (surplus) balance of approximately \$96,070 in business-type activities (School Cafeteria Fund) while the governmental activities have total net deficit position of approximately \$(51,468,488). The deficit position is mainly attributable to the pension and OPEB legacy liabilities which have been recorded in accordance with GASB No. 68 and 75.

Analysis of Town Operations

The following analysis provides a summary of the Town operations for the year-ended June 30, 2018 and 2017.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2018 and 2017 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 5,168	\$ 4,636	\$588	\$ 376	\$ 5,756	\$ 5,012
Operating Grants and Contributions	28,901	26,447	908	929	29,809	27,376
Capital Grants and Contributions	1,203	1,056			1,203	1,056
General Revenues:						
Property taxes	70,792	69,916			70,792	69,916
Motor vehicle phase-out taxes	1,592	394			1,592	394
Telephone and State PILOT	408	403			408	403
Grants and aid not restricted for a specific program	2,005	1,985			2,005	1,985
Gain on sale of surplus equipment	26	25			26	25
Investment earnings on bond proceeds	302	0			302	
Unrestricted investment earnings	133	43			133	43
Total Revenues	110,530	104,905	1,496	1,305	112,026	106,210
Expenses:						
Legislative, judicial, and administrative	14,665	16,407			14,665	16,407
Department of Finance	962	1,015			962	1,015
Public Safety	21,618	18,323			21,618	18,323
Public Services/works	5,697	5,230			5,697	5,230
Grants and contributions	929	1,469			929	1,469
Education	63,248	59,868			63,248	59,868
Interest on long-term debt	2,084	393			2,084	393
School Cafeteria			1,499	1,254	1,499	1,254
Total Expenses	109,203	102,705	1,499	1,254	110,702	103,959
Increase (decrease) in net position	1,327	2,200	(3)	51	1,324	2,251
Net position beginning of year	(28,539)	(30,739)	99	48	(28,440)	(30,691)
Restatement of beginning net position	(24,256)	0	0	0	(24,256)	0
Net position (deficit) end of year	(\$51,468)	(\$28,539)	\$96	\$ 99	(\$51,372)	\$(28,440)

Financial Analysis of Town Funds

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

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

As of June 30, 2018, the governmental funds reported a combined ending fund balance of \$67,541,146. Unassigned fund balance amounted to \$10,141,523 with non-spendable fund balance of \$675,582, committed fund balance of \$4,479,466, and restricted fund balance of \$52,244,575.

The General Fund is the operating fund of the Town. For the year ended June 30, 2018 the General Fund of the Town reported an increase in fund balance of \$3,597,047. As of June 30, 2018, the cumulative surplus fund balance in the General Fund was \$13,639,920. The unassigned portion of the fund balance/cumulative surplus as of June 30, 2018 was \$10,210,032 which represents approximately 10.3% of the fiscal 2018 budget.

Proprietary Funds

The proprietary fund statements provide the same type of information as presented in the government-wide financial statements, but in more detail. Total net position of the proprietary fund is \$96,070 at June 30, 2018.

General Fund Budgetary Highlights

Total revenues in the General Fund of the Town exceeded budgeted revenues by \$2,764,120 for the year ended June 30, 2018. The most significant favorable revenue variances were in the collection of property taxes, State Aid, and departmental revenue. Total expenditures in the General Fund of the Town were less than the budget by \$939,012 for the year ended June 30, 2018. The most significant favorable expenditure variances were in Public Safety and Legislative, Judicial and General Administrative expenditures and fringe benefits due to lower than anticipated health care claims. The excess of revenues and other financing sources over expenditures and other financing uses on a budgetary basis of accounting in the Town’s General Fund was \$3,597,047 for the year ended June 30, 2018.

Total revenues in the School Unrestricted Fund exceeded budget by \$283,085 for the year ended June 30, 2018. Total expenditures in the School Unrestricted Fund was more than budget by \$123,386. The most significant reduction was in Fringe Benefits due to lower than anticipated health care claims. The excess of revenues and other financing sources over expenditures and other financing uses in the School Unrestricted Fund was \$148,338 for the year ended June 30, 2018.

Capital Assets and Debt and Administration

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities amounts to approximately \$77,059,100 net of accumulated depreciation at June 30, 2018. Included are land, land improvements, building and improvements, vehicles, equipment, furniture and fixtures, and infrastructure. Information on the capital assets can be found in Note 7, Page 41.

	Town of North Providence's Capital Assets					
	(Net of depreciation) in 000's					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 19,408	\$ 18,449			\$ 19,408	\$ 18,449
Construction in progress	19,652	2,031			19,652	2,031
Buildings and improvements	22,315	23,061			22,315	23,061
Equipment, furn. & fixtures	5,475	3,893	\$ 21	\$ 32	5,496	3,925
Vehicles	2,005	1,666			2,005	1,666
Infrastructure	7,176	5,883			7,176	5,883
Land improvements	1,007	922			1,007	922
Total	<u>\$ 77,038</u>	<u>\$ 55,905</u>	<u>\$ 21</u>	<u>\$ 32</u>	<u>\$ 77,059</u>	<u>\$ 55,937</u>

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

The School Department received "Approval of Necessity of School Construction" from the State of Rhode Island's Council on Elementary and Secondary Education on May 17, 2016 for School construction projects totaling \$73,509,339. Accordingly, the cost of construction, which includes debt service, will qualify for approximately 54% reimbursement from the State of Rhode Island through their Housing Aid Program. The funding for this project will be through the sale of bonds which were overwhelmingly approved by the voters in a Bond Referendum held on November 8, 2016. The Town issued \$36,655,000 in Bonds through RI Health Educational & Building Corporation (RIHEBC) in July and received net proceeds of \$40,664,692. It is anticipated that approximately \$38.345 million of the bonds will be sold in the fourth quarter of fiscal year 2019 to provide the remaining funds for the School Building Project.

Long Term Debt

As of June 30, 2018, the Town had total bonded debt (net of bond premium) of \$45,716,000. Of this amount, 100% comprises bonded debt backed by the full faith and credit of the government.

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

	Governmental Activities	
	2018	2017
General Obligation Bonds	\$ 45,716	\$ 10,429
Bond premium	4,494	379
Notes and Lease purchase obligations	2,194	614
Total obligations	\$ 52,404	\$ 11,422

There were no outstanding short-term obligations at June 30, 2018.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the net assessed value of all taxable property within the Town. The Town of North Providence's limit is approximately \$71,670,923 at year-end based on the December 31, 2016 assessed value of property. The outstanding general obligation debt of the Town is approximately \$45,716,000 as of June 30, 2018, which is below the State imposed limitation. It should also be noted that some of the \$45,716,000 is exempt from the statutory limit.

As of June 30, 2018, the Town of North Providence's bonds are insured and hold an A2 credit rating from Moody's and an AA rating from Standard & Poor's.

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

Economic Factors and Next Year's Budgets and Tax Rates

- The Town of North Providence has budgeted \$100,227,031 for fiscal 2019, an increase of \$893,117 over fiscal 2018. The net increase was principally for the School Building Project payment in the amount of \$559,097, an increased education appropriation in the amount of \$311,831 of which \$311,831 was funded from additional State Aid to Education.
- The Budgeted educational expenses are \$55,823,091 or 55.7% of total appropriations; leaving \$44,403,940 or 44.3% budgeted for the remaining Town appropriations.
- State Aid to Education is budgeted at \$22,197,831 which is an increase of \$325,831 over fiscal 2018. State Aid to Education represents 39.8% of the education budget.
- The locally-administered Police Pension Fund's funded ratio is currently at approximately 86% at June 30, 2018 utilizing the actuarial value of the pension assets. The most recent actuarial report has recommended the annual contribution of 35% or \$1,442,262.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2018: Residential Real Estate \$26.14; Commercial Real Estate \$32.88; Tangible Property \$68.11 and Motor Vehicle \$41.95.

Request for Information

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

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TOWN OF NORTH PROVIDENCE

BASIC FINANCIAL STATEMENTS



TOWN OF NORTH PROVIDENCE RHODE ISLAND**Statement of Net Position
June 30, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 48,537,706	\$ 274,243	\$ 48,811,949
Cash held in escrow	29,734,337	-	29,734,337
Accounts receivable, net	4,439,351	-	4,439,351
Other receivables	-	2,037	2,037
Due from federal and state governments	6,452,715	61,728	6,514,443
Prepays	675,582	-	675,582
Total Current Assets	89,839,691	338,008	90,177,699
Noncurrent Assets:			
Capital assets not being depreciated	39,059,960	-	39,059,960
Capital assets, net of accumulated depreciation	37,977,936	21,165	37,999,101
Total Noncurrent Assets	77,037,896	21,165	77,059,061
TOTAL ASSETS	166,877,587	359,173	167,236,760
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to Pension Plans	23,952,306	-	23,952,306
Deferred outflows of resources related to OPEB Plans	4,023,898	-	4,023,898
TOTAL DEFERRED OUTFLOWS OF RESOURCES	27,976,204	-	27,976,204
LIABILITIES:			
Current Liabilities:			
Accounts payable	8,462,432	263,103	8,725,535
Accrued liabilities	5,832,147	-	5,832,147
Unearned revenue	335,028	-	335,028
Current portion of compensated absences	900,000	-	900,000
Current portion of IBNR claims	547,341	-	547,341
Current portion of bonds and notes	1,736,932	-	1,736,932
Total Current Liabilities	17,813,880	263,103	18,076,983
Noncurrent Liabilities:			
Compensated absences	6,437,181	-	6,437,181
Net OPEB liability	57,236,838	-	57,236,838
Net pension liability	96,304,519	-	96,304,519
Bond and note obligations, net	50,666,947	-	50,666,947
Total Noncurrent Liabilities	210,645,485	-	210,645,485
TOTAL LIABILITIES	228,459,365	263,103	228,722,468
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to Pension Plans	3,999,192	-	3,999,192
Deferred inflows related to OPEB Plans	13,863,722	-	13,863,722
TOTAL DEFERRED INFLOWS OF RESOURCES	17,862,914	-	17,862,914
NET POSITION:			
Net investment in capital assets	54,368,354	21,165	54,389,519
Restricted	30,376,401	-	30,376,401
Unrestricted	(136,213,243)	74,905	(136,138,338)
TOTAL NET POSITION	\$ (51,468,488)	\$ 96,070	\$ (51,372,418)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs:</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services, Fees & Licenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Legislative, judicial, and administrative	\$ 14,664,762	\$ 1,402,255	\$ 250,446	\$ -	\$ (13,012,061)		\$ (13,012,061)
Department of finance	961,869	69,404	-		(892,465)		(892,465)
Public safety	21,618,124	2,124,584	63,824	1,007,487	(18,422,229)		(18,422,229)
Public services	5,696,541	324,515	-	56,000	(5,316,026)		(5,316,026)
Grants and contributions	929,445	-	202,114	-	(727,331)		(727,331)
Education	63,248,137	1,247,193	28,384,966	139,854	(33,476,124)		(33,476,124)
Interest on long-term debt	2,084,319				(2,084,319)		(2,084,319)
Total governmental activities	109,203,197	5,167,951	28,901,350	1,203,341	(73,930,555)		(73,930,555)
Business-type activities:							
School Cafeteria	1,499,330	587,527	909,336			\$ (2,467)	(2,467)
Total business-type activities	1,499,330	587,527	909,336	-	-	(2,467)	(2,467)
Total	\$ 110,702,527	\$ 5,755,478	\$ 29,810,686	\$ 1,203,341	(73,930,555)	(2,467)	(73,933,022)
General revenues:							
Property taxes					70,791,279		70,791,279
Motor vehicle phase-out taxes					1,592,253		1,592,253
Telephone and State PILOT payments					408,082		408,082
Grants and aid not restricted for a specific program					2,004,992		2,004,992
Gain on sale of surplus equipment					25,909		25,909
Investment earnings on bond proceeds					302,199		302,199
Unrestricted investment earnings					132,499		132,499
Total general revenues and transfers					75,257,213	-	75,257,213
Change in Net Position					1,326,658	(2,467)	1,324,191
Net Position - beginning of year (As Restated)					(52,795,146)	98,537	(52,696,609)
Net Position - ending of year					\$ (51,468,488)	\$ 96,070	\$ (51,372,418)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Balance Sheet
Governmental Funds
June 30, 2018**

	General Fund	School Unrestricted Fund	School Bond Fund	Federal Forfeiture Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 20,934,169	\$ 752,669	\$ -	\$ 26,199,471	\$ 651,397	\$ 48,537,706
Cash held in escrow	-	-	29,734,337	-	-	29,734,337
Accounts and other receivable, net	4,081,012	-	-	1,652	356,687	4,439,351
Due from federal and state governments	433,411	253,105	-	4,920,246	845,953	6,452,715
Prepaid expenditures	628,212	47,370	-	-	-	675,582
Due from other funds	123,997	4,702,865	-	-	1,670,625	6,497,487
TOTAL ASSETS	\$ 26,200,801	\$ 5,756,009	\$ 29,734,337	\$ 31,121,369	\$ 3,524,662	\$ 96,337,178
LIABILITIES:						
Accounts payable	\$ 2,192,761	\$ 1,355,043	\$ 4,068,442	\$ 744,968	\$ 101,218	\$ 8,462,432
Accrued liabilities	2,257,106	3,271,441	-	-	-	5,528,547
Due to other funds	5,058,722	114,260	-	-	1,324,505	6,497,487
Unearned revenue - other	-	-	-	-	335,028	335,028
TOTAL LIABILITIES	9,508,589	4,740,744	4,068,442	744,968	1,760,751	20,823,494
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes, EMS, Fines etc.	3,052,292	-	-	4,920,246	-	7,972,538
FUND BALANCES:						
Nonspendable	628,212	47,370	-	-	-	675,582
Restricted	-	-	25,665,895	25,456,155	1,122,525	52,244,575
Committed	2,801,676	967,895	-	-	709,895	4,479,466
Unassigned	10,210,032	-	-	-	(68,509)	10,141,523
TOTAL FUND BALANCES	13,639,920	1,015,265	25,665,895	25,456,155	1,763,911	67,541,146
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,200,801	\$ 5,756,009	\$ 29,734,337	\$ 31,121,369	\$ 3,524,662	\$ 96,337,178

(CONTINUED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2018*

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

Total Fund Balance reported in Exhibit B-1	\$ 67,541,146
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the Gov't Fund Balance Sheet - represents net capital assets at June 30, 2018.	77,037,896
Net Pension Assets and related Deferred Outflows of Resources for pension and OPEB plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	27,976,204
Long-term debt obligations including OPEB and compensated absences are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position.	(117,525,239)
Net Pension Liability and related Deferred Inflows of Resources for pension and OPEB plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	(114,167,433)
Unearned tax and other miscellaneous revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not deferred under the measurement focus employed in the Statement of Net Position.	7,972,538
Interest expense accrued on debt obligations of governmental funds is not due and payable with current financial resources and therefore is reported in the Statement of Net Position and not the Governmental Fund Balance Sheet at June 30, 2018.	(303,600)
Total Net Position reported in Exhibit A-1	<u>\$ (51,468,488)</u>

(CONCLUDED)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year the Ended June 30, 2018**

	General Fund	School Unrestricted Fund	School Bond Fund	Federal Forfeiture Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 71,372,801	\$ -	\$ -	\$ -	\$ -	\$ 71,372,801
Intergovernmental	4,207,441	21,857,300	-	26,626,501	2,740,024	55,431,266
Private grants	-	-	-	-	112,150	112,150
Licenses and fees	499,243	-	-	-	459,546	958,789
Investment income	122,921	-	302,199	7,542	2,036	434,698
Departmental	1,544,781	-	-	-	-	1,544,781
Contributions	-	-	-	-	72,433	72,433
State on behalf pension and transportation contribution	-	2,655,801	-	-	-	2,655,801
Medicaid reimbursement	-	1,119,536	-	-	-	1,119,536
Miscellaneous	1,383,762	90,249	-	200	87,028	1,561,239
TOTAL REVENUES	79,130,949	25,722,886	302,199	26,634,243	3,473,217	135,263,494
EXPENDITURES:						
Current:						
Legislative, judicial, and administrative	2,278,473	-	-	-	-	2,278,473
Department of finance	894,593	-	-	-	-	894,593
Public safety	17,291,421	-	-	235,527	232,154	17,759,102
Public services/works	5,344,408	-	-	-	-	5,344,408
Grants and contributions	930,316	-	-	-	-	930,316
Education	-	58,068,513	-	-	2,188,406	60,256,919
Other	12,232,916	-	-	-	379,701	12,612,617
Debt Service:						
Principal	1,325,000	-	-	-	234,714	1,559,714
Interest and other costs	1,712,684	-	333,378	-	36,481	2,082,543
Capital:						
Capital expenditures	968,871	78,934	14,464,197	4,167,810	2,350,074	22,029,886
TOTAL EXPENDITURES	42,978,682	58,147,447	14,797,575	4,403,337	5,421,530	125,748,571
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	36,152,267	(32,424,561)	(14,495,376)	22,230,906	(1,948,313)	9,514,923
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt obligations	-	-	36,655,000	-	1,771,019	38,426,019
Premium from issuance of debt obligations	-	-	4,343,070	-	-	4,343,070
Transfers in	-	32,550,260	-	-	1,081,329	33,631,589
Transfers out	(32,555,220)	(11,361)	(836,799)	-	(228,209)	(33,631,589)
TOTAL OTHER FINANCING SOURCES (USES)	(32,555,220)	32,538,899	40,161,271	-	2,624,139	42,769,089
NET CHANGE IN FUND BALANCES	3,597,047	114,338	25,665,895	22,230,906	675,826	52,284,012
FUND BALANCE BEGINNING OF YEAR	10,042,873	900,927	-	3,225,249	1,088,085	15,257,134
FUND BALANCE AT END OF YEAR	\$ 13,639,920	\$ 1,015,265	\$ 25,665,895	\$ 25,456,155	\$ 1,763,911	\$ 67,541,146

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds (Exhibit B-2) to the Statement of Activities (Exhibit A-2)
Year Ended June 30, 2018**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 52,284,012
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	21,132,864
Proceeds from issuance of long-term debt and premium is reported as an other financing source in the Fund Statements. However these proceeds are reported as long-term obligations in the Government-wide statements.	(42,769,089)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	1,559,714
Changes in the Net Pension Asset, Deferred Outflows of Resources related to pension plans, Net Pension Liability, and Deferred Inflows of Resources related to pension plans results in an increase or decrease to the pension expense reported in the Statement of Activities. For fiscal 2018 the effect of these adjustments resulted in an increase in the pension expense reported in the Statement of Activities as compared to the fund statements.	(4,495,246)
Governmental funds do not report estimated accrued IBNR claims as a liability in the Fund Statements if they are not going to be paid with current available resources. These liabilities are reported in the government-wide financial statements as long-term debt. This adjustment reflects the decrease in the estimate from the amount reported at June 30, 2017.	193,301
Revenues, net of an allowance, in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Unearned tax and other revenue decreased from fiscal 2017.	(26,327,995)
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the increase in the accrual for the year ended June 30, 2018 versus June 30, 2017.	(229,700)
Net OPEB Liability and related deferred inflows and outflows of resources are reported in the government-wide statement of activities but have no effect on the activity reported in the governmental funds. For fiscal 2018 the effect of the OPEB Liability and related components resulted in an increase in OPEB expense reported in the Government-Wide Statement of Activities as compared to the fund statements.	(37,538)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount bond premium amortized and which is recorded as a reduction of interest expense in the government-wide statement of activities.	227,924
Increase in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	<u>(211,589)</u>
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 1,326,658</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Net Position
 Proprietary Funds
 June 30, 2018
 (With Comparative Totals for June 30, 2017)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 274,243	\$ 112,034
Other receivables	2,037	2,037
Due from federal and state governments	61,728	182,613
Total Current Assets	338,008	296,684
Noncurrent Assets:		
Equipment	207,114	207,114
Accumulated depreciation	(185,949)	(174,782)
Total Noncurrent Assets	21,165	32,332
TOTAL ASSETS	359,173	329,016
LIABILITIES:		
Current Liabilities:		
Accounts payable	263,103	230,479
TOTAL LIABILITIES	263,103	230,479
NET POSITION:		
Net investment in capital assets	21,165	32,332
Unrestricted	74,905	66,205
TOTAL NET POSITION	\$ 96,070	\$ 98,537

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
Operating revenues:		
Federal & State Grants for free and reduced lunch	\$ 909,336	\$ 928,559
Charges for usage and service	587,527	375,903
Total Operating Revenues	<u>1,496,863</u>	<u>1,304,462</u>
Operating expenses:		
Management operations costs	1,481,571	1,219,108
Maintenance and other costs	56	14,437
Capital outlays	6,536	-
Depreciation expense	11,167	20,067
Total Operating Expenses	<u>1,499,330</u>	<u>1,253,612</u>
Change in Net Position	(2,467)	50,850
Net Position at beginning of year	<u>98,537</u>	<u>47,687</u>
Net Position at end of year	<u>\$ 96,070</u>	<u>\$ 98,537</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 587,527	\$ 375,903
Cash received from State and Federal Grants	1,030,221	798,390
Cash paid to suppliers for goods and services and other operating payments	(1,455,539)	(1,235,147)
Net cash provided (used) by operating activities	162,209	(60,854)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(25,971)
Net cash used by capital and related financing activities	-	(25,971)
Net increase (decrease) in cash and cash equivalents	162,209	(86,825)
Cash and cash equivalents, beginning of year	112,034	198,859
Cash and cash equivalents, end of year	\$ 274,243	\$ 112,034
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,467)	\$ 50,850
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	11,167	20,067
(Increase) decrease in:		
Intergovernmental receivables	120,885	(130,169)
Increase (decrease) in:		
Accounts payable	32,624	(1,602)
Net cash provided (used) by operating activities	\$ 162,209	\$ (60,854)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Pension & OPEB Trust Funds	Agency Funds	Total
ASSETS			
Cash and cash equivalents	\$ 625,141	\$ 613,586	\$ 1,238,727
Investments	42,371,667	-	42,371,667
Receivables	348,308	32,848	381,156
TOTAL ASSETS	43,345,116	646,434	43,991,550
LIABILITIES			
Accrued expenses	170,520		170,520
Deposits held in custody for others	-	646,434	646,434
TOTAL LIABILITIES	170,520	646,434	816,954
NET POSITION			
Held in trust for OPEB benefits	1,438,407		1,438,407
Held in trust for pension benefits	41,736,189	-	41,736,189
TOTAL NET POSITION	\$ 43,174,596	\$ -	43,174,596

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

*Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2018*

	Pension & OPEB Trust Funds
ADDITIONS:	
Contributions - employer	\$ 3,545,328
Contributions - plan members	325,177
Investment interest and dividends	992,732
Realized and unrealized gains and (losses)	<u>2,457,770</u>
TOTAL ADDITIONS	<u>7,321,007</u>
 DEDUCTIONS:	
Benefits paid	4,737,725
Investment expense	<u>137,496</u>
TOTAL DEDUCTIONS	<u>4,875,221</u>
 CHANGE IN NET POSITION	2,445,786
 NET POSITION - BEGINNING OF YEAR	40,728,810
 NET POSITION - END OF YEAR	<u>\$ 43,174,596</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The financial statements include the North Providence Education Foundation (a 501(C)3 entity) as a blended component unit which is reported as non-major Special Revenue Fund.

Basis of Presentation

Government-Wide Financial Statements

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

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

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

and

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Debt Service Funds

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

Special Revenue Funds

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

Capital Projects Funds

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

Permanent Funds

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

Proprietary Funds

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

Fiduciary Funds (Not included in government wide statements)

Agency Funds

Agency funds account for assets held by the Town in a purely custodial capacity. The reporting entity includes eight agency funds at June 30, 2018. Agency funds are custodial in nature (i.e. assets equal liabilities), and do not involve the measurement of results of operations. The agency funds are as follows:

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

Private-Purpose Trust Funds

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

Pension and Other Post Employment Benefit Trust Funds (OPEB)

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description.
Special Revenue Funds:	
School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Federal Forfeiture Fund	This fund is used to report all the financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department operations.
Capital Project Fund:	
School Bond Fund	This fund is used to report all the financial transactions of the Town of North Providence relative to construction and improvement of new schools.
Proprietary Funds:	
School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Non-Major:	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-nine (39) Special Revenue Funds which are considered to be non-major governmental funds. The School Restricted Funds is comprised of 19 individual Special Revenue Funds. The details of the Special Revenue Funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains four (4) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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

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

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

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

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

Investments

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

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The allowance for uncollectible accounts receivable amounted to approximately \$5,718,900 at June 30, 2018. The allowance for uncollectible accounts includes approximately \$4,075,000 for property taxes, \$679,900 for tax lien property, \$130,100 for municipal court fines, and \$833,900 for EMS rescue billing. Major receivable balances for the governmental activities include property taxes (approximately 89% of the net receivable balance at June 30, 2018).

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes

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

Prepays

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

Capital Assets

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

Government-Wide Statements

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

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

Government-Wide Statements (Continued)

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

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

Fund Financial Statements

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period which will not be recognized as an outflow of resources (expense/expenditure) until that later date. At June 30, 2018 the Town of North Providence, Rhode Island had items qualifying as deferred outflows of resources in the government-wide statement of net position related to the pension and OPEB plans. These deferred outflow of resources related to pension and OPEB plans are deferred and included as a component of pension/OPEB expense in future periods using a systematic and rational manner.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents the acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until a later date. At June 30, 2018 the Town of North Providence, Rhode Island had one item qualifying as a deferred inflow of resources in the governmental funds balance sheet and items reported in the government-wide statement of net position related to pension and OPEB plans. Unavailable revenue – property taxes, EMS, Fines etc. reported in the fund statements represents property taxes receivables which are assessed on December 31, 2016 and prior and are not collected within 60 days of June 30, 2018 as well as fees for rescue services and fines billed but deemed unavailable at year end. The deferred inflows of resources reported on the government-wide financial statements are related to pension and OPEB plan reporting requirements in accordance with GASB Statement #68 and #75, respectively. These deferred inflows consisted of the difference between actual and expected experience; difference between projected & actual earnings; and changes in assumptions. These deferred inflows related to pension and OPEB plans are deferred and included in pension/OPEB expense in future periods using a systematic and rational manner.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Interfund Transactions

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

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

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

Net Position

Net position is classified in three components:

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

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

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

Fund Balance

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

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

Application of Funds

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

Compensated Absences

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$141,782,267 are as follows:

Bonds & notes payable, including bond premium	\$52,403,879
Accrued IBNR claims.....	547,341
Net OPEB liability	81,493,866
Compensated absences.....	<u>7,337,181</u>
Total	<u>\$141,782,267</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$21,132,864 difference are as follows:

Capital outlays capitalized Government-wide	\$23,172,268
Depreciation expense.....	<u>(2,039,404)</u>
Net adjustment – increase net position	<u>\$21,132,864</u>

Another element of that reconciliation states that, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.” The details of this (\$26,327,995) difference are as follows:

Unavailable revenue - ending.....	\$ 7,972,538
Unavailable revenue – beginning.....	<u>(34,300,533)</u>
Net adjustment –decrease net position	<u>(\$26,327,995)</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Another element of that reconciliation states that, "Changes in Net Pension Asset, Deferred Outflow of Resources related to pension plans, Net Pension Liabilities, and Deferred Inflows of Resources related to pension plans results in an increase or decrease in the pension expense reported in the Statement of Activities." The details of this (\$4,495,246) difference are as follows:

Increase in Deferred Outflows for pension plans	\$ 3,168,145
Increase in Net Pension Liability for fiscal 2018.....	(6,912,148)
Increase in Deferred Inflows for pension plans	<u>(751,243)</u>
Net adjustment (decrease net position).....	<u>(\$4,495,246)</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2018 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 81 – Irrevocable Split-Interest Agreements.
- GASB Statement No. 85 – Omnibus 2017.
- GASB Statement No. 86 – Certain Debt Extinguishment Issues.
- GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period. Effective for the fiscal year ending June 30, 2021, however the Town early implemented this accounting standard.

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

- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the fiscal year ending June 30, 2019.
- GASB Statement No. 84 – Fiduciary Activities, effective for the fiscal year ending June 30, 2020.
- GASB Statement No. 87 – Leases, effective for the fiscal year ending June 30, 2021.
- GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, effective for the fiscal year ending June 30, 2019.
- GASB Statement No. 90 – Majority Equity Interest – An Amendment of GASB Statements No. 14 and No.61, effective for the fiscal year ending June 30, 2020.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town of North Providence, Rhode Island's various pension plans (described in more detail in Note 12) and additions to/deductions from the pension plans fiduciary net position have been determined on the same basis as they have been reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services (example - outstanding unfilled purchase orders). Encumbrance accounting is utilized by the Town's General Fund to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances are reported as expenditures for budgetary purposes but are not reported as expenditures in accordance with GAAP. At June 30, 2018 and 2017, the Town did not have any encumbrances outstanding.

Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Town of North Providence, Rhode Island's financial statements for the year ended June 30, 2017 from which the partial information was derived

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

2. BUDGETARY PROCESS

(a) Adoption

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

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

3. CASH AND INVESTMENTS

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

Deposits

The carrying amount of the Town's cash and cash equivalents at June 30, 2018 was \$50,050,676 (including Fiduciary Funds of \$1,238,727) while the financial institution balance was approximately \$58,078,700. Of the balance maintained at the financial institutions, approximately \$2,763,000 was covered by federal depository insurance, \$496,000 was maintained at an investment brokerage firm and was uninsured, while the remaining amount was collateralized.

Investments

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2018 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund and the OPEB Trust Fund totaled \$42,371,667 (\$41,183,825 Police Pension Trust Fund and \$1,187,842 in the OPEB Trust Fund). These investments consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 28,032,165	n/a	n/a	not rated
Common Stock - Equities/ETFs	5,298,761	n/a	n/a	not rated
Corporate Bonds	329,280	1.85% - 3.25%	9/2020 - 10/2027	A3
Corporate Bonds	523,747	1.8% - 6.875%	1/2020 - 1/2039	A2
Corporate Bonds	551,000	2.45% - 4.125%	11/2020 - 3/2027	AA3
Corporate Bonds	489,595	2.32% - 3.51%	2/2020 - 2/2025	A1
Corporate Bonds	480,355	2.397% - 6.95%	5/2021 - 9/2029	AAA
Corporate Bonds	122,150	2.0% - 3.25%	11/2020 - 2/2026	AA1
Corporate Bonds	800,407	1.998% - 3.3%	5/2022 - 8/2026	AA2
Corporate Bonds	588,434	2.876% - 5.625%	2/2022 - 5/2041	BAA1
Corporate Bonds	396,702	3.375% - 4.45%	3/2022 - 5/2046	BAA2
Corporate Bonds	286,348	4.20% - 4.55%	6/2025 - 3/2035	BAA3
Government Bonds	1,988,234	.375% - 4.75%	10/2021 - 8/2045	AAA
Municipal Bonds	291,700	2.5% - 5.55%	11/2020 - 12/2025	AA1
Government Asset Back/CMO	1,445,336	2.50% - 6.50%	3/2021 - 4/2048	not rated
Corporate Asset Backed Securities	747,453	1.27% - 4.051%	11/2020 - 9/2048	AAA
Total	<u>\$ 42,371,667</u>			

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

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

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
U.S. Government Bonds	\$ 1,988,234	\$ 1,988,234		
U.S. Government Asset Backed/CMO	1,445,336	1,445,336		
Corporate Asset Backed Securities	747,453		\$ 747,453	
Corporate Bonds	4,568,018	4,568,018		
Municipal Bonds	291,700	291,700		
U.S. Listed Equities	5,298,761	5,298,761		
Equity Mutual Funds and ETFs	24,935,219	24,935,219		
Bond Mutual Funds	3,096,946	3,096,946		
Totals	<u>\$ 42,371,667</u>	<u>\$ 41,624,214</u>	<u>\$ 747,453</u>	<u>\$ -</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

3. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

Concentration of Credit Risk

At June 30, 2018, the Town had a diversified portfolio and was not deemed to be concentrated in any one investment category. Although virtually all of the investments are held in common stock and mutual funds, these investments were in a wide range of companies and various industries enabling the Town to minimize its risk.

Custodial Credit Risk

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

Credit Risk

Generally credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation and the Town will not be able to recover the value of its investment or collateral securities possessed by another party. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk exposure. At June 30, 2018, the Town's investments included investments in corporate and municipal bonds totaling \$4,859,718 which are subject to credit risk of the issuing entity.

4. PROPERTY TAXES

During the year ended June 30, 2018, the Town received \$1,592,253 from the State of Rhode Island as payment in accordance with legislation regarding the phase-out of motor vehicle tax. Under the law, excise tax on motor vehicles and trailers were originally supposed to be phased out entirely over a seven-year period commencing with the 1999-2000 fiscal year. Based on fiscal problems with the State budget over the last few years the program has been reduced to a maximum exemption of \$6,000 as of June 30, 2007 in accordance with legislation passed as part of the State's budget for the fiscal year ended June 30, 2007. The phase-out program freezes the tax rate at \$41.95 which was the rate in fiscal year 1997-1998. The exemption remained at \$6,000 per vehicle for the 2007-2008, 2008-2009, and 2009-2010 fiscal years. During fiscal 2010 the State reduced the reimbursement amount for the 3rd and 4th quarters of the fiscal year. Effective July 1, 2010 the State reduced the exemption amount to \$500 per vehicle however the Town was required to maintain the rate frozen at \$41.95.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

4. PROPERTY TAXES (Continued)

During fiscal 2018, the State of Rhode Island passed legislation to reinstate that motor vehicle phase-out program. The details of the motor vehicle phase-out program are covered under Rhode Island General Laws 44-34.1-1 and 44-34.1-2. In summary, for fiscal 2018 municipalities shall provide an exemption equal to the greater of \$1,000 or the exemption which the municipality was providing in fiscal 2017. This exemption increases by \$1,000 per year commencing in fiscal 2019 through fiscal 2023 when the exemption will be equal to \$6,000. Effective with fiscal 2024 and thereafter, no tax may be levied on motor vehicles. In addition, the tax rate on motor vehicles may not exceed the rate which was in effect for fiscal 2017 and shall not exceed the following per thousand of assessed value: \$60 for fiscal 2018; \$50 fiscal 2019; \$35 fiscal 2020 and 2021; \$30 for fiscal 2022; and \$20 fiscal 2023. The maximum taxable value of the motor vehicle must be at the percentages prescribed in Rhode General Law 44-34-11. The percent in effect for fiscal 2018 was 95%. This percentage is reduced by 5% annually commencing with fiscal 2019 through fiscal 2023 when the percentage would be 70%. The Town's fiscal 2018, baseline for reimbursement was calculated as the motor vehicle and trailer excise tax levy that would be generated by applying the fiscal 2017, motor vehicle and trailer excise tax calculation methodology to the assessed value of motor vehicles and trailers as of fiscal 2018. The amount of the reimbursement received was the difference between the fiscal 2018, baseline and the certified levy as confirmed by the Rhode Island Department of Revenue.

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

Net property taxes levied for fiscal year 2018 were based on a net assessed value of approximately \$2,389,031,000 at December 31, 2016 and amounted to approximately \$71,762,000. Collections on this assessment through June 30, 2018 amounted to approximately \$68,290,000, which represents approximately 95% of the total tax levy. The collection percentage including the 60 day rule receipts and less abatements and adjustments was approximately 97.8% for fiscal 2018.

The Town recognizes property tax revenues in accordance with generally accepted accounting principles on the Fund statements. Unpaid property taxes as of June 30, 2018 (\$3,624,781) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$4,075,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2018 are recorded as unavailable revenue and amounted to \$2,764,240 at June 30, 2018. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2018 (due to their collection within the 60 days immediately following June 30, 2018) amounted to \$860,541.

5. ABATEMENTS – TAX TREATY AGREEMENTS

The Town of North Providence may, from time to time, enter into tax abatement agreements (tax treaty agreements) with local businesses in accordance with provisions of Rhode Island Public Laws, 1960, Chapter 7, Section 44-3-9, and various provisions of the General Laws of the State of Rhode Island. In accordance with the applicable Public Law and the General Laws of the State of Rhode Island, the Town may enter into tax treaty agreements which provide exemption or stabilization of taxes as a means to induce businesses to locate to the Town. These agreements are considered to be in the best public interest of the Town as they provide incentives for businesses to locate, maintain, or expand business in the Town which will result an increase in the tax base of the Town, provide increased tax revenue, enhance property values in Town, help the overall economic climate of the Town, and in some instances, create employment opportunity for the residents of the Town. As of June 30, 2018 the Town of North Providence maintained two tax treaty/tax abatement agreements in accordance with Town Ordinances establishing Article V of Chapter 32 of the Code of Ordinances of the Town of North Providence. These agreements provided tax relief to businesses in the form of tax exemption and tax stabilization agreements for real and tangible property taxes. Listed below is a summary of information pertaining to these agreements for the fiscal year ended June 30, 2018.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. ABATEMENTS – TAX TREATY AGREEMENTS (Continued)

- Tax exemption and stabilization agreement with a hospital dated May 5, 2015 in accordance with the RI General Laws section 44-3-9. The tax stabilization amount paid by the hospital for real property was \$594,000 for the fiscal year ended June 30, 2018. The tax abatement received under this agreement for real property totaled approximately \$1,621,000 (73%) for the fiscal year ended June 30, 2018. In addition to the stabilization of taxes for real property, the agreement also provides a schedule for stabilization of tangible property. No payments were received on the tangible property for the fiscal year ended June 30, 2018 and the amount of savings is unavailable due to the unknown value of the tangible property for fiscal 2018. This agreement is for a ten year period and is currently scheduled to terminate on June 30, 2025.
- Tax exemption and stabilization agreement with a developer of residential apartments dated September 1, 2015 in accordance with the RI General Laws section 44-3-9. The tax stabilization amount paid was \$33,890 for the fiscal year ended June 30, 2018. The tax abatement received under this agreement for real property totaled approximately \$4,900 (13%) for the fiscal year ended June 30, 2018. In addition to the stabilization of taxes for real property, the agreement also requires \$0 in payment for tangible property. The amount of savings is unavailable due to the unknown value of the tangible property for fiscal 2018. This agreement is for a seven year period and is currently scheduled to terminate on June 30, 2023.

6. ACCOUNTS RECEIVABLE

At June 30, 2018 General Fund accounts receivable on the fund statements consisted of the following:

	Receivable Balance	Allowance	Net Receivable
Property taxes.....	\$ 7,699,781	\$ (4,075,000)	\$ 3,624,781
Tax lien property.....	679,871	(679,871)	-
Municipal Court fees.....	211,655	(130,110)	81,545
EMS Rescue billings.....	1,042,394	(833,915)	208,479
Other receivables.....	166,207	-	166,207
Total	<u>\$ 9,799,908</u>	<u>\$ (5,718,896)</u>	<u>\$ 4,081,012</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balances <u>7/1/17</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/18</u>
Governmental Activities:				
Nondepreciable Assets:				
Land	\$ 18,449,909	\$ 957,863	\$ -	\$ 19,407,772
Construction in progress	2,031,429	17,620,759	-	19,652,188
Total nondepreciable assets	20,481,338	18,578,622	-	39,059,960
Depreciable Assets:				
Buildings and improvements	48,366,099	130,586	-	48,496,685
Land improvements	1,259,612	117,587	-	1,377,199
Vehicles	7,625,171	598,985	-	8,224,156
Equipment, furniture and fixtures	7,418,133	2,075,712	-	9,493,845
Infrastructure	11,009,566	1,670,776	-	12,680,342
Total depreciable assets	75,678,581	4,593,646	-	80,272,227
Total cost	96,159,919	23,172,268	-	119,332,187
Accumulated Depreciation:				
Building and improvements	(25,304,840)	(876,685)	-	(26,181,525)
Land improvements	(337,693)	(32,056)	-	(369,749)
Vehicles	(5,959,339)	(259,932)	-	(6,219,271)
Equipment, furnitures and fixtures	(3,526,323)	(492,643)	-	(4,018,966)
Infrastructure	(5,126,692)	(378,088)	-	(5,504,780)
Total acumulated depreciation	(40,254,887)	(2,039,404)	-	(42,294,291)
Net capital assets	\$ 55,905,032	\$ 21,132,864	\$ -	\$ 77,037,896
Business-type Activities:				
Machinery, equipment and furniture	\$ 207,114	\$ -	\$ -	\$ 207,114
Accumulated Depreciation:				
Machinery, equipment and furniture	(174,782)	(11,167)	-	(185,949)
Net capital assets	\$ 32,332	\$ (11,167)	\$ -	\$ 21,165

Depreciation expense for the year ended June 30, 2018 was charged to the following functions/programs of the Town:

Governmental Activities:	
Legislative, judicial and administrative	\$ 200,841
Public safety	552,048
Public services/works	293,648
Grants and Contributions	202,347
Education	790,520
Total	\$ 2,039,404
Business-type Activities:	
School Cafeteria Fund	\$ 11,167

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2018:

General Fund:	
State of Rhode Island	\$ 433,411
School Unrestricted Fund:	
State of Rhode Island – EDS – Medicaid Funding	188,410
Rhode Island Department of Education	64,695
Federal Forfeiture Fund:	
U.S. Department of Justice	4,920,246
Non-Major Governmental Funds:	
State of Rhode Island (RIDE)	658,151
State of Rhode Island DEM, RIEMA and others	187,802
School Cafeteria Fund:	
State of Rhode Island	61,728
Total all fund types	<u>\$6,514,443</u>

The receivable from the U. S. Department of Justice represents amounts awarded to the Town of North Providence through the federal forfeiture program. As of June 30, 2018 this amount was considered earned by the Town but is reported as unavailable for revenue recognition in the fund financial statements.

9. INTERFUND BALANCES

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2018 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 123,997	\$5,058,722
School Unrestricted Fund	4,702,865	114,260
Total Major Governmental Funds	<u>4,826,862</u>	<u>5,172,982</u>
Non-major Governmental Funds:		
Special Revenue Funds	1,081,021	781,747
Capital Project Funds	589,604	542,758
Total Non-Major Governmental Funds	<u>1,670,625</u>	<u>1,324,505</u>
Total Interfund Balances	<u>\$6,497,487</u>	<u>\$6,497,487</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

10. LONG-TERM DEBT

(a) At June 30, 2018, the Town's long-term debt outstanding and activity consisted of the following:

Description	Date Issued	Original Principal	Maturity Date	Interest Rate	Outstanding June 30, 2017	Additions	Retirements	Outstanding June 30, 2018	Due Within One Year
Governmental activities:									
General obligation bonds:									
General Obligation Bond	02/15/07	\$ 3,500,000	6/12 & 6/27	4.0-5.375%	\$1,750,000		\$ 175,000	\$1,575,000	\$ 175,000
RIHEBC Refunding Bond	12/19/13	9,635,000	11/15/23	1.0% - 5.0%	7,170,000		890,000	6,280,000	935,000
General Obligation Refunding	2/27/14	2,165,000	9/15/23	.63% - 3.77%	1,335,000		260,000	1,075,000	255,000
School Building Authority Capital Bond	06/30/16	218,000	6/1/2021	.94%	174,000		44,000	130,000	44,000
2017 School Revenue Bond 2017G	08/03/17	36,655,000	5/15/2042	3.0% - 5.0%	0	\$36,655,000	0	36,655,000	0
Premium in School Revenue Bond.....	08/03/17	4,343,070			0	4,343,070	173,723	4,169,347	
Premium on Refunding Bond.....	12/19/13	542,013			379,410		54,201	325,209	0
Total general obligation bonds		\$16,060,013			10,808,410	\$40,998,070	1,596,924	50,209,556	1,409,000
Notes and lease purchase obligations:									
2012 Ladder Truck	09/09/11	\$ 667,854	09/09/21	2.90%	282,725		67,680	215,045	69,643
2014 Pumper Truck	03/14/14	407,695	03/14/23	3.75%	252,066		38,241	213,825	39,676
2015 Medical Rescue Unit.....	08/17/15	196,499	07/01/19	2.10%	79,227		39,202	40,025	0
2017 E-One Typhoon 1500 GPM	02/10/17	529,985	08/10/26	2.93%	0	529,985	45,591	484,394	54,082
Street lighting fixtures	10/27/17	1,241,034	10/27/24	2.48%	0	1,241,034	0	1,241,034	164,531
Total lease purchase obligations ..		\$ 1,464,162			614,018	1,771,019	190,714	2,194,323	327,932
Compensated absences					7,125,592	211,589	0	7,337,181	900,000
IBNR claims					740,642	547,341	740,642	547,341	547,341
					7,866,234	758,930	740,642	7,884,522	1,447,341
Governmental activities long-term liabilities					\$19,288,662	\$43,528,019	\$2,528,280	\$60,288,401	\$3,184,273

On June 27, 2018, the Town Council passed Ordinance 18-008 authorizing the issuance of bonds and notes in an amount not exceeding \$3,000,000 to finance the acquisition of land and the development, construction, improving, and equipping of recreational facilities. As of the date of these financial statements the Town has not issued the financing under this Ordinance.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

10. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap cannot exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$71,671,000 which is 3% of the assessed value of property at December 31, 2016 (\$2,389,031,000). The Town's total bonded debt at June 30, 2018 was \$45,715,000 which is less than the maximum amount allowed. Also, some of the Towns bonded debt are exempt from the 3% calculation resulting in additional amounts available within the cap.

Interest accrued on debt obligations is reported as a liability and expense in the government-wide financial statements. However, it is not reported in the Fund Statements until it is paid with measurable and available resources. Accrued interest expense recorded for the tax anticipation note obligations and long-term debt obligations of the Governmental Activities was approximately \$303,600 at June 30, 2018.

Compensated absences of \$7,337,181 at June 30, 2018 represent vested sick, personal, and vacation time earned by employees as of June 30, 2018 in accordance with their applicable employment contracts. This balance is comprised of \$4,700,460 for Town personnel and \$2,636,721 for School Department personnel.

(c) Debt Service Requirements

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

Governmental Activities

Year(s) ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019.....	\$ 1,736,932	\$ 2,083,583	\$ 3,820,515
2020.....	6,312,973	2,029,724	8,342,697
2021.....	2,702,173	1,750,935	4,453,108
2022.....	2,672,782	1,646,903	4,319,685
2023.....	2,550,342	1,550,963	4,101,305
2024-2028.....	7,969,121	6,457,069	14,426,190
2029-2033.....	6,965,000	4,819,825	11,784,825
2034-2038.....	8,645,000	3,139,679	11,784,679
2039-2042.....	8,355,000	1,069,750	9,424,750
Total	<u>\$ 47,909,323</u>	<u>\$ 24,548,431</u>	<u>\$ 72,457,754</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

10. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, would not be reflected in the financial statements of the Town of North Providence, Rhode Island. The Town does not have any defeased bonds outstanding at June 30, 2018.

(e) Schedule of long-term debt by purpose at June 30, 2018 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds and premiums	\$50,209,556	83%
Lease purchase obligations	2,194,323	4%
IBNR claims	547,341	1%
Compensated absences.....	<u>7,337,181</u>	<u>12%</u>
Total	<u><u>\$60,288,401</u></u>	<u>100%</u>

11. FUND BALANCES (DEFICITS)

(a) Fund Balances

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

At June 30, 2018 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepaid expenditures – health care deposits	\$573,000
Miscellaneous prepaid expenditures	<u>55,212</u>
Total General Fund	<u><u>628,212</u></u>

School Unrestricted Fund:

Prepaid expenditures.....	<u>47,370</u>
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Total Nonspendable Fund Balance \$675,582

At June 30, 2018 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

Federal Forfeiture Fund:

Restricted for law enforcement expenditures	\$25,456,155
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School Bond Fund:

Restricted for construction of new schools.....	<u>25,665,895</u>
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Total Major Governmental Funds 51,122,050

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

11. FUND BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

At June 30, 2018 **Restricted Fund Balance** consisted of the following (Continued):

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Community development programs	95,912
Police/Public safety programs	325,100
Preservation of records and technology	210,976
Educational programs.....	128,056
Community events	5,238
Public Works/service projects.....	274,715

Capital Project Funds:

Town Capital Project Fund	<u>82,528</u>
Total NonMajor Governmental Fund	<u>1,122,525</u>

Total Restricted Fund Balance..... \$52,244,575

At June 30, 2018 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Budgetary reserve in accordance with Resolution R15-008	\$2,801,676
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School Unrestricted Fund:

Committed to Education	<u>967,895</u>
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Total Major Governmental Funds **3,769,571**

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Land acquisition and preservation.....	178,232
Recycling program.....	171,001
Recreation program.....	52,755

Capital Projects Funds:

Fire Equipment acquisitions	133,746
Capital Project Fund	75,240
Elementary School improvements.....	<u>98,921</u>

Total NonMajor Governmental Fund **709,895**

Total Committed Fund Balance **\$4,479,466**

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

11. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had negative unassigned fund balance at June 30, 2018:

Nonmajor Governmental Funds:

Police Grants	\$ 478
School Capital Reserve	<u>68,031</u>
Total Negative Unassigned Fund Balance.....	<u>\$ 68,509</u>

The deficit fund balances noted above will be cleared in fiscal 2019 when grant revenue is received and when the proceeds from bond issuance are received for the School Capital Projects.

The following individual funds had operating deficits for the fiscal year ending June 30, 2018:

Nonmajor Governmental Funds:

Special Revenue Funds

Treasury Forfeiture Fund.....	\$ 6,280
Emergency Management Fund	15,919
Recording Fees Fund	77,020
EPA Grant Fund	200,000

Capital Project Funds

Capital Project Fund	<u>41,142</u>
Total deficits non-major governmental funds ...	<u>\$340,361</u>

12. INTERFUND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer Out</u>	School Unrestricted Fund	Nonmajor Governmental Funds	Total Transfer Out
General Fund	\$32,550,260	\$ 4,960	\$32,555,220
School Unrestricted Fund	-	11,361	11,361
School Bond Fund	-	836,799	836,799
Nonmajor Governmental Funds.....	-	<u>228,209</u>	<u>228,209</u>
Total transfer in.....	<u>\$32,550,260</u>	<u>\$1,081,329</u>	<u>\$33,631,589</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS

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

General Information about the Pension Plan

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

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

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

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

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

General employees

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

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

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

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

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

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

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

Police and Fire employees in MERS

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Police and Fire employees in MERS

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

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

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

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

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

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

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

Other benefit provisions

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Other benefit provisions (Continued)

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

- a. The COLA will be suspended for any unit whose funding level is less than 80%; however, an interim COLA may be granted in four-year intervals while the COLA is suspended. The first interim COLA may begin January 1, 2018.
- b. Effective July 1, 2015, the COLA is determined based on 50% of the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%, plus 50% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.50%. Previously, it was the plan's five-year average investment rate of return less 5.5% limited to a range of 0.0% to 4.0%
- c. The COLA will be limited to the first \$25,000 of the member's annual pension benefit. For retirees and beneficiaries who retired on or before July 1, 2015, years in which a COLA is payable based on the every fourth year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.
- d. The Town of North Providence has not adopted the COLA plan for its' general or fire employees. However, the Town is paying a COLA to Fire Department personnel in accordance with the terms of the collective bargaining agreement. The Town of North Providence's Fire Plan under MERS adopted the 20-year option described above.

Employees covered by benefit terms.

At the June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	General Employees MERS Plan	Fire Employees MERS Plan
Retirees and Beneficiaries	183	82
Inactive, Nonretired Members	111	12
Active Members	209	91
Total	503	185

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees under the COLA plan are required to contribute 2% while General employees under the non COLA plan contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 10% of their salaries. The Town of North Providence, Rhode Island contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The contribution rates for fiscal 2018 were determined by the actuarial valuation dated June 30, 2015.

The contribution information for the fiscal year ended June 30, 2018 for the MERS Plans is as follows:

	General Employees MERS Plan	Fire Employees MERS Plan
Employer Contributions (rounded)	\$ 415,400	\$ 1,313,500
Covered Payroll (rounded)	\$ 7,679,900	\$ 5,551,500
Percentage of annual covered payroll	5.41%	23.66%

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability (Asset) at the June 30, 2017 measurement date (June 30, 2016 valuation rolled forward to June 30, 2017)	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	18 years at June 30, 2017
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases	<i>General Employees</i> 3.5% to 7.5%
	<i>Police & Fire Employees</i> 4% to 14%
Inflation	2.50%
Mortality	Mortality variants of the RP-2014 mortality tables – for the improvement scale, updated to the ultimate rates of MP-2016 projection scale.
Cost of Living Adjustments (COLA)	A 2% COLA is assumed after January 1, 2014.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017, expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity:		
U.S. Equity	20.60%	6.85%
International Developed	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth:		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income:		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class:		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection:		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPS	1.00%	1.72%
Natuaraal Resources	1.00%	3.98%
Volatility Protection:		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%
Totals	<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 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Changes in the Net Pension Liability (Asset)			
General Employees MERS Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 27,709,466	\$ 26,983,795	\$ 725,671
Changes for the Year:			
Service Cost	569,539	-	569,539
Interest on the total pension liability	2,026,254	-	2,026,254
Changes in benefits	-	-	-
Difference between expected and actual experience	408,334	-	408,334
Changes in assumptions	1,321,931	-	1,321,931
Employer contributions	-	421,695	(421,695)
Employee contributions	-	144,593	(144,593)
Net investment income	-	3,022,909	(3,022,909)
Benefit payments, including employee refunds	(1,955,024)	(1,955,024)	-
Administrative expense	-	(28,559)	28,559
Other changes	-	(124,183)	124,183
Net Changes	<u>2,371,034</u>	<u>1,481,431</u>	<u>889,603</u>
Balances as of June 30, 2017	<u>\$ 30,080,500</u>	<u>\$ 28,465,226</u>	<u>\$ 1,615,274</u>

Changes in the Net Pension Liability (Asset)			
Fire Employees MERS Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 44,967,581	\$ 30,139,262	\$ 14,828,319
Changes for the Year:			
Service Cost	952,158	-	952,158
Interest on the total pension liability	3,317,188	-	3,317,188
Difference between expected and actual experience	1,481,238	-	1,481,238
Changes in assumptions	2,656,661	-	2,656,661
Employer contributions	-	1,153,275	(1,153,275)
Employee contributions	-	474,611	(474,611)
Net investment income	-	3,481,877	(3,481,877)
Benefit payments, including employee refunds	(2,428,977)	(2,428,977)	-
Administrative expense	-	(32,895)	32,895
Other changes	-	(58)	58
Net Changes	<u>5,978,268</u>	<u>2,647,833</u>	<u>3,330,435</u>
Balances as of June 30, 2017	<u>\$ 50,945,849</u>	<u>\$ 32,787,095</u>	<u>\$ 18,158,754</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>Ending Net Pension Liability (Asset)</u>		
	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
General Employees MERS Plan	\$ 5,144,619	\$ 1,615,274	\$ (1,013,371)
Fire Employees MERS Plan	\$ 24,031,999	\$ 18,158,754	\$ 13,785,415

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

Pension Expense

For the year ended June 30, 2018 the Town of North Providence recognized pension expense in the Government-Wide Statement of Activities of:

General Employees MERS Plan	\$ 945,900
Fire Employees MERS Plan	\$ 2,522,200

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

General Information about the Pension Plan

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2018, the Town of North Providence's School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 who must contribute 11% of their annual covered salary. The state and the Town of North Providence are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town of North Providence; the rates were 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the State and Town of North Providence, respectively. The Town of North Providence was required to contribute 23.13% of federally funded salaries. The Town of North Providence's School Department contributed approximately \$3,900,000, \$3,408,000, and \$3,400,000 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. The on-behalf contribution made by the State of Rhode Island for the defined benefit plan for the fiscal year ended June 30, 2018 was approximately \$2,408,000. This amount has been included in the Fund Statements as revenue and educational expenditures for fiscal 2018.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Pension Liabilities and Pension Expense

At June 30, 2018, the Town of North Providence reported a liability of \$44,305,641 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the Town of North Providence as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the Town of North Providence were as follows:

Town of North Providence's proportionate share of the net pension liability.....	\$44,305,641
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	<u>33,484,419</u>
Total net pension liability.....	<u>\$77,790,060</u>

The net pension liability was measured as of June 30, 2017, 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, 2016 rolled forward to June 30, 2017. The Town of North Providence's proportion of the net pension liability was based on a projection of the Town of North Providence's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2017 the Town of North Providence's proportion was 1.40470594%.

For the year ended June 30, 2018, the Town of North Providence recognized gross pension expense in the Government-wide financial statements of approximately \$8,554,800 and operating grants and contributions for education of approximately \$4,002,900 for support provided by the State.

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

Inflation	2.5%
Salary increases	3.0% to 13.5%
Investment rate of return	7.0%

Mortality – variants of the RP-2014 mortality tables – for the improvement scale, updated to the ultimate rates of the MP-2016 projection scale.

The actuarial assumptions used in the June 30, 2016 valuation rolled forward to June 30, 2017 and the calculation of the total pension liability at June 30, 2017 were consistent with the results of an actuarial experience study performed as of June 30, 2016.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity:		
U.S. Equity	20.60%	6.85%
International Developed	15.90%	6.71%
Emerging Markets Equity	3.50%	8.91%
Private Growth:		
Private Equity	11.30%	9.62%
Non-Core RE	2.20%	5.17%
OPP Private Credit	1.50%	9.62%
Income:		
High Yield Infrastructure	1.00%	4.26%
REITS	1.00%	5.17%
Liquid Credit	2.80%	4.26%
Private Credit	3.20%	4.26%
Crisis Protection Class:		
Treasury Duration	4.00%	0.83%
Systematic Trend	4.00%	3.81%
Inflation Protection:		
Core Real Estate	3.60%	5.17%
Private Infrastructure	2.40%	5.57%
TIPS	1.00%	1.72%
Natural Resources	1.00%	3.98%
Volatility Protection:		
IG Fixed Income	11.50%	2.12%
Absolute Return	6.50%	3.81%
Cash	3.00%	0.83%
Totals	<u>100.00%</u>	

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

Discount rate - the discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.0 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Ending Net Pension Liability (Asset)		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Teacher's Pension Plan - ERS	\$ 55,681,605	\$ 44,305,641	\$ 35,832,358

(c) Police Pension Plan – Trust Fund

All North Providence Police Officers participate in a single-employer retirement plan which was established in accordance with the North Providence Town Charter. The plan is considered part of the Town's financial reporting entity and is included as a pension trust fund (Fiduciary Fund) in the annual financial report for the fiscal year ended June 30, 2018. The covered payroll for employees covered by the plan for the year ended June 30, 2018 was approximately \$4,116,000.

Plan Description

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Contributions Required and Contributions Made

Under the provisions of the plan, employees are required to contribute 8% of their compensation (effective July 1, 2018 the rate increased to 9%). The plan actuarial valuation dated July 1, 2016 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2018. The Town's actuarially determined contribution for the fiscal year ended June 30, 2018 was \$1,079,745. The Town contributed \$1,111,987 or 103% of the required contribution for fiscal 2018. The additional contribution was the result of pension benefits on salaries being paid through Special Revenue Funds.

Actuarial Methods and Assumptions:

The following are the actuarial methods and assumptions used in the Police Pension Plan Annual Actuarial Valuation as of July 1, 2016 which was used to determine the fiscal 2018 annual required contribution and July 1, 2018 which is the most recent report available. There were no significant changes to the plan provisions between the July 1, 2016 and July 1, 2018 actuarial valuation. The following are changes and key notes that were made on the July 1, 2018 valuation as compared to the July 1, 2016 valuation.

- Asset experience – The 5-year smoothed value of assets was phasing in the flat asset returns for fiscal 2015 and 2016. This results in an increase in the annual contribution rate.
- The discount rate was decreased from 7.25% to 7.0% which resulted in an increase in the annual required contribution rate.
- The salary scale was changed from a flat 2% scale to 3% resulting in an increase in the required contribution rate.
- The update of the mortality tables decreased the annual required contribution rate. Tables have been updated from the 2015 Social Security Administration's Trustees Report to the 2017 Social Security Administration's Trustees Report.
- The employees require contribution rate increased from 8% to 9% effective July 1, 2018.
- The amortization method has changed from an open 10-yr level percent to a closed 10-year level percent of pay amortization.

As a result of the above revisions, market conditions, and experience, the actuarially recommended contribution has been increased from 28.3% to 35% of covered payroll. The calculated annual contribution requirement as of July 1, 2018 and effective for fiscal 2020 and 2021 is \$1,442,262. The contribution of 28.3% or \$1,079,745 remains in effect for fiscal 2019.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Actuarial Methods and Assumptions (Continued):

Valuation Date – July 1, 2018

Funding Method - Entry Age Normal Cost Method

Investment Return – 7.0%

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

Amortization Period – Closed 10 year level percent or pay amortization of Unfunded Actuarial Accrued Liability. For this purpose pay is assumed to grow at 3% annually.

Payroll Growth Rate – 3.0%

Healthy Mortality – RP-2014 Blue Collar Mortality Tables with generational improvements.

Disabled Mortality – RP-2014 Disabled Mortality with generational improvements.

Retirements Rates:

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

Withdrawal Rates:

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

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

A complete copy of the Town of North Providence, Rhode Island Police Pension Plan Annual Actuarial Valuation as of July 1, 2018 (latest available) can be obtained by contacting the Finance Department, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

Plan Administration

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Investment Policy

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

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

Concentrations

At June 30, 2018 the Town's Police Pension Trust Fund held investments in the following which represented 5% or more of the police pension plan's net position.

Investment:	Police Pension Trust Fund Fair Market Value	% of Fiduciary Net Position
Vanguard 500 Index Admiral	\$ 9,673,538	23%
Vanguard Mid Cap Index Admiral	\$ 2,992,953	7%
JP Morgan High Yield Bond Fund Class I	\$ 2,708,165	6%
Vanguard Developed Mrkts Index Admiral	\$ 3,453,337	8%
Oppenheimer Dev Mrkts Class Y	\$ 2,562,306	6%

Rate of Return

For the year ended June 30, 2018, the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 7.89%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Rate of Return (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class:	Long-Term Expected Rate of Return
Cash	0.00%
Equity	5.34%
Fixed Income	1.88%
Real Estate	5.28%
Other	1.17%

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2018:

Component:	Police Pension Plan Trust Fund
Total pension liability	\$48,668,362
Plan fiduciary net position	\$41,736,189
Net pension liability	\$6,932,173
Plan fiduciary net position as a percentage of the total pension liability	85.76%

Discount Rate

The blended discount rate used to measure the total pension liability was 7.0%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability was set equal to the long-term expected rate of return.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

Police Pension Plan - Trust Fund	Changes in the Net Pension Liability (Asset)		
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2017	\$ 45,605,326	\$ 39,621,505	\$ 5,983,821
Changes for the Year:			
Service Cost	736,642	-	736,642
Interest on the total pension liability	3,267,196	-	3,267,196
Difference between expected and actual experience	13,182	-	13,182
Changes in assumptions	1,600,400	-	1,600,400
Employer contributions	-	1,111,987	(1,111,987)
Employee contributions	-	325,177	(325,177)
Net investment income	-	3,231,904	(3,231,904)
Benefit payments, including employee refunds	(2,554,384)	(2,554,384)	-
Administrative expense	-	-	-
Net Changes	<u>3,063,036</u>	<u>2,114,684</u>	<u>948,352</u>
Balances as of June 30, 2018	<u>\$ 48,668,362</u>	<u>\$ 41,736,189</u>	<u>\$ 6,932,173</u>

For the year ended June 30, 2018 the Town of North Providence recognized pension expense of \$2,080,863 in the Government-wide financial statements for the Police Pension Plan administered by the Town.

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

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

Police Pension Trust Fund:	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability (asset)	\$13,330,888	\$6,932,173	\$1,679,350

(d) Fire COLA Plan

As noted in previous sections of this disclosure, firefighters (fire department personnel) participate in the MERS pension plan administered by the Employees Retirement System of Rhode Island. The Town did not opt the COLA provisions of the MERS plan. However, in accordance with the terms of the collective bargaining agreement the Town provides an annual COLA to any retiree that retired with 20 or more years of service and their surviving spouses. The COLA is also provided to any disabled retiree that is receiving an occupational disability benefit.

The annual benefit is a 3% simple COLA paid annually on January 1 for all retirees with 20 or more years of service and for all occupational disabled retirees. If a member became occupationally disabled after July 1, 2015 and before attaining 20 years of service, COLA payments will begin on January 1 following their 20th employment anniversary.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire COLA Plan (Continued)

Employees covered by benefit terms:

At the June 30, 2018, valuation date the following employees were covered by the benefit terms:

	Fire Employees COLA Plan
Retirees and Beneficiaries	80
Inactive, Nonretired Members	1
Active Members	86
Total	167

The Town's Fire COLA Plan operates on a pay-as-you-go basis and as such there is no annual required contribution percentage and an annual required contribution amount was not determined for fiscal 2018. Rather, the Town is required to pay the retirees the annual COLA and CPI payments. Expenditures incurred by the Town's General Fund related to the Fire COLA Plan for the fiscal year ended June 30, 2018 were approximately \$791,000.

Discount rate - the discount rate used to measure the total pension liability was 7.0 percent. Although this Plan is operating on a pay-as-you-go basis and there are no plan assets currently held, the Town's Actuary has determined that the COLA and CPI payments do not outpace the Town's assets and as a result the 7% rate is justifiable over the applicable municipal bond rate. Although the Town is not currently funding the Plan, it is estimated that the Town will continue to make the annual benefit payments as required by the collective bargaining agreement. The COLA and CPI payments are not expected to outpace the funding of the plan. The forecasted funding contributions have more to do with this determination than the current asset value and funded percentage.

The changes in the Net Pension Liability for the fiscal year ended June 30, 2018 were as follows:

Fire Employees COLA plan:	Changes in the Net Pension Liability (Asset)		
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2017	\$ 24,257,028	\$ -	\$ 24,257,028
Changes for the Year:			
Service Cost	253,817	-	253,817
Interest on the total pension liability	1,688,079	-	1,688,079
Difference between expected and actual experience	(52,087)	-	(52,087)
Changes in assumptions	(63,291)	-	(63,291)
Employer contributions	-	790,869	(790,869)
Benefit payments, including employee refunds	(790,869)	(790,869)	-
Administrative expense	-	-	-
Net Changes	1,035,649	-	1,035,649
Balances as of June 30, 2018	\$ 25,292,677	\$ -	\$ 25,292,677

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

(d) Fire COLA Plan (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) calculated using the discount rate of 7.0 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Ending Net Pension Liability (Asset)		
	1% Decrease	Current Discount Rate	1% Increase
	(6.0%)	(7.0%)	(8.0%)
Fire Employees COLA Plan	\$ 29,445,677	\$ 25,292,677	\$ 21,968,539

For the year ended June 30, 2018 the Town of North Providence recognized pension expense of \$1,927,474 in the Government-wide financial statements for the Fire COLA Pension Plan administered by the Town.

Actuarial Assumptions:

The following is a summary of some of the actuarial assumptions used in the July 1, 2018, actuarial valuation of the Fire COLA Plan. A complete copy of the Actuarial Valuation can be obtained by contacting the Town's Finance Department.

Inflation rate	2.5%
Salary increases	4.0% - 14%
Investment rate of return	7.0%
Cost of living increases.....	3.0%
CPI Payments.....	Any disabled retiree currently receiving a CPI payment will continue to receive the same amount each year. Any disabled retiree not receiving a CPI is assumed to continue to not receive one.
Retirement rates	20 years of service – 12%; 21-23 years – 10%; 24 years – 12%; 25 years – 14%; 26 years - 16%; 27 years 18%; 28-29 years – 20%; 30-34 years – 35%; 35+ years – 100%.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	General Employees MERS Plan	Fire Employees MERS Plan	Teacher's ERS Plan	Police Pension Plan	Fire COLA Plan	Total All Plans
Deferred Outflows of Resources:						
Contributions subsequent to measurement date	\$ 415,400	\$ 1,313,500	\$ 3,901,400	\$ -	\$ -	\$ 5,630,300
Net Difference between projected and actual earnings	600,917	591,053	1,119,190	444,244		2,755,404
Changes in proportion and difference in employers contribution proportion	-	-	3,978,552	-		3,978,552
Difference between actual and expected experience	486,763	1,786,712	-	924,051		3,197,526
Changes in assumptions	1,024,038	2,216,707	3,869,459	1,280,320		8,390,524
Total Deferred Outflows of Resources	2,527,118	5,907,972	12,868,601	2,648,615	-	23,952,306
Deferred Inflows of Resources:						
Changes in assumptions	16,050	111,368	698,188	444,799	55,380	1,325,785
Changes in proportion and difference in employers contribution proportion	-	-	1,224,574			1,224,574
Difference between actual and expected experience	272,384	63,938	1,050,382	16,553	45,576	1,448,833
Total Deferred Inflows of Resources	288,434	175,306	2,973,144	461,352	100,956	3,999,192
Net Deferred Outflows (Inflows)	\$ 2,238,684	\$ 5,732,666	\$ 9,895,457	\$ 2,187,263	\$ (100,956)	\$ 19,953,114

Deferred outflows of resources related to 2018 contributions to pension plans subsequent to the measurement date (June 30, 2017 where applicable) will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

Other amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2018 will be recognized as a component of pension expense over the following periods of time:

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

13. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Net Deferred Outflows (Inflows) of Resources	
2019.....	\$	3,574,688
2020.....		4,766,507
2021.....		2,876,213
2022.....		1,281,414
2023.....		1,379,676
Thereafter.....		444,316
Total.....	\$	14,322,814

14. DEFINED CONTRIBUTION PENSION PLAN

Plan Description:

General municipal, certified school, and noncertified school employees participating in the defined benefit plans administered by the State of Rhode Island with less than 20 years of service as of June 30, 2012, as described in Note 13, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The Town contributed approximately \$312,100 (before reimbursement as noted below) during the fiscal year ended June 30, 2018. The employer contribution of \$312,100 consisted of approximately \$42,200 for general municipal employees, \$30,600 for noncertified school employees, and \$239,300 for certified teachers.

Although the Town (School Department) is required to contribute 1% to 1.5% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% to 1.5% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2018 amounted to approximately \$85,500.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

14. DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

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

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

15. DEFERRED COMPENSATION PLAN

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

16. RISK MANAGEMENT AND HEALTH CARE MANAGEMENT PLAN

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

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

The Town currently maintains stop loss insurance to protect the taxpayers from catastrophic loss resulting from excessive health insurance claims. At June 30, 2018 the stop loss insurance contract covered all claims exceeding \$160,000 per individual on an annual basis. In addition, specific stop loss maximum for the Town for the year is maintained at approximately \$1.8 million.

The Town's Finance Department oversees the self-insured program for all Town employees and claims payment services are provided by Blue Cross and Blue Shield of Rhode Island (Plan Administrator). At June 30, 2018 the Town has estimated a liability for incurred but not reported claims (IBNR) based on an estimate of actual claims paid subsequent to year end but related to claims incurred prior to July 1, 2018. Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2018 were as follows:

Incurred but not reported claims (IBNR), June 30, 2017.....	\$ 740,642
Approximate amount of incurred claims.....	10,006,157
Paid claims including amount in accounts payable at June 30, 2018.....	<u>(10,199,458)</u>
Estimated IBNR Claims outstanding at June 30, 2018.....	<u>\$ 547,341</u>

Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2017 were as follows:

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

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2018 but which were not reported until after year-end. These claims are recorded as a long-term obligation in the Governmental Activities in the government-wide Statement of Net Position as they are not expected to be paid with current measurable and available resources at June 30, 2018. The IBNR claims outstanding at June 30, 2018 are comprised of \$277,779 and \$269,562 related to Town and School employees, respectively.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

At June 30, 2018 the Town of North Providence has a deposit with the Plan Administrator totaling \$573,000. This deposit was required as part of the contract with the Plan Administrator to ensure reimbursement of claims is made in a timely manner. This deposit has been classified as a prepaid expense and as such has been included in nonspendable fund balance in the governmental activities of the Fund Statements.

17. COMMITMENTS AND CONTINGENCIES

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

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

During the ordinary course of its operations, the Town is a party to various claims, other legal actions and complaints. These various legal actions include disputes in property valuations and torts for which the Town has been named as a defendant. In the opinion of the Town's management and legal counsel they do not anticipate any of the claims to have a material financial impact, or at this time legal counsel has been unable to assess the liability, if any, on the part of the Town. Accordingly, no liability has been reported in the government-wide Statement of Net Position at June 30, 2018.

As of June 30, 2018, the Town had entered into a contract for the construction of a new public safety complex. The construction contract commitment as of June 30, 2018 was \$22,132,900 which represented the entire amount of the contract.

As of June 30, 2018, the Town had entered into various construction contracts for the building and renovations of schools. The total amount of these contacts was approximately \$83,300,000 at June 30, 2018 with costs incurred as of June 30, 2018, of approximately \$14,725,000.

18. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN

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

Eligibility:

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Eligibility (Continued):

School Teachers and Administrators: Members who have retired under the Employees' Retirement System of Rhode Island (ERSRI), with a minimum of 15 years of service (20 years of service for Schedule B members) with the North Providence School System, shall be eligible to receive medical and dental benefits for self and spouse. Eligibility for retirement is as follows: If vested by 7/1/2005 (Schedule A): The earlier of 28 years of service, or age 60 with 10 years of service. If vested after 7/1/2005 (Schedule B): Normal retirement is the earlier of age 65 with 10 years of service, or age 59 with 29 years of service. Early retirement is age 55 with 20 years of service. Cost Sharing – 50% retiree paid coverage is pre-65 only. Members eligible for retirement after July 1, 2012, with at least five years of service as of June 30, 2012 are eligible for Normal Retirement at an individually determined age. This age is based on the members' social security retirement age with a proportional downward adjustment based on years of service prior to July 1, 2012. The minimum retirement age is 59 with 5 years of service. Town Local 1033 – Members who have retired under MERS with at least 20 years of service receive medical and dental for self and spouse.

General Employees:

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

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

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

Additional information on the description of benefits and coverage is provided in the report of the *Town of North Providence – GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2018*. This report dated February 20, 2019 can be obtained by contacting the Town's Finance Department.

Employees Covered by Benefit Terms:

At June 30, 2018, the following employees represents the census information relative to the OPEB benefits:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Total active participants	265	443	708
Total retiree participants	113	39	152
Total active with coverage	244	371	615
Total retirees with coverage	113	39	152

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

The net OPEB liability was measured as of June 30, 2018 with a valuation date of June 30, 2018.

Changes in the Net OPEB Liability:

Town - OPEB Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2017	\$ 55,406,283	\$ 1,107,305	\$ 54,298,978
Changes for the Year:			
Service Cost	2,623,333	-	2,623,333
Interest on the total OPEB liability	2,014,755	-	2,014,755
Changes in benefits	-	-	-
Difference between expected and actual experience	(6,256,150)	-	(6,256,150)
Changes in assumptions	1,260,959	-	1,260,959
Employer contributions	-	3,146,059	(3,146,059)
Net investment income	-	82,858	(82,858)
Benefit payments	(2,896,059)	(2,896,059)	-
Administrative expense	-	(1,756)	1,756
Net Changes	<u>(3,253,162)</u>	<u>331,102</u>	<u>(3,584,264)</u>
Balances as of June 30, 2018	<u>\$ 52,153,121</u>	<u>\$ 1,438,407</u>	<u>\$ 50,714,714</u>

School - OPEB Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2016	\$ 6,236,569	\$ -	\$ 6,236,569
Changes for the Year:			
Service Cost	304,845	-	304,845
Interest on the total OPEB liability	224,321	-	224,321
Changes in benefits	-	-	-
Difference between expected and actual experience	683,896	-	683,896
Changes in assumptions	(442,723)	-	(442,723)
Employer contributions	-	484,784	(484,784)
Benefit payments	(484,784)	(484,784)	-
Net Changes	<u>285,555</u>	<u>-</u>	<u>285,555</u>
Balances as of June 30, 2017	<u>\$ 6,522,124</u>	<u>\$ -</u>	<u>\$ 6,522,124</u>

The following is a summary of the net OPEB liability as of June 30, 2018:

	Town	School	Total
Total OPEB Liability	\$ 52,153,121	\$ 6,522,124	\$ 58,675,245
Actuarial Value of Assets	1,438,407	-	1,438,407
Net OPEB Liability	<u>\$ 50,714,714</u>	<u>\$ 6,522,124</u>	<u>\$ 57,236,838</u>
Funded Ratio	2.8%	0.0%	2.5%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Discount Rate:

The long-term expected rate of return in the Town's OPEB plan investments is 6.5% (7.5% at June 30, 2017). The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments should be the yield for a 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Accordingly, for the fiscal year ended June 30, 2018 the discount rate utilized for both the Town and School OPEB plan was 3.87% (3.56% at June 30, 2017). The basis for utilizing this discount rate was that the Town will contribute \$250,000 to the OPEB plan annually beginning in fiscal 2018, and pay-as-you-go costs will continue to be paid from the General Fund since the Trust will not accumulate enough assets at the end of 50 years to cover future benefit payments.

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

The following presents the net OPEB liability as of June 30, 2018 calculated using the discount rate assumed (3.87%) and what the liability would be using a discount rate that is 1% higher and 1% lower than the current rate.

	Ending Net OPEB Liability (Asset)		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Town OPEB Plan	\$ 55,203,957	\$ 50,714,714	\$ 46,677,379
School OPEB Plan	\$ 6,836,791	\$ 6,522,124	\$ 6,215,319

Healthcare Trend Rates:

The healthcare trend rates refers to the change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments. The June 30, 2018 valuation assumes that the healthcare trend rates will commence at 9% in fiscal 2019 and be reduced annually by .5% through fiscal 2027 at which time the trend rate for medical and prescriptions will remain at 5% annually.

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

The following presents the net OPEB liability as of June 30, 2018 calculated using the healthcare trend rates assumed in the valuation and what the liability would be using a healthcare trend rate that is 1% higher and 1% lower than the current rate.

	Ending Net OPEB Liability (Asset)		
	1% Decrease 8.0% decreasing to 4%	Healthcare Trend Rate 9.0% decreasing to 5%	1% Increase 10% decreasing to 6%
Town OPEB Plan	\$ 45,864,292	\$ 50,714,714	\$ 56,361,095
School OPEB Plan	\$ 6,077,783	\$ 6,522,124	\$ 7,018,649

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

OPEB Expense:

For the year ended June 30, 2018, the Town's Government-Wide Statement of Activities recognized OPEB expense of \$3,668,400 which consisted of \$3,320,700 for the Town plan and \$347,700 for the School plan.

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

In accordance with GASB No. 75, the Town of North Providence recognized deferred outflows and inflows of resources related to its' OPEB plans at June 30, 2018 in the Government-Wide Statement of Net Position as follows:

	Town OPEB Plan	School OPEB Plan	Total All Plans
	<hr/>	<hr/>	<hr/>
Deferred Outflows of Resources:			
Changes in assumptions	\$ 3,381,422	\$ 44,067	\$ 3,425,489
Difference between actual and expected experience		598,409	598,409
Total Deferred Outflows of Resources:	<hr/> 3,381,422	<hr/> 642,476	<hr/> 4,023,898
Deferred Inflows of Resources:			
Net Difference between projected and actual earnings	6,523	-	6,523
Changes in assumptions	2,091,520	536,402	2,627,922
Difference between actual and expected experience	10,180,322	1,048,955	11,229,277
Total Deferred Inflows of Resources:	<hr/> 12,278,365	<hr/> 1,585,357	<hr/> 13,863,722
Net Deferred Outflows (Inflows)	<hr/> \$ (8,896,943)	<hr/> \$ (942,881)	<hr/> \$ (9,839,824)

The amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2018 will be recognized as a component of OPEB expense over the following periods of time:

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

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

OPEB Plans	Net Deferred Outflows (Inflows) of Resources
	<hr/>
2019.....	\$ (1,417,646)
2020.....	(1,417,645)
2021.....	(1,422,122)
2022.....	(1,416,930)
2023.....	(1,416,953)
Thereafter.....	(2,748,528)
Total.....	<hr/> \$ (9,839,824) <hr/>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

Valuation date:	June 30, 2018
Measurement date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal Level % of salary.
Discount Rate:	Accounting 3.87% for Town and School at June 30, 2018 and 3.56% at June 30, 2017. Funding - 6.5% (7.5% at June 30, 2017) for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire 3% for teachers and 3.25% wage inflation for all other employees except Police plus merit and longevity increases. The assumptions are based on the RI ERS and MERS actuarial valuation as of June 30, 2017.
Asset Method:	Market value of assets.
Mortality:	Police: RP-2000 Combined Healthy Table for males and females fully generational using scale AA. Teachers: 50% of RP-2000 Combined Healthy Table for male with white collar adjustment and 50% of RP-2000 Combined Healthy Table for female with white collar adjustment. All others: 75% of RP-2000 Combined Healthy Table for male with white collar adjustment and 75% of RP-2000 Combined Healthy Table for female with white collar adjustment.
Health Care Trend Rates:	9% in fiscal 2019 decreasing by .5% annually through fiscal 2027 at at which time the trend rate for medical and prescriptions remains at 5%. Annual dental trend is assumed to be 3%.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Rate of Return

For the year ended June 30, 2018 the annual money-weighted weighted rate of return on OPEB plan investments, net of plan expense was 7.11%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash flows are netted with external cash outflows, resulting in a net external cash flow in each month.

Concentrations

At June 30, 2018 the Town's OPEB Trust Fund held investments in the following which represented 5% or more of the OPEB Plan's net position.

Investment:	OPEB Trust Fund Fair Market Value	% of Fiduciary Net Position
American Bond Fund of America	\$ 308,558	21%
Vanguard 500 Index Admiral	\$ 318,809	22%
Vanguard Developed Mrkts Index Admiral	\$ 178,268	12%
FidelityExtended Market Index Premium Class	\$ 174,516	12%
Blackrock High Yield Bond Institutional	\$ 80,223	6%
Vanguard Developed Mrkts Index Admiral	\$ 71,081	5%

19. FEDERAL FORFEITURE FUND

The Federal Forfeiture Fund (a Major Special Revenue Fund) includes \$4,920,246 due from federal and state governments. This amount has also been reported as unavailable revenue at June 30, 2018 for the fund financial statements. This receivable and deferred inflow of resources represents the remaining proceeds from the Google settlement to be drawn down and utilized in future periods in accordance with the provisions stipulated by the Department of Justice. During the fiscal year ended June 30, 2018, the Town had drawdowns of the Google settlement funds for approximately \$25,800,000. The primary purpose of these drawdowns in fiscal 2018, was for the construction of the new public safety complex.

20. RESTATEMENT

The net position of the Governmental Activities as of June 30, 2017, has been restated to properly reflect the impact of recording the net pension liability related to the Fire COLA Pension Plan which is explained in more detail in Note 13. As of June 30, 2017, the Town failed to include an actuarial valuation of the net pension liability as required by GASB Statement 67 & 68.

Net Position Governmental Activities June 30, 2017.....	(\$28,538,118)
Decrease net position as result of recording the net pension liability related to the Fire COLA Plan.....	<u>(24,257,028)</u>
Net Position Governmental Activities, June 30, 2017, as restated.....	<u>(\$52,795,146)</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

21. COMBINING STATEMENTS – PENSION AND OPEB TRUST FUNDS

At June 30, 2018, the Town of North Providence maintained a Pension Trust Fund for Police Department personnel and an OPEB Trust Fund for the OPEB benefits of Town employees. The School Department does not currently participate in the OPEB Trust Fund. These pension and post-employment benefit funds are presented in a single column in the Fiduciary Fund exhibits. Separate financial statements are not prepared for these Trust Funds. Accordingly, presented below are the Combining Statements of Fiduciary Net Position, and Changes in Fiduciary Net Position for these Trust Funds.

***Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018***

	Police Pension Trust Fund	OPEB Trust Fund	Total Pension & OPEB Trust Funds
ASSETS			
Cash and cash equivalents	\$ 624,576	\$ 565	\$ 625,141
Investments	41,183,825	1,187,842	42,371,667
Receivables	98,308	250,000	348,308
TOTAL ASSETS	41,906,709	1,438,407	43,345,116
LIABILITIES			
Accrued expenses	170,520	-	170,520
TOTAL LIABILITIES	170,520	-	170,520
NET POSITION			
Held in trust for OPEB benefits		1,438,407	1,438,407
Held in trust for pension benefits	41,736,189		41,736,189
TOTAL NET POSITION	\$ 41,736,189	\$ 1,438,407	\$ 43,174,596

***Combining Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the year ended June 30, 2018***

	Police Pension Trust Fund	OPEB Trust Fund	Total Pension & OPEB Trust Funds
ADDITIONS:			
Contributions - employer	\$ 1,111,987	\$ 2,433,341	\$ 3,545,328
Contributions - plan members	325,177	-	325,177
Investment interest and dividends	958,880	33,852	992,732
Realized and unrealized gains and (losses)	2,408,192	49,578	2,457,770
TOTAL ADDITIONS	4,804,236	2,516,771	7,321,007
DEDUCTIONS:			
Benefits paid	2,554,384	2,183,341	4,737,725
Investment expense	135,168	2,328	137,496
TOTAL DEDUCTIONS	2,689,552	2,185,669	4,875,221
CHANGE IN NET POSITION	2,114,684	331,102	2,445,786
NET POSITION - BEGINNING OF YEAR	39,621,505	1,107,305	40,728,810
NET POSITION - END OF YEAR	\$ 41,736,189	\$ 1,438,407	\$ 43,174,596

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

For the Year Ended June 30, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes:			
Current taxes	\$ 67,636,362	\$ 69,045,318	\$ 1,408,956
Prior taxes	2,550,000	1,826,795	(723,205)
Total taxes current and prior	70,186,362	70,872,113	685,751
Interest on delinquent accounts	550,000	500,688	(49,312)
Total property taxes	70,736,362	71,372,801	636,439
State & Federal Aid:			
School construction aid	693,432	583,310	(110,122)
Meal Tax	391,951	391,545	(406)
State motor vehicle phase-out	389,770	1,592,253	1,202,483
Telephone tax	414,648	408,082	(6,566)
Library aid	202,114	202,114	-
State aid to education	21,872,000	21,857,300	(14,700)
Medicaid reimbursement (Education Department)	995,000	1,119,536	124,536
School miscellaneous receipts	94,000	90,249	(3,751)
State community relief fund	1,030,137	1,030,137	-
Total state aid - Town	26,083,052	27,274,526	1,191,474
Licenses, fees and rents:			
Pool & fitness center	220,000	162,815	(57,185)
Notte Park	-	65,695	65,695
Data processing services	14,000	14,000	-
Rental of Town properties	160,000	256,733	96,733
Total licenses, fees and rents	394,000	499,243	105,243
Investment income - short term	-	122,921	122,921
Departmental revenues:			
Building inspection revenue	300,000	575,108	275,108
Town clerk receipts	640,000	850,292	210,292
Municipal court revenue	85,000	119,381	34,381
Total departmental revenues	1,025,000	1,544,781	519,781
Miscellaneous revenues:			
Housing authority - in lieu of taxes	25,500	31,903	6,403
Miscellaneous Receipts	-	184,884	184,884
Fines and Penalties	-	36,421	36,421
Tax collector costs	-	69,404	69,404
Sale of surplus equipment	10,000	25,909	15,909
EMS rescue services	1,060,000	935,241	(124,759)
Total miscellaneous revenues	1,095,500	1,283,762	188,262
Total Revenues	99,333,914	102,098,034	2,764,120
Other Financing Sources:			
Use of Surplus Fund Balance	-	-	-
Total Revenues and Other Financing Sources	99,333,914	102,098,034	2,764,120

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

General Fund - Budgetary Basis

For the Year Ended June 30, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Legislative, judicial and general administrative:			
Administration	229,250	206,717	22,533
Town council	115,296	153,547	(38,251)
Town council contingency	274,400	245,287	29,113
Town clerk	223,351	220,685	2,666
Legal department	395,384	437,143	(41,759)
Public Buildings	911,607	760,899	150,708
Board of canvassers	119,356	97,696	21,660
Human resources	57,600	6,751	50,849
Zoning board of review	34,250	21,750	12,500
Planning department /economic development	36,000	33,894	2,106
Other (departments)	73,100	94,104	(21,004)
Total general government	2,469,594	2,278,473	191,121
Department of Finance:			
Finance Director/Town Treasurer	214,935	222,791	(7,856)
Tax collector	325,982	370,167	(44,185)
Tax assessor	236,023	198,636	37,387
Purchasing	72,505	69,075	3,430
Auditing financial records	35,000	33,924	1,076
Total department of finance	884,445	894,593	(10,148)
Public Safety:			
Fire Department	9,101,774	9,335,483	(233,709)
Police Department	6,469,619	6,473,618	(3,999)
Communication Division	426,093	334,326	91,767
Division of inspections	261,704	199,185	62,519
Division of automotive repair	597,376	595,853	1,523
Civil Defense	11,200	10,461	739
Fire hydrants	285,000	247,455	37,545
Total public safety	17,152,766	17,196,381	(43,615)
Public Services/Works:			
Street lights	600,000	753,880	(153,880)
Beautification	3,000	9	2,991
Department of public works	1,940,266	1,861,336	78,930
Recreation department	733,871	671,117	62,754
Environmental protection	2,060,795	2,048,476	12,319
Local welfare	10,574	9,590	984
Total public services/works	5,348,506	5,344,408	4,098
Grants & Contributions:			
Grants to organizations	19,000	19,159	(159)
Grant to library	909,703	911,157	(1,454)
Total grants and contributions	928,703	930,316	(1,613)

(CONTINUED)

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

For the Year Ended June 30, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other expenditures:			
Insurance	1,095,000	918,802	176,198
Employee fringe benefits and unemployment compensation	11,939,745	10,807,787	1,131,958
Road resurfacing	800,000	968,871	(168,871)
Contingent - Consultant	90,000	97,750	(7,750)
Contingent - Miscellaneous	75,000	408,577	(333,577)
Total other expenditures	13,999,745	13,201,787	797,958
Debt Service:			
Bond and note principal	1,325,000	1,325,000	-
Bond and note interest	1,713,895	1,712,684	1,211
Total debt service	3,038,895	3,037,684	1,211
Total expenditures	43,822,654	42,883,642	939,012
Excess of revenues and other financing sources over expenditures	55,511,260	59,214,392	3,703,132
Other financing uses:			
Transfer to School - Town Appropriation	(32,550,260)	(32,550,260)	-
Transfer to School - State Aid for Education	(21,872,000)	(21,857,300)	14,700
Transfer to School - Medicaid Receipts	(995,000)	(1,119,536)	(124,536)
Transfer to School - Miscellaneous Receipts	(94,000)	(90,249)	3,751
Total other financing uses	(55,511,260)	(55,617,345)	(106,085)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 3,597,047	\$ 3,597,047

(CONCLUDED)

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

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State Aid	\$ 21,695,000	\$ 21,695,000	\$ 21,857,300	\$ 162,300
Medicaid Reimbursement	995,000	995,000	1,119,536	124,536
Miscellaneous Revenue	94,000	94,000	90,249	(3,751)
Total revenues	<u>22,784,000</u>	<u>22,784,000</u>	<u>23,067,085</u>	<u>283,085</u>
Expenditures:				
Salaries	29,405,500	29,405,500	29,762,833	(357,333)
Employee benefits	12,627,500	12,627,500	11,793,567	833,933
Purchased services	11,218,597	11,218,597	11,375,389	(156,792)
Supplies and materials	1,602,250	1,602,250	2,044,886	(442,636)
Capital outlay	403,413	403,413	436,037	(32,624)
Other	77,000	77,000	78,934	(1,934)
Total expenditures	<u>55,334,260</u>	<u>55,334,260</u>	<u>55,491,646</u>	<u>(157,386)</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(32,550,260)</u>	<u>(32,550,260)</u>	<u>(32,424,561)</u>	<u>125,699</u>
Other financing sources (uses):				
Operating transfer from the Town	32,550,260	32,550,260	32,550,260	-
Transfer to Special Revenue Funds	-	-	(11,361)	(11,361)
Total other financing sources (uses)	<u>32,550,260</u>	<u>32,550,260</u>	<u>32,538,899</u>	<u>(11,361)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,338</u>	<u>\$ 114,338</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

For the Year Ended June 30, 2018

	<u>Revenues & Other Financing Sources</u>	<u>Expenditures & Other Financing Uses</u>
Town General Fund:		
Total per budgetary basis of accounting - RSI-1	\$ 102,098,034	\$ 98,500,987
State Aid, Medicaid, and Miscellaneous receipts for Education included as part of the General Fund for budget purposes but for GAAP basis is reported directly in the School Unrestricted Fund in accordance with GASB Statement #54. Budget purposes include these amounts as appropriations to the School Department.	(23,067,085)	(23,067,085)
EMS Rescue Fees budgeted as reduction of overtime for Fire Department budget but reported as revenue for GAAP purposes	100,000	100,000
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 79,130,949</u>	<u>\$ 75,533,902</u>
 School Unrestricted Fund:		
Total per budgetary basis of accounting - RSI-2	\$ 55,617,345	\$ 55,503,007
State on-behalf pension contribution which is recorded for GAAP purposes but which is not included in the budgetary basis of accounting. This on-behalf contribution includes both the contribution towards the defined benefit plan and defined contribution plans administered by the State of Rhode Island.	<u>2,655,801</u>	<u>2,655,801</u>
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 58,273,146</u>	<u>\$ 58,158,808</u>

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability:				
Service cost	\$ 569,539	\$ 538,924	\$ 563,314	\$ 589,114
Interest on the Total Pension Liability	2,026,254	1,955,602	1,969,480	1,913,568
Changes of benefit terms	-	-	(43,256)	-
Differences between expected and actual experience	408,334	322,270	(951,302)	-
Changes in assumptions	1,321,931	-	-	(159,026)
Benefit payments	(1,955,024)	(1,825,134)	(1,597,027)	(1,573,501)
Net change in total pension liability	2,371,034	991,662	(58,791)	770,155
Total pension liability - beginning of year	27,709,466	26,717,804	26,776,595	26,006,440
Total pension liability - ending of year (a)	<u>\$ 30,080,500</u>	<u>\$ 27,709,466</u>	<u>\$ 26,717,804</u>	<u>\$ 26,776,595</u>
Plan fiduciary net position:				
Contribution - employer	\$ 421,695	\$ 467,972	\$ 546,023	\$ 482,264
Contribution - employee	144,593	148,813	68,652	79,175
Net investment income	3,022,909	(8,852)	661,148	3,808,732
Benefit payments	(1,955,024)	(1,825,134)	(1,597,027)	(1,573,501)
Administrative expenses	(28,559)	(25,710)	(26,534)	(23,850)
Other	(124,183)	14,859	(36,892)	(461,536)
Net change in plan fiduciary net position	1,481,431	(1,228,052)	(384,630)	2,311,284
Plan fiduciary net position - beginning of year	26,983,795	28,211,847	28,596,477	26,285,193
Plan fiduciary net position - ending of year (b)	<u>\$ 28,465,226</u>	<u>\$ 26,983,795</u>	<u>\$ 28,211,847</u>	<u>\$ 28,596,477</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ 1,615,274</u>	<u>\$ 725,671</u>	<u>\$ (1,494,043)</u>	<u>\$ (1,819,882)</u>
Plan fiduciary net position as a percentage of the total pension liability	94.63%	97.38%	105.59%	106.80%
Covered-employee payroll	\$ 7,273,801	\$ 6,636,989	\$ 6,828,046	\$ 6,802,707
Net pension liability as a percentage of covered-employee payroll	22.21%	10.93%	-21.88%	-26.75%

Notes:

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2014	\$ 482,264	\$ 482,264	\$ -	\$ 6,802,707	7.09%
6/30/2015	\$ 546,023	\$ 546,023	\$ -	\$ 6,828,046	8.00%
6/30/2016	\$ 467,972	\$ 467,972	\$ -	\$ 6,636,989	7.05%
6/30/2017	\$ 421,695	\$ 421,695	\$ -	\$ 7,273,801	5.80%

Notes:

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total pension liability:				
Service cost	\$ 952,158	\$ 933,608	\$ 813,061	\$ 860,112
Interest on the Total Pension Liability	3,317,188	3,135,600	3,007,667	2,907,446
Changes of benefit terms	-	-	337,396	-
Differences between expected and actual experience	1,481,238	811,915	(133,337)	-
Changes in assumptions	2,656,661	-	-	(239,140)
Benefit payments	(2,428,977)	(2,509,464)	(2,249,114)	(2,088,125)
Net change in total pension liability	5,978,268	2,371,659	1,775,673	1,440,293
Total pension liability - beginning of year	44,967,581	42,595,922	40,820,249	39,379,956
Total pension liability - ending of year (a)	<u>\$ 50,945,849</u>	<u>\$ 44,967,581</u>	<u>\$ 42,595,922</u>	<u>\$ 40,820,249</u>
Plan fiduciary net position:				
Contribution - employer	\$ 1,153,275	\$ 1,259,357	\$ 1,289,951	\$ 912,444
Contribution - employee	474,611	455,921	339,060	364,178
Net investment income	3,481,877	(10,462)	725,793	4,114,352
Benefit payments	(2,428,977)	(2,509,464)	(2,249,114)	(2,088,125)
Administrative expenses	(32,895)	(28,142)	(29,050)	(25,764)
Other	(58)	1,722	2,576	4,947
Net change in plan fiduciary net position	2,647,833	(831,068)	79,216	3,282,032
Plan fiduciary net position - beginning of year	30,139,262	30,970,330	30,891,114	27,609,082
Plan fiduciary net position - ending of year (b)	<u>\$ 32,787,095</u>	<u>\$ 30,139,262</u>	<u>\$ 30,970,330</u>	<u>\$ 30,891,114</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ 18,158,754</u>	<u>\$ 14,828,319</u>	<u>\$ 11,625,592</u>	<u>\$ 9,929,135</u>
Plan fiduciary net position as a percentage of the total pension liability	64.36%	67.02%	72.71%	75.68%
Covered-employee payroll	\$ 5,472,172	\$ 5,453,316	\$ 4,886,183	\$ 5,206,491
Net pension liability as a percentage of covered-employee payroll	331.84%	271.91%	237.93%	190.71%

Notes:

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2014	\$ 912,444	\$ 912,444	\$ -	\$ 5,206,491	17.53%
6/30/2015	\$ 1,289,951	\$ 1,289,951	\$ -	\$ 4,886,183	26.40%
6/30/2016	\$ 1,259,357	\$ 1,259,357	\$ -	\$ 5,453,316	23.09%
6/30/2017	\$ 1,153,275	\$ 1,153,275	\$ -	\$ 5,472,172	21.08%

Notes:

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

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

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

Actuarial determined contribution rates are calculated as of June 30th of each plan year and effective two years after the actuarial valuation. Therefore the valuation as of June 30, 2014 determined the contribution rates for fiscal 2017.

Actuarial Cost Method: Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.

Amortization Method: Level percentage of payroll, closed

Remaining Amortization Period: 18 years as of June 30, 2017.

Asset Valuation Method: 5 year smoothed market

Investment rate of return: 7.00%

Projected salary increases: 3.5% - 7.5% for general employees
4% to 14% for police and fire employees

Inflation: 2.50%

Mortality: Variants of the RP-2014 mortality tables - for the improvement scale, updated to the ultimate rates of the MP-2016 projection scale, adjustments, projected with Scale AA from 2000.

Cost of Living Adjustments: A 2% COLA is assumed after January 1, 2014.

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Employer's proportion of the net pension liability	1.40470594%	1.46125017%	1.44752546%	1.22123336%
Employer's proportionate share of the net pension liability	\$ 44,305,641	\$ 43,597,532	\$ 39,842,958	\$ 29,724,825
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	\$ 33,484,419	\$ 29,857,907	\$ 27,219,459	\$ 20,383,682
Total net pension liability	<u>\$ 77,790,060</u>	<u>\$ 73,455,439</u>	<u>\$ 67,062,417</u>	<u>\$ 50,108,507</u>
 Employer's covered payroll	 \$ 26,985,000	 \$ 24,435,000	 \$ 23,970,000	 \$ 23,525,000
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	164.19%	178.42%	166.22%	126.35%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	54.06%	57.55%	61.40%

Notes:

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

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

<u>Fiscal Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as % of Covered Payroll</u>
6/30/2015	\$ 3,289,534	\$ 3,289,534	\$ -	\$ 23,525,000	13.98%
6/30/2016	\$ 3,399,995	\$ 3,399,995	\$ -	\$ 23,970,000	14.18%
6/30/2017	\$ 3,338,598	\$ 3,338,598	\$ -	\$ 24,435,000	13.66%
6/30/2018	\$ 3,901,400	\$ 3,901,400	\$ -	\$ 26,985,000	14.46%

Notes:

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

The information in this schedule is intended to show 10 years. However as of June 30, 2018 only four years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

***Required Supplementary Information
Notes to Schedules***

MERS and Teachers (ERS) Pension Plans Administered by ERSRI

Changes in benefit provisions:

The June 30, 2017 Measurement Date: As part of the 2017 Actuarial Experience Investigation Study for the six year period ending June 30, 2016, as approved by the ERSRI Systems Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability or asset at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions for the June 30, 2017, measurement date related to the MERS, and Teachers Pension Plans administered by the ERSRI.

Decreased the general inflation assumption from 2.75% to 2.5%.

Decreased the nominal investment return assumption from 7.5% to 7%.

Decreased the general wage growth assumption from 3.25% to 3.0%.

Decreased salary increase assumptions.

Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Trust Fund
Last 10 Fiscal Years

	Police Pension Trust Fund 2018	Police Pension Trust Fund 2017	Police Pension Trust Fund 2016	Police Pension Trust Fund 2015	Police Pension Trust Fund 2014
Total pension liability:					
Service cost	\$ 736,642	\$ 736,642	\$ 828,290	\$ 828,290	\$ 906,358
Interest	3,267,196	3,170,114	2,967,159	2,853,715	2,745,438
Differences between expected and actual experience	13,182	-	2,283,764	(148,969)	(115,439)
Changes in assumptions	1,600,400	(130,764)	(915,854)	-	-
Benefit payments	(2,554,384)	(2,319,460)	(2,225,216)	(1,936,364)	(1,737,897)
Net change in total pension liability	3,063,036	1,456,532	2,938,143	1,596,672	1,798,460
Total pension liability - beginning	45,605,326	44,148,794	41,210,651	39,613,979	37,815,519
Total pension liability - ending (a)	<u>\$ 48,668,362</u>	<u>\$ 45,605,326</u>	<u>\$ 44,148,794</u>	<u>\$ 41,210,651</u>	<u>\$ 39,613,979</u>
Plan fiduciary net position:					
Contribution - employer	\$ 1,111,987	\$ 1,110,332	\$ 832,616	\$ 849,111	\$ 849,111
Contribution - employee	325,177	332,577	315,247	369,520	284,314
Net investment income	3,231,904	3,817,299	362,612	(7,627)	4,844,311
Benefit payments, including refunds of employee contributions	(2,554,384)	(2,319,460)	(2,225,216)	(1,936,364)	(1,737,897)
Administrative expenses	-	-	(126,218)	(179,160)	(105,336)
Net change in plan fiduciary net position	2,114,684	2,940,748	(840,959)	(904,520)	4,134,503
Plan fiduciary net position - beginning	39,621,505	36,680,757	37,521,716	38,426,236	34,291,733
Plan fiduciary net position - ending (b)	<u>\$ 41,736,189</u>	<u>\$ 39,621,505</u>	<u>\$ 36,680,757</u>	<u>\$ 37,521,716</u>	<u>\$ 38,426,236</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 6,932,173</u>	<u>\$ 5,983,821</u>	<u>\$ 7,468,037</u>	<u>\$ 3,688,935</u>	<u>\$ 1,187,743</u>
Plan fiduciary net position as a percentage of the total pension liability	85.76%	86.88%	83.08%	91.05%	97.00%
Covered-employee payroll	\$ 4,116,403	\$ 3,811,043	\$ 3,811,043	\$ 3,751,058	\$ 3,751,058
Net pension liability as a percentage of covered-employee payroll	168.40%	157.01%	195.96%	98.34%	31.66%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2018 only five years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedules of Employer Contributions and Investment Returns
Police Pension Trust Fund
Last 10 Fiscal Years

Schedule of Employer Contributions

	Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
Police Pension Trust Fund	2018	\$1,079,745	\$1,111,987	\$32,242	\$4,116,403	27.01%
	2017	\$812,452	\$1,110,332	\$297,880	\$3,811,043	29.13%
	2016	\$812,452	\$832,616	\$20,164	\$3,811,043	21.85%
	2015	\$849,111	\$849,111	\$0	\$3,751,058	22.64%
	2014	\$849,111	\$849,111	\$0	\$3,751,058	22.64%
	2013	\$1,675,153	\$22,318,088	\$20,642,935	\$3,583,371	622.82%
	2012	\$1,675,153	\$1,568,508	(\$106,645)	\$3,583,371	43.77%
	2011	\$1,529,633	\$787,295	(\$742,338)	\$3,833,169	20.54%
	2010	\$1,529,633	\$746,432	(\$783,201)	\$3,833,169	19.47%
	2009	\$1,529,633	\$820,963	(\$708,670)	\$3,833,169	21.42%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Police Pension Trust Fund	2018	7.89%
	2017	10.03%
	2016	0.29%
	2015	-0.02%
	2014	14.28%

The information in these schedules is intended to show 10 years. However as of June 30, 2018 only five years are available for the Schedule of Investment Returns.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Fire Pension Plan - COLA and CPI Component
Last 10 Fiscal Years

	Fire COLA Plan 2018
Total pension liability:	
Service cost	\$ 253,817
Interest	1,688,079
Differences between expected and actual experience	(52,087)
Changes in assumptions	(63,291)
Benefit payments	<u>(790,869)</u>
Net change in total pension liability	1,035,649
Total pension liability - beginning	<u>24,257,028</u>
Total pension liability - ending (a)	<u><u>\$ 25,292,677</u></u>
Plan fiduciary net position:	
Contribution - employer	\$ 790,869
Contribution - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(790,869)
Administrative expenses	<u>-</u>
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>
Plan's net pension liability - ending (a)-(b)	<u><u>\$ 25,292,677</u></u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%
Covered-employee payroll	\$ 5,242,932
Net pension liability as a percentage of covered-employee payroll	482.41%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2018 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust Fund - Town
Last 10 Fiscal Years

	Town OPEB Trust Fund 2018	Town OPEB Trust Fund 2017	Town OPEB Trust Fund 2016
Total pension liability:			
Service cost	\$ 2,623,333	\$ 2,959,480	\$ 2,725,113
Interest	2,014,755	1,618,729	2,233,318
Change in benefit terms	-	-	(2,583)
Differences between expected and actual experience	(6,256,150)	(618,971)	(5,905,518)
Changes in assumptions	1,260,959	(2,689,096)	3,226,250
Benefit payments	<u>(2,896,059)</u>	<u>(2,580,961)</u>	<u>(2,757,830)</u>
Net change in total pension liability	(3,253,162)	(1,310,819)	(481,250)
Total pension liability - beginning	55,406,283	56,717,102	57,198,352
Total pension liability - ending (a)	<u>\$ 52,153,121</u>	<u>\$ 55,406,283</u>	<u>\$ 56,717,102</u>
Plan fiduciary net position:			
Contribution - employer	\$ 3,146,059	\$ 2,830,961	\$ 3,257,830
Contribution - employee	-	-	-
Net investment income	82,858	92,520	15,465
Benefit payments, including refunds of employee contributions	(2,896,059)	(2,580,961)	(2,757,830)
Administrative expenses	<u>(1,756)</u>	-	<u>(680)</u>
Net change in plan fiduciary net position	331,102	342,520	514,785
Plan fiduciary net position - beginning	1,107,305	764,785	250,000
Plan fiduciary net position - ending (b)	<u>\$ 1,438,407</u>	<u>\$ 1,107,305</u>	<u>\$ 764,785</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 50,714,714</u>	<u>\$ 54,298,978</u>	<u>\$ 55,952,317</u>
Plan fiduciary net position as a percentage of the total pension liability	2.80%	2.00%	1.35%
Covered-employee payroll	\$ 14,019,723	\$ 13,560,802	\$ 13,102,224
Net pension liability as a percentage of covered-employee payroll	361.74%	400.41%	427.04%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2018 only three years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust Fund - School
Last 10 Fiscal Years

	School OPEB Trust Fund 2018	School OPEB Trust Fund 2017	School OPEB Trust Fund 2016
Total pension liability:			
Service cost	\$ 304,845	\$ 360,836	\$ 294,094
Interest	224,321	195,594	315,409
Change in benefit terms	-	-	(367,084)
Differences between expected and actual experience	683,896	(567,301)	(937,473)
Changes in assumptions	(442,723)	(198,693)	66,260
Benefit payments	(484,784)	(500,969)	(612,644)
Net change in total pension liability	285,555	(710,533)	(1,241,438)
Total pension liability - beginning	6,236,569	6,947,102	8,188,540
Total pension liability - ending (a)	<u>\$ 6,522,124</u>	<u>\$ 6,236,569</u>	<u>\$ 6,947,102</u>
Plan fiduciary net position:			
Contribution - employer	\$ 484,784	\$ 500,969	\$ 612,644
Benefit payments, including refunds of employee contributions	(484,784)	(500,969)	(612,644)
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 6,522,124</u>	<u>\$ 6,236,569</u>	<u>\$ 6,947,102</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 29,323,296	n/a	n/a
Net pension liability as a percentage of covered-employee payroll	22.24%	n/a	n/a

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2018 only three years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information
Schedule of Contributions and Investment Returns
OPEB Trust Fund - Town
Last 10 Fiscal Years**

Schedule of Employer Contributions

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution (Deficiency) Excess	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	\$4,331,922	\$3,146,059	(\$1,185,863)	\$ 14,019,723	22.44%
2017	\$4,073,563	\$2,830,961	(\$1,242,602)	\$ 13,560,802	20.88%
2016	\$3,854,662	\$3,257,830	(\$596,832)	\$ 13,102,224	24.86%
2015	\$5,651,000	\$3,839,000	(\$1,812,000)	\$ 37,460,000	10.25%
2014	\$5,332,000	\$2,961,000	(\$2,371,000)	\$ 37,460,000	7.90%
2013	\$4,955,000	\$2,841,000	(\$2,114,000)	\$ 41,332,000	6.87%
2012	\$4,686,000	\$2,771,000	(\$1,915,000)	\$ 41,332,000	6.70%
2011	\$4,549,000	\$2,208,000	(\$2,341,000)	n/a	n/a
2010	\$4,289,000	\$1,945,000	(\$2,344,000)	n/a	n/a
2009	\$4,039,000	\$1,646,000	(\$2,393,000)	n/a	n/a

The Actuarially Determined Contribution (ADC) for 2018 through 2016 is only calculated for the Town who is pre-funding the retiree health benefits. The ADC prior to fiscal 2016 is based on the Annual Required Contribution calculated in the prior GASB 45 actuarial valuations and they are for both the Town and School as was reported in the Town's financial statements

Schedule of Investment Returns

Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
2016	4.26%
2017	11.95%
2018	7.11%

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

The information in these schedules is intended to show 10 years. However as of June 30, 2018 only three years are available for investment returns.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

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

Valuation date:	June 30, 2018
Measurement date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal Level % of salary.
Discount Rate:	Accounting 3.87% for Town and School at June 30, 2018 and 3.56% at June 30, 2017. Funding - 6.5% (7.5% at June 30, 2017) for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire 3% for teachers and 3.25% wage inflation for all other employees except Police plus merit and longevity increases. The assumptions are based on the RI ERS and MERS actuarial valuation as of June 30, 2017.
Asset Method:	Market value of assets.
Mortality:	Police: RP-2000 Combined Healthy Table for males and females fully generational using scale AA. Teachers: 50% of RP-2000 Combined Healthy Table for male with white collar adjustment and 50% of RP-2000 Combined Healthy Table for female with white collar adjustment. All others: 75% of RP-2000 Combined Healthy Table for male with white collar adjustment and 75% of RP-2000 Combined Healthy Table for female with white collar adjustment.
Health Care Trend Rates:	9% in fiscal 2019 decreasing by .5% annually through fiscal 2027 at at which time the trend rate for medical and prescriptions remains at 5%. Annual dental trend is assumed to be 3%.

TOWN OF NORTH PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION



TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Title I	Feinstein Foundation
CTE Categorical	Project IDEA Part B
Donations	IDEA Preschool Grant
Title II	Title III
Perkins	Perkins Marine
Perkins Technology	Walmart Grant
Skills Up Grant	HEZ Grant
Math & Science Partnership	Hasbro Summer Learnings
Champlin Foundation Grant	RI Foundation RIMTA Grant
Ptech Grant	

The North Providence Educational Foundation (a 501(C) 3 Corporation) is considered a component unit to the Town of North Providence and has been blended in as a Special Revenue Fund.

(CONTINUED)

TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS (Continued)

CAPITAL PROJECTS FUNDS

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

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

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

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

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

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	SPECIAL REVENUE FUNDS								
	Police Grants	Community Development Block Grants	Community Fund Program	State Drug Forfeiture	Treasury Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	North Prov. Educational Foundation	Historical Records Trust
ASSETS									
Cash and cash equivalents	\$ -	\$ 90,068	\$ -	\$ 102,063	\$ 39,057	\$ -	\$ -	\$ 10,210	\$ -
Accounts and other receivable(net)	-	332,794	-	-	-	-	-	-	-
Due from federal & state governments	5,792	163,525	-	-	-	-	-	-	-
Due from other funds	76	-	1,188	-	-	16,756	47,451	-	84,074
TOTAL ASSETS	\$ 5,868	\$ 586,387	\$ 1,188	\$ 102,063	\$ 39,057	\$ 16,756	\$ 47,451	\$ 10,210	\$ 84,074
LIABILITIES									
Accounts payable	\$ 6,346	\$ 52,049	\$ -	\$ -	\$ 403	\$ -	\$ -	\$ -	\$ 5,854
Due to other funds	-	105,632	-	-	-	-	-	-	-
Unearned revenue - other	-	332,794	-	-	-	-	-	-	-
TOTAL LIABILITIES	6,346	490,475	-	-	403	-	-	-	5,854
FUND BALANCES									
Restricted	-	95,912	1,188	102,063	38,654	16,756	47,451	10,210	78,220
Committed	-	-	-	-	-	-	-	-	-
Unassigned	(478)	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	(478)	95,912	1,188	102,063	38,654	16,756	47,451	10,210	78,220
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,868	\$ 586,387	\$ 1,188	\$ 102,063	\$ 39,057	\$ 16,756	\$ 47,451	\$ 10,210	\$ 84,074

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	SPECIAL REVENUE FUNDS								
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Meehan Overlook at Notte	Recycling Fund	Youth Commission/ Special Fund
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ 131,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivable(net)	-	-	-	-	-	-	-	-	-
Due from federal & state governments	-	-	-	18,485	-	-	-	-	-
Due from other funds	121,294	178,232	2,418	-	6,996	4,050	52,755	171,368	215,444
TOTAL ASSETS	\$ 121,294	\$ 178,232	\$ 134,336	\$ 18,485	\$ 6,996	\$ 4,050	\$ 52,755	\$ 171,368	\$ 215,444
LIABILITIES									
Accounts payable	\$ 1,118	\$ -	\$ 1,580	\$ 43	\$ 4,762	\$ -	\$ -	\$ 367	\$ -
Due to other funds	-	-	-	18,442	-	-	-	-	-
Unearned revenue - other	-	-	-	-	2,234	-	-	-	-
TOTAL LIABILITIES	1,118	-	1,580	18,485	6,996	-	-	367	-
FUND BALANCES									
Restricted	120,176	-	132,756	-	-	4,050	-	-	215,444
Committed	-	178,232	-	-	-	-	52,755	171,001	-
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	120,176	178,232	132,756	-	-	4,050	52,755	171,001	215,444
TOTAL LIABILITIES AND FUND BALANCES	\$ 121,294	\$ 178,232	\$ 134,336	\$ 18,485	\$ 6,996	\$ 4,050	\$ 52,755	\$ 171,368	\$ 215,444

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>					
	Roadway Aid Grant	EPA Grant Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Fire Equipment Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 373,316	\$ 189,567	\$ -	\$ 88,514	\$ -	\$ 278,081	\$ 651,397
Accounts and other receivable(net)	-	-	-	332,794	16,486	-	7,407	-	23,893	356,687
Due from federal & state governments	-	-	658,151	845,953	-	-	-	-	-	845,953
Due from other funds	59,271	-	119,648	1,081,021	268,674	184,184	3,000	133,746	589,604	1,670,625
TOTAL ASSETS	\$ 59,271	\$ -	\$ 777,799	\$ 2,633,084	\$ 474,727	\$ 184,184	\$ 98,921	\$ 133,746	\$ 891,578	\$ 3,524,662
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 2,280	\$ 74,802	\$ -	\$ 26,416	\$ -	\$ -	\$ 26,416	\$ 101,218
Due to other funds	-	-	657,673	781,747	542,758	-	-	-	542,758	1,324,505
Unearned revenue - other	-	-	-	335,028	-	-	-	-	-	335,028
TOTAL LIABILITIES	-	-	659,953	1,191,577	542,758	26,416	-	-	569,174	1,760,751
FUND BALANCES										
Restricted	59,271	-	117,846	1,039,997	-	82,528	-	-	82,528	1,122,525
Committed	-	-	-	401,988	-	75,240	98,921	133,746	307,907	709,895
Unassigned	-	-	-	(478)	(68,031)	-	-	-	(68,031)	(68,509)
TOTAL FUND BALANCES	59,271	-	117,846	1,441,507	(68,031)	157,768	98,921	133,746	322,404	1,763,911
TOTAL LIABILITIES AND FUND BALANCES	\$ 59,271	\$ -	\$ 777,799	\$ 2,633,084	\$ 474,727	\$ 184,184	\$ 98,921	\$ 133,746	\$ 891,578	\$ 3,524,662

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS								
	Police Grants	Community Development Block Grants	Community Fund Program	State Drug Forfeiture	Treasury Forfeiture Fund	Emergency Management	Fire Alarm Tie-In	North Prov. Educational Foundation	Historical Records Trust
REVENUES:									
Intergovernmental	\$ 22,913	\$ 250,446	\$ -	\$ 8,987	\$ -	\$ 164,185	\$ -	\$ -	\$ -
Interest and investment income	-	1,284	-	262	88	-	-	-	-
Fees and assessments	-	-	-	-	-	-	10,630	-	6,866
Private grants	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	16,433	-
Other	-	12,253	811	9,157	-	-	-	-	-
Total revenues	22,913	263,983	811	18,406	88	164,185	10,630	16,433	6,866
EXPENDITURES:									
Current:									
Public safety	27,446	-	-	2,843	6,368	180,104	-	-	-
Education	-	-	-	-	-	-	-	1,223	-
Public works	-	-	-	-	-	-	-	-	-
Other expenses	-	263,380	179	-	-	-	-	-	-
Debt Service:									
Debt service principal	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Capital Outlays									
Total expenditures	27,446	263,380	179	2,843	6,368	180,104	-	1,223	-
Excess (deficiency) of revenues over (under) expenditures	(4,533)	603	632	15,563	(6,280)	(15,919)	10,630	15,210	6,866
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of debt obligations	-	-	-	-	-	-	-	-	-
Transfers in	4,939	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	(5,000)	-
Total other financing sources (uses)	4,939	-	-	-	-	-	-	(5,000)	-
Net change in fund balances	406	603	632	15,563	(6,280)	(15,919)	10,630	10,210	6,866
Fund balances - beginning of year	(884)	95,309	556	86,500	44,934	32,675	36,821	-	71,354
Fund balances - end of year	\$ (478)	\$ 95,912	\$ 1,188	\$ 102,063	\$ 38,654	\$ 16,756	\$ 47,451	\$ 10,210	\$ 78,220

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2018

	SPECIAL REVENUE FUNDS								
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Meehan Overlook at Notte	Recycling Fund	Youth Commission/ Special Fund
REVENUES:									
Intergovernmental	\$ -	\$ -	\$ -	\$ 18,485	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Interest and investment income	-	-	299	-	-	-	-	-	-
Fees and assessments	47,192	13,000	27,806	-	-	-	31,790	17,462	-
Private grants	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	2,282
Total revenues	47,192	13,000	28,105	18,485	-	-	31,790	17,462	4,282
EXPENDITURES:									
Current:									
Public safety	15,393	-	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Other expenses	-	-	105,125	6,920	-	-	-	2,848	1,249
Debt Service:									
Debt service principal	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Capital Outlays	-	-	-	11,586	-	-	-	-	16,168
Total expenditures	15,393	-	105,125	18,506	-	-	-	2,848	17,417
Excess (deficiency) of revenues over (under) expenditures	31,799	13,000	(77,020)	(21)	-	-	31,790	14,614	(13,135)
OTHER FINANCING SOURCES (USES)									
Proceeds from issuance of debt obligations	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	21	-	-	-	-	228,209
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	21	-	-	-	-	228,209
Net change in fund balances	31,799	13,000	(77,020)	-	-	-	31,790	14,614	215,074
Fund balances - beginning of year	88,377	165,232	209,776	-	-	4,050	20,965	156,387	370
Fund balances - end of year	\$ 120,176	\$ 178,232	\$ 132,756	\$ -	\$ -	\$ 4,050	\$ 52,755	\$ 171,001	\$ 215,444

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>					
	Roadway Aid Grant	EPA Grant Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Fire Equipment Fund	Total Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES:										
Intergovernmental	\$ -	\$ -	\$ 2,133,154	\$ 2,600,170	\$ 139,854	\$ -	\$ -	\$ -	\$ 139,854	\$ 2,740,024
Interest and investment income	-	-	-	1,933	-	-	103	-	103	2,036
Fees and assessments	-	-	-	154,746	-	-	37,408	267,392	304,800	459,546
Private grants	-	-	112,150	112,150	-	-	-	-	-	112,150
Contributions	-	-	-	16,433	-	56,000	-	-	56,000	72,433
Other	46,753	-	15,772	87,028	-	-	-	-	-	87,028
Total revenues	46,753	-	2,261,076	2,972,460	139,854	56,000	37,511	267,392	500,757	3,473,217
EXPENDITURES:										
Current:										
Public safety	-	-	-	232,154	-	-	-	-	-	232,154
Education	-	-	2,187,183	2,188,406	-	-	-	-	-	2,188,406
Public works	-	-	-	-	-	-	-	-	-	-
Other expenses	-	-	-	379,701	-	-	-	-	-	379,701
Debt Service:										
Debt service principal	-	-	-	-	44,000	-	-	190,714	234,714	234,714
Interest expense	-	-	-	-	1,636	-	-	34,845	36,481	36,481
Capital Outlays	-	-	15,349	43,103	438,810	1,338,176	-	529,985	2,306,971	2,350,074
Total expenditures	-	-	2,202,532	2,843,364	484,446	1,338,176	-	755,544	2,578,166	5,421,530
Excess (deficiency) of revenues over (under) expenditures	46,753	-	58,544	129,096	(344,592)	(1,282,176)	37,511	(488,152)	(2,077,409)	(1,948,313)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of debt obligations	-	-	-	-	-	1,241,034	-	529,985	1,771,019	1,771,019
Transfers in	-	-	11,361	244,530	836,799	-	-	-	836,799	1,081,329
Transfers out	-	(200,000)	(23,209)	(228,209)	-	-	-	-	-	(228,209)
Total other financing sources (uses)	-	(200,000)	(11,848)	16,321	836,799	1,241,034	-	529,985	2,607,818	2,624,139
Net change in fund balances	46,753	(200,000)	46,696	145,417	492,207	(41,142)	37,511	41,833	530,409	675,826
Fund balances - beginning of year	12,518	200,000	71,150	1,296,090	(560,238)	198,910	61,410	91,913	(208,005)	1,088,085
Fund balances - end of year	\$ 59,271	\$ -	\$ 117,846	\$ 1,441,507	\$ (68,031)	\$ 157,768	\$ 98,921	\$ 133,746	\$ 322,404	\$ 1,763,911

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

AGENCY FUNDS

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

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

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

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

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

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

Student Activities Fund – To account for funds held in various school programs. During fiscal 2018 the North Providence School Department was administering approximately 15 separate accounts for student activity funds.

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

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

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Seized Property:</u>				
ASSETS:				
Cash	78,518	\$ 20,099	\$ 44,213	\$ 54,404
TOTAL ASSETS	\$ 78,518	\$ 20,099	\$ 44,213	\$ 54,404
LIABILITIES:				
Deposits held in custody for others	\$ 78,518	\$ 20,099	\$ 44,213	\$ 54,404
TOTAL LIABILITIES	\$ 78,518	\$ 20,099	\$ 44,213	\$ 54,404
<u>Low Cost Spay/Neuter:</u>				
ASSETS:				
Other receivables	\$ 2,786	\$ 212	\$ -	\$ 2,998
TOTAL ASSETS	\$ 2,786	\$ 212	\$ -	\$ 2,998
LIABILITIES:				
Deposits held in custody for others	\$ 2,786	\$ 212	\$ -	\$ 2,998
TOTAL LIABILITIES	\$ 2,786	\$ 212	\$ -	\$ 2,998
<u>Animal Care Donations:</u>				
ASSETS:				
Other receivables	19,277	5,020	2,627	\$ 21,670
TOTAL ASSETS	\$ 19,277	\$ 5,020	\$ 2,627	\$ 21,670
LIABILITIES:				
Deposits held in custody for others	\$ 19,277	\$ 5,020	\$ 2,627	\$ 21,670
TOTAL LIABILITIES	\$ 19,277	\$ 5,020	\$ 2,627	\$ 21,670
<u>Animal Care Adoptions:</u>				
ASSETS:				
Other receivables	\$ 8,180	\$ -	\$ -	\$ 8,180
TOTAL ASSETS	\$ 8,180	\$ -	\$ -	\$ 8,180
LIABILITIES:				
Deposits held in custody for others	\$ 8,180	\$ -	\$ -	\$ 8,180
TOTAL LIABILITIES	\$ 8,180	\$ -	\$ -	\$ 8,180

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLANDStatement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Realty Tax Transfer Account:</u>				
ASSETS:				
Cash	\$ 114,995	\$ 767,867	\$ 809,934	\$ 72,928
TOTAL ASSETS	\$ 114,995	\$ 767,867	\$ 809,934	\$ 72,928
LIABILITIES:				
Deposits held in custody for others	\$ 114,995	\$ 767,867	\$ 809,934	\$ 72,928
TOTAL LIABILITIES	\$ 114,995	\$ 767,867	\$ 809,934	\$ 72,928
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 443,139	\$ 812,133	\$ 791,296	\$ 463,976
TOTAL ASSETS	\$ 443,139	\$ 812,133	\$ 791,296	\$ 463,976
LIABILITIES:				
Deposits held in custody for others	\$ 443,139	\$ 812,133	\$ 791,296	\$ 463,976
TOTAL LIABILITIES	\$ 443,139	\$ 812,133	\$ 791,296	\$ 463,976
<u>Food Pantry Fund</u>				
ASSETS:				
Cash	\$ 726	\$ 2,286	\$ 2,100	\$ 912
Other receivables	286	-	286	-
TOTAL ASSETS	\$ 1,012	\$ 2,286	\$ 2,386	\$ 912
LIABILITIES:				
Deposits held in custody for others	\$ 1,012	\$ 2,286	\$ 2,386	\$ 912
TOTAL LIABILITIES	\$ 1,012	\$ 2,286	\$ 2,386	\$ 912
<u>Performance Bond Fund</u>				
ASSETS:				
Cash	\$ 21,193	\$ 173	\$ -	\$ 21,366
TOTAL ASSETS	\$ 21,193	\$ 173	\$ -	\$ 21,366
LIABILITIES:				
Deposits held in custody for others	\$ 21,193	\$ 173	\$ -	\$ 21,366
TOTAL LIABILITIES	\$ 21,193	\$ 173	\$ -	\$ 21,366
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 658,571	\$ 1,602,558	\$ 1,647,543	\$ 613,586
Other receivables	30,529	5,232	2,913	32,848
TOTAL ASSETS	\$ 689,100	\$ 1,607,790	\$ 1,650,456	\$ 646,434
LIABILITIES:				
Deposits held in custody for others	\$ 689,100	\$ 1,607,790	\$ 1,650,456	\$ 646,434
TOTAL LIABILITIES	\$ 689,100	\$ 1,607,790	\$ 1,650,456	\$ 646,434

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

OTHER EXHIBITS



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Tax Roll Year	Residential & Commercial Mill Rate	Property Taxes Receivable July 1, 2017	Current Year Assessment	Transfers Addendums (Net)	Abatements and Adjustments	Amount to be Collected	Collections	Property Taxes Receivable June 30, 2018	Collections Summary			Tax Revenue Recognized FYE 6/30/2018
									Subject to 60 Day Rule	Not Subject to 60 Day Rule	Subject to 60 Day Rule	
									July 1, 2017 to August 31, 2017	July 1, 2017 to June 30, 2018	July 1, 2018 to August 31, 2018	
2017	\$26.14 & \$32.88		\$ 71,761,597	\$ 178,399	\$ (1,353,320)	\$ 70,586,676	\$ 68,289,548	\$ 2,297,128	\$ -	\$ 68,289,548	\$ 755,770	\$ 69,045,318
2016	\$27.94 & \$34.68	\$ 2,719,148	-	87,224	(5,856)	2,800,516	2,055,769	744,747	682,613	1,373,156	62,648	1,435,804
2015	\$27.94 & \$34.68	812,529	-	4,920	(4,698)	812,751	218,698	594,053	55,279	163,419	18,284	181,703
2014	\$27.94 & \$34.68	619,616	-	4,920	(728)	623,808	95,131	528,677	14,504	80,627	7,857	88,484
2013	\$24.29 & \$31.03	696,608	-	4,885	(954)	700,539	55,821	644,718	7,435	48,386	5,690	54,076
2012	\$24.29 & \$31.03	662,792	-	4,856	129	667,777	29,495	638,282	2,510	26,985	5,151	32,136
2011	\$24.15 & \$30.85	631,925	-	-	195	632,120	14,681	617,439	2,567	12,114	2,560	14,674
2010	\$24.15 & \$30.85	612,795	-	-	-	612,795	12,623	600,172	1,785	10,838	1,822	12,660
2009	\$19.65 & \$25.60	326,789	-	-	-	326,789	3,282	323,507	603	2,679	490	3,169
2008	\$19.65 & \$25.60	353,215	-	-	-	353,215	2,475	350,740	601	1,874	169	2,043
2007	\$16.75 & \$22.70	349,487	-	-	(100)	349,387	1,636	347,751	-	1,636	100	1,736
2006	\$16.75 & \$22.70	281,037	-	-	(280,720)	317	317	-	100	217	-	217
2005 and prior	various	13,605	-	-	(945)	12,660	93	12,567	-	93	-	93
Subtotal		8,079,546	\$ 71,761,597	\$ 285,204	\$ (1,646,997)	\$ 78,479,350	\$ 70,779,569	7,699,781	\$ 767,997	\$ 70,011,572	\$ 860,541	\$ 70,872,113
Less: allowance for uncollectable accounts		(3,942,000)						(4,075,000)				
Net property taxes receivable		<u>\$ 4,137,546</u>						<u>\$ 3,624,781</u>				

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Schedule of Net Assessed Property Value by Category</u>				<u>Reconciliation of Current Year Property Tax Revenue</u>	
<u>Description of Property</u>	<u>Assessed December 31, 2016 (2017 tax roll)</u>				
	<u>Valuations</u>	<u>Levy</u>			
Real Property	\$ 2,472,548,894	\$ 67,778,607		Current year collections	\$ 70,779,569
Motor Vehicles	243,298,226	10,206,361		Revenue received 60 days subsequent to fiscal year ending June 30, 2018	860,541
Tangible Property	65,958,289	4,492,419		Subtotal	<u>71,640,110</u>
Total assessments	<u>2,781,805,409</u>	<u>82,477,387</u>		Prior year revenue received in current year fiscal year ending June 30, 2017 - 60 day rule	<u>(767,997)</u>
Exemptions and adjustments	<u>(392,774,646)</u>	<u>(10,715,790)</u>			
<i>Net assessed value</i>	<u>\$ 2,389,030,763</u>	<u>\$ 71,761,597</u>		<i>Current year property tax revenue</i>	<u>\$ 70,872,113</u>

NOTE: The 2017 tax assessment information above represents the fiscal 2018 certification

(CONCLUDED)

TOWN OF NORTH PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION

The Annual Supplemental Transparency Report Schedules
Required by the State of Rhode Island General Law §45-12-22.2 and §44-35-10.

Annual Supplemental Transparency Report (MTP2) – Revenue

Annual Supplemental Transparency Report (MTP2) – Expenditures

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 –
Municipal

Combining Schedule of Reportable Government Services with Reconciliation to MTP2 –
Education Department

Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

Town of North Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXHIBIT - 5

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 69,045,318	\$ -
Last Year's Levy Tax Collection	1,435,804	-
Prior Years Property Tax Collection	390,991	-
Interest & Penalty	500,688	-
PILOT & Tax Treaty (excluded from levy) Collection	-	-
Other Local Property Taxes	-	-
Licenses and Permits	1,425,400	-
Fines and Forfeitures	155,802	-
Investment Income	122,921	-
Departmental	297,914	-
Rescue Run Revenue	1,302,633	-
Police & Fire Detail	699,220	-
Other Local Non-Property Tax Revenues	-	-
Tuition	-	90,249
Impact Aid	-	-
Medicaid	-	1,119,536
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	896,255
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	2,133,154
MV Excise Tax Reimbursement & Phase-out	1,592,253	-
State PILOT Program	-	-
Distressed Community Relief Fund	1,030,137	-
Library Resource Aid	202,114	-
Library Construction Aid	-	-
Public Service Corporation Tax	408,082	-
Meals & Beverage Tax / Hotel Tax	391,545	-
LEA Aid	-	21,857,300
Group Home	-	-
Housing Aid Capital Projects	139,855	139,854
Housing Aid Bonded Debt	443,455	-
State Food Service Revenue	-	13,081
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	-	587,527
Other Revenue	513,429	127,922
Local Appropriation for Education	-	32,550,260
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 80,097,559	\$ 59,515,138
Financing Sources: Transfer from Capital Funds	\$ -	\$ -
Financing Sources: Transfer from Other Funds	-	836,799
Financing Sources: Debt Proceeds	529,985	-
Financing Sources: Other	-	-
Rounding	-	-
Total Other Financing Sources	\$ 529,985	\$ 836,799

Town of North Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXPENDITURES	General		Social	Centralized	Planning	Libraries	Public	Parks and	Police
	Government	Finance	Services	IT			Works	Rec	Department
Compensation- Group A	\$ 800,391	\$ 679,827	\$ 9,574	\$ 2,865	\$ 3,450	\$ 631,634	\$ 1,079,517	\$ 480,407	\$ 5,067,154
Compensation - Group B	-	-	-	-	-	-	-	-	702,300
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	16,469	27,994	-	30,863	-	-	40,853	-	290,478
Overtime - Group B	-	-	-	-	-	-	-	-	29,317
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	699,220
Active Medical Insurance - Group A	219,307	163,817	-	70,169	-	191,123	358,745	70,169	1,015,382
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	210,774
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	17,429	10,184	-	4,792	-	7,755	13,295	4,792	31,473
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	14,376
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	84,066	51,476	732	27,017	264	46,875	90,071	32,983	442,448
Life Insurance	8,412	4,883	-	2,741	-	-	4,726	1,512	7,089
State Defined Contribution- Group A	42,184	26,714	-	12,673	-	8,558	44,424	8,473	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	35,825
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	-	-	-	-	-	-	-	-	-
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	1,079,748
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	13,037	14,339	-	2,677	-	16,984	16,115	3,190	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	12,019
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	115,547	62,217	-	26,665	-	-	8,888	17,776	79,994
Purchased Services	293,532	13,375	-	-	50,000	16,504	25,683	3,713	343,315
Materials/Supplies	30,778	64,035	-	57,302	-	127,439	191,040	67,625	84,110
Software Licenses	-	-	-	153,909	-	72,976	-	-	-
Capital Outlays	300	13,375	-	-	-	-	1,071,698	262,429	86,462
Insurance	918,802	-	-	-	-	-	-	-	-
Maintenance	24,497	65,025	-	455	-	-	11,736	34,425	10,827
Vehicle Operations	5,236	-	-	3,710	-	-	246,246	607	63,970
Utilities	67,695	-	-	70,958	-	50,020	268,617	176,529	76,882
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	753,880	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	369,430	-	-
Trash Removal & Recycling	-	-	-	-	-	-	2,048,476	-	-
Claims & Settlements	67,496	-	-	-	-	-	-	-	-
Community Support	280,503	-	-	-	-	-	-	-	-
Other Operation Expenditures	66,209	68,811	16	17,983	2,194	12,941	94,058	6,519	101,134
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 3,071,889	\$ 1,266,073	\$ 10,322	\$ 484,778	\$ 55,908	\$ 1,182,809	\$ 6,737,499	\$ 1,171,150	\$ 10,484,296

Town of North Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2018

EXHIBIT - 5 (CONTINUED)

EXPENDITURES	Fire	Centralized	Public Safety	Education	Debt	OPEB	Total	Education
	Department	Dispatch	Other	Appropriation			Municipal	Department
Compensation- Group A	\$ 7,020,655	\$ -	\$ 409,423	\$ -	\$ -	\$ -	\$ 16,184,897	\$ 25,444,451
Compensation - Group B	269,645	-	-	-	-	-	971,945	2,076,069
Compensation - Group C	-	-	-	-	-	-	-	3,044,902
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	1,799,041	-	47,726	-	-	-	2,253,424	-
Overtime - Group B	44,344	-	-	-	-	-	73,661	-
Overtime - Group C	-	-	-	-	-	-	-	93,387
Police & Fire Detail	-	-	-	-	-	-	699,220	-
Active Medical Insurance - Group A	1,048,116	-	105,298	-	-	-	3,242,124	2,609,118
Active Medical Insurance- Group B	70,169	-	-	-	-	-	280,943	193,296
Active Medical Insurance- Group C	-	-	-	-	-	-	-	997,485
Active Dental insurance- Group A	65,622	-	7,188	-	-	-	162,530	260,310
Active Dental Insurance- Group B	4,792	-	-	-	-	-	19,168	15,037
Active Dental Insurance- Group C	-	-	-	-	-	-	-	63,179
Payroll Taxes	598,398	-	34,027	-	-	-	1,408,357	2,219,762
Life Insurance	45,272	-	3,497	-	-	-	78,132	328,081
State Defined Contribution- Group A	1,309,423	-	15,698	-	-	-	1,468,148	146,235
State Defined Contribution - Group B	11,286	-	-	-	-	-	47,111	9,334
State Defined Contribution - Group C	-	-	-	-	-	-	-	30,221
Other Benefits- Group A	-	-	-	-	-	-	-	300,921
Other Benefits- Group B	-	-	-	-	-	-	-	44,914
Other Benefits- Group C	-	-	-	-	-	-	-	450,456
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	1,079,748	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	-	-	2,934	-	-	-	69,276	3,255,006
State Defined Benefit Pension - Group B	4,552	-	-	-	-	-	16,571	315,461
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	180,643
Other Defined Benefit / Contribution	26,665	-	39,997	-	-	-	377,749	45,233
Purchased Services	115,230	-	-	-	-	-	861,352	11,216,514
Materials/Supplies	191,462	-	1,500	-	-	-	815,291	2,100,545
Software Licenses	-	-	-	-	-	-	226,885	48,790
Capital Outlays	755,547	-	-	-	-	-	2,189,812	854,181
Insurance	-	-	-	-	-	-	918,802	432,263
Maintenance	11,107	-	-	-	-	-	158,073	853,459
Vehicle Operations	201,230	-	4,662	-	-	-	525,660	4,908
Utilities	96,865	-	10,176	-	-	-	817,741	1,023,686
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	753,880	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	369,430	-
Trash Removal & Recycling	-	-	-	-	-	-	2,048,476	-
Claims & Settlements	-	-	-	-	-	-	67,496	-
Community Support	-	-	-	-	-	-	280,503	-
Other Operation Expenditures	45,700	-	6,704	-	-	-	422,269	716,913
Local Appropriation for Education	-	-	-	32,550,260	-	-	32,550,260	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	1,325,000	-	1,325,000	44,000
School Debt- Interest	-	-	-	-	1,712,684	-	1,712,684	1,636
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	2,512,048	2,512,048	246,390
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 13,735,121	\$ -	\$ 688,829	\$ 32,550,260	\$ 3,037,684	\$ 2,512,048	\$ 76,988,666	\$ 59,666,787

Financing Uses: Transfer to Capital Funds	\$ -	\$ -
Financing Uses: Transfer to Other Funds	-	23,209
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
Total Other Financing Uses	\$ -	\$ 23,209
Net Change in Fund Balance¹	3,638,878	661,941
Fund Balance¹- beginning of year	\$10,134,787	\$488,251
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(10,206)
Fund Balance¹ - beginning of year adjusted	10,134,787	478,045
Rounding	-	-
Fund Balance¹ - end of year	\$ 13,773,665	\$ 1,139,986

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

Town of North Providence
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Municipal
 Fiscal Year Ended June 30, 2018

Per Audited Fund Financial Statements	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance ¹	Beginning Fund Balance ² (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance ³ (Deficit)	Ending Fund Balance ⁴ (Deficit)
Fund Balance¹ - per MTP-2 at June 30, 2017						\$ 10,134,787		\$ 10,134,787	
<i>No funds removed from RGS for fiscal 2018</i>						-		-	
<i>No funds added to RGS for Fiscal 2018</i>						-		-	
<i>No misc. adjustments made for fiscal 2018</i>						-		-	
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted						<u>\$ 10,134,787</u>		<u>\$ 10,134,787</u>	
General Fund	\$ 79,130,949	\$ -	\$ 42,978,682	\$ 32,555,220	\$ 3,597,047	\$ 10,042,874	\$ -	\$ 10,042,874	\$ 13,639,921
Fire Equipment Capital Fund	267,392	529,985	755,544	-	41,833	91,913	-	91,913	133,746
Totals per audited financial statements	<u>\$ 79,398,341</u>	<u>\$ 529,985</u>	<u>\$ 43,734,226</u>	<u>\$ 32,555,220</u>	<u>\$ 3,638,880</u>	<u>\$ 10,134,787</u>	<u>\$ -</u>	<u>\$ 10,134,787</u>	<u>\$ 13,773,665</u>

Reconciliation from financial statements to MTP2

Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	\$ 32,550,260	\$ (32,550,260)	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers reclassified from General Fund to nonmajor funds as an expenditure	-	-	4,960	(4,960)	-	-	-	-	-
Police Details reflected net in the financial statements	699,220	-	699,220	-	-	-	-	-	-
Rounding	(2)	-	1	-	-	-	-	-	-
Totals Per MTP2	<u>\$ 80,097,559</u>	<u>\$ 529,985</u>	<u>\$ 76,988,666</u>	<u>\$ -</u>	<u>\$ 3,638,878</u>	<u>\$ 10,134,787</u>	<u>\$ -</u>	<u>\$ 10,134,787</u>	<u>\$ 13,773,665</u>

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

Town of North Providence
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Education Department
 Fiscal Year Ended June 30, 2018

Per Audited Fund Financial Statements Fund Description	Total Other Financing Sources		Total Expenditures		Total Other Financing Uses		Net Change in Fund Balance ¹		Beginning Fund Balance ¹ (Deficit)		Restated Beginning Fund Balance ¹ (Deficit)		Ending Fund Balance ¹ (Deficit)	
	Total Revenue	Financing Sources	Total Expenditures	Uses	Financing	Uses	Balance ¹	in Fund	Fund Balance ¹ (Deficit)	Adjustment	Fund Balance ¹ (Deficit)	Fund Balance ¹ (Deficit)	Fund Balance ¹ (Deficit)	
Fund Balance¹ - per MTP-2 at June 30, 2017 <i>Indirect costs for FY 17</i>									\$ 488,251 (10,206)		\$ 488,251 (10,206)			
Fund Balance¹ - per MTP-2 at June 30, 2017 adjusted									\$ 478,045		\$ 478,045			
School Unrestricted Fund	\$ 25,722,886	\$ 32,550,260	\$ 58,147,447	\$ 11,361	\$ 114,338	\$ 900,927	\$ -	\$ -	\$ 900,927	\$ -	\$ 900,927	\$ 1,015,265		
Enterprise Fund ¹	1,496,863	-	1,499,330	-	(2,467)	98,537	-	-	98,537	-	98,537	96,070		
SBA School Capital Project Fund	139,854	836,799	484,446	-	492,207	(560,238)	-	-	(560,238)	-	(560,238)	(68,031)		
School Special Revenue Funds	2,261,076	11,361	2,202,532	23,209	46,696	71,150	-	-	71,150	-	71,150	117,846		
Totals per audited financial statements	\$ 29,620,679	\$ 33,398,420	\$ 62,333,755	\$ 34,570	\$ 650,774	\$ 510,376	\$ -	\$ -	\$ 510,376	\$ -	\$ 510,376	\$ 1,161,150		

Reconciliation from financial statements to MTP2

Municipal appropriation for Education reported as a transfer on financial statements but a revenue on MTP2
 State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only
 State Aid Transportation Offset for Private and Parochial Students
 Depreciation expenses recognized on financial statements NOT recognized for MTP2 or UCOA and Net Investment in Capital Assets for School Lunch Fund as of June 30, 2018 not recognized in UCOA
 Elimination of transfers per UCOA Rounding

\$ 32,550,260	\$ (32,550,260)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2,494,016)	-	(2,494,016)	-	-	-	-	-	-	-	-	-	-	-
(161,785)	-	(161,785)	-	-	-	-	-	-	-	-	-	-	-
-	-	(11,167)	(11,361)	11,167	(11,167)	(32,331)	-	-	(32,331)	-	(32,331)	(21,164)	
-	-	-	-	-	-	-	-	-	-	-	-	-	-
\$ 59,515,138	\$ 836,799	\$ 59,666,787	\$ 23,209	\$ 661,941	\$ 478,045	\$ 1,139,986	\$ -	\$ -	\$ 478,045	\$ -	\$ 478,045	\$ 1,139,986	

Reconciliation from MTP2 to UCOA

Transfer to other funds recorded net to revenue in UCOA upload
 Transfers from Other Funds not included in UCOA

\$ (23,209)	\$ -	\$ -	\$ (23,209)	
836,799	(836,799)	-	-	
\$ 60,328,728	\$ -	\$ 59,666,787	\$ -	

Totals per UCOA Validated Totals Report

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND
NOTES TO SUPPLEMENTARY INFORMATION
ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)
FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. Basis of Presentation

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

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups - Compensation and Benefit Costs

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

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

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

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

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

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

NOTE 5. Education Revenue and Expenditures

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

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

TOWN OF NORTH PROVIDENCE

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2018, which was audited in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 to 2018-03 that were considered to be material weaknesses. In addition, we identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-04 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Town of North Providence's Responses to Findings

The Town of North Providence, Rhode Island's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town of North Providence, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
March 4, 2019

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

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

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

Report of Compliance for Each Major Federal Program

We have audited the Town of North Providence, Rhode Island's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of North Providence, Rhode Island's major federal programs for the year ended June 30, 2018. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the School Lunch Cluster

As described in the accompanying schedule of findings and questioned costs, the Town of North Providence, Rhode Island, did not comply with the requirements of CFDA #10.555 School Lunch Program as described in finding 2018-005 and 2018-006 for special test and provisions and eligibility, respectively. Compliance with such requirements are necessary, in our opinion, for the Town of North Providence, Rhode Island, to comply with the requirements applicable to that program.

Qualified Opinion on the School Lunch Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Town of North Providence, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the School Lunch Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The Town of North Providence, Rhode Island's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of North Providence, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-007 and 2018-008 to be material weaknesses.

The Town of North Providence, Rhode Island's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of North Providence, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
March 29, 2019

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor	Federal CFDA	Pass-Through	Pass-Through to	
Pass-Through Grantor/Program or Cluster Title	Number	Identifying Number	Subrecipients	Expenditures
U.S. Department of Transportation				
Passed through Rhode Island Department of Transportation				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	None		\$ 3,107
State and Community Highway Safety	20.600	None		4,788
Safety Belt Performance Grants	20.609	None		2,507
Child Safety and Child Booster Seats Incentive Grants	20.613	None		1,758
Total U.S. Department of Transportation			\$ -	<u>12,160</u>
U.S. Department of Justice				
Equitable Sharing Program	16.922	None		4,403,337
Passed through Rhode Island Department of Justice				
Enforcing Underage Drinking Laws Program - Byrne Memorial Grant	16.727	None		4,680
Bulletproof Vest Partnership Program	16.607	None		9,877
Total U.S. Department of Justice			-	<u>4,417,894</u>
U.S. Department of Homeland Security				
Passed through Rhode Island Emergency Management Agency				
Homeland Security Grant Program	97.067	EMW-2016-SS-00057-501		18,505
Assistance to Firefighters Grant	97.044	EMW-2016-FO-03579		180,104
Total U.S. Department of Homeland Security			-	<u>198,609</u>
U.S. Department of Health and Human Services				
Passed through Rhode Island Department of Health				
State and Local Public Health Actions to Prevent Obesity etc.	93.757	U58DP005511		60,290
Tobacco Compliance Grant	93.XXX	None		729
Total U.S. Department of Health and Human Services			-	<u>61,019</u>
U.S. Department of Education				
Passed through Rhode Island Department of Education				
Special Education Grants to States - Project IDEA - Part B	84.027	2725-13202-801		931,266
Special Education Preschool Grants	84.173	2725-13502-801		18,908
Special Education Cluster			-	<u>950,174</u>
Title I Grants to Local Educational Agencies	84.010	2725-11702-801		777,985
Mathematics and Science Partnerships	84.366	2725-17702-601		12,809
Supporting Effective Instruction State Grants - Title II	84.367	2725-16402-801		46,607
English Language Acquisition State Grants - Title III	84.365	2725-16502-801		6,357
Career and Technical Education - Basic Grants to States	84.048			126,948
Total U.S. Department of Education			-	<u>1,920,880</u>
U.S. Department of Treasury				
Treasury forfeiture funds	21.000	None		6,368
U.S. Department of Housing and Urban Development				
Passed through Rhode Island Office of Housing & Community Development				
Community Development Block Grant	14.228	15/24/30	38,416	<u>263,380</u>

(Continued)

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<i>Federal Grantor</i> Pass-Through Grantor/Program or Cluster Title	Federal CFDA <u>Number</u>	Pass-Through <u>Identifying Number</u>	Pass-Through to <u>Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Agriculture				
Passed through Rhode Island Department of Education				
School Lunch Cluster:				
National School Lunch Program	10.555	None		614,916
Summer Food Service Program for Children	10.559	None		23,545
National School Breakfast Program	10.553	None		187,335
Total School Lunch Cluster			<u>-</u>	<u>825,796</u>
Fresh Fruit and Vegetable Program	10.582	None		63,956
Child and Adult Care Food Program	10.558	None		6,503
Commodity Supplemental Food Program	10.565	None		90,477
Total U.S. Department of Agriculture			<u>-</u>	<u>986,732</u>
Total Expenditures of Federal Awards			<u>\$ 38,416</u>	<u>\$ 7,867,042</u>

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Concluded)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the activity of the Town of North Providence, Rhode Island under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

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

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or limited as to reimbursement. The Schedule also includes \$90,477 for the value of food commodities. These commodities have not been reported in revenue or expenses of the Business-Type Activities for financial statement purposes.

3. *Determination of Major Programs*

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

4. *Matching Requirements*

The Town may receive federal grants which contain stipulations that requires the Town to contribute non-federal funds to supplement the federal program or project. The Town monitors these requirements and has complied with all matching provisions for the fiscal year ended June 30, 2018. The schedule of expenditures of federal does not include the expenditures covered by the matching funds.

5. *Indirect Cost Rate*

The Town of North Providence, Rhode Island, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

School Lunch Cluster:	
National School Lunch Program	CFDA #10.555
Summer Food Service Program for Children.....	CFDA #10.559
National School Breakfast Program	CFDA #10.553
Special Education Cluster:	
Special Education Grants to States – Project IDEA.	CFDA #84.027
Special Education Preschool Grants.....	CFDA #84.173
Title I – Grants to Local Educational Agencies.....	CFDA #84.010
Equitable Sharing Program	CFDA #16.922

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

Auditee qualified as low-risk auditee? yes X no

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. FINANCIAL STATEMENT FINDINGS

2018-001: Maintenance and Review of General Ledger

Criteria: Internal controls should be established to ensure that financial records are complete and accurate so that the financial results and financial position of the Funds maintained by the Town of North Providence, Rhode Island (including the North Providence School Department) are fairly presented in accordance with governmental accounting standards.

Condition: During our audit of the financial records of the North Providence School Department we noted a deficiency in internal controls over the maintenance and review of the general ledger activity and balances which we believe could result in the material misstatement of the financial statements related to the Funds administered by the School Department. Specifically, we noted that the School Department does not currently process all financial transactions directly in the Munis Accounting System when the transaction occurs. Some of the financial activity of the School Department was being processed through the use of manual checkbooks and then summarized for input into the Munis System. However, the School Department did not have a policy or adequate procedures in place to ensure that all transactions were entered into Munis and accounts reconciled on a period basis.

Cause: We believe that the deficiency is the result of a lack of formal policies, procedures, and personnel to ensure that a thorough periodic review of the general ledger accounting records is completed in a timely manner and that all transactions are properly posted to the Munis Accounting System.

Effect: The lack of controls over the maintenance and review of the general ledger accounting records could result in the material misstatement of the financial activity and position of the School Department which, in turn, could lead to management's inability to effectively manage the financial operations of the department. In addition, the lack of controls over the general ledger accounting records increases the risk of intentional or unintentional errors and irregularities from occurring and going undetected.

Recommendation: We recommend that management along with School Officials establish formal policies and procedures requiring all financial transactions to be processed directly in the Munis Accounting System, and that the School Department be prohibited from using manual checkbooks. Processing all financial transactions directly in the Munis Accounting System will increase transparency in financial reporting and reduce the risk of unreported activity. In addition, we recommend that these policies and procedures include reconciliation of account balances to applicable subsidiary records on a periodic basis (at a minimum quarterly), and that the completion of the procedures be documented and reviewed by personnel independent of the reconciliation process.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2018-002: Separation of Duties Related to Payroll Processing

Criteria: Proper separation of duties is an instrumental component of an effective internal control. Establishing and maintaining adequate separation of duties helps to mitigate the risk of intentional or unintentional misuse or misappropriation of Town assets. As such, no-one individual should have access to all components of a financial reporting process without having adequate controls in place. An entity may maintain either preventative or detective internal controls to help mitigate the risk of intentional or unintentional misuse of assets.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

2018-002: Separation of Duties Related to Payroll Processing (Continued)

Condition: The payroll administrator at the School Department currently has access to all components related to payroll. The administrator has the ability to add new employees, change rates of pay, withholding amounts, benefit amounts, and enter direct deposit information. The North Providence School Department had implemented a detective control to help mitigate the risk of intentional or unintentional errors or irregularities related to the processing of payroll. This detective control included a review of the final payroll registers by someone independent of the processing of the payroll. This detective control was established by management due to the lack of preventative controls over payroll. During our audit we noted that the School Department was not complying with the control procedures requiring payroll registers to be reviewed by someone independent of the payroll process.

Cause: The lack of control is the result of the failure of management to establish, maintain, and comply with sound internal control policies and procedures. In addition, the School Department experienced a significant amount of turnover in recent years and has not properly assigned roles and responsibilities to mitigate the risk of intentional or unintentional errors or irregularities.

Effect: The lack of establishing and maintaining proper separation of duties and/or the establishment of preventative or detective internal controls increases the risk of intentional or unintentional misstatements from occurring and going undetected by management.

Recommendation: We recommend that School Officials along with the Director of Finance review, and document the roles and responsibilities of finance personnel as it relates to maintaining, processing, and reporting the financial activity of the School Department. Management should, whenever possible, establish policies and procedures that maintain adequate separation of duties. We recommend that management consider removing certain access rights from the payroll administrator and placing those rights and responsibilities with the Human Resource Director. In addition, we recommend that controls be established which require the review and approval of each bi-weekly payroll register by someone independent of the payroll processing process. The person completing the review and approval should sign and date each payroll register to document the completion of the review.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2018-003: Cutoff Procedures

Criteria: The establishment of policies and procedures related to the proper cutoff of financial reporting transactions helps to ensure that the accounting records and financial statements are complete and accurate. The accuracy and completeness of the accounting records is imperative to allow management to make informed financial decisions.

Condition: During our audit we noted that the School Department does not have adequate policies or procedures in place to ensure that all financial transactions are recorded in the proper period. As a result, there is an increase in the risk of material misstatement of accounts payable and accrued liabilities by the School Department at year end. In addition, the School Department did not have procedures in place to ensure that all receivables owed to the Department were properly recorded at year end.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION II. FINANCIAL STATEMENT FINDINGS (Continued)

2018-003: Cutoff Procedures (Continued)

Cause: The School Department personnel do not have adequate training and experience with the Munis Accounting System and as such, personnel have not utilized the period 13 accounts payable reporting allowed in the Munis Accounting System. In addition, subsequent activity was not thoroughly analyzed to ensure that it was presented in the proper period.

Effect: Failure to establish proper controls over cutoff increases the risk of material misstatement to assets and liabilities in the School Department's financial statements.

Recommendation: We recommend that school finance personnel obtain the proper training and that the Director of Finance establish formal policies and procedures for utilizing period 13 with in the Munis Accounting System for reporting accounts payables at year end. In addition, we recommend that policies and procedures be developed to ensure that proper controls are in place to reduce the risk of misstatement of accounts payable, accrued liabilities, and receivables at year end.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2018-004: Student Activity Funds

Criteria: The School Department maintains a policy which requires the principals or others responsible for maintaining student activity accounts to submit invoices over \$500 to the Finance Department for approval prior to the payment being processed

Condition: During our audit testing of the financial transactions reported in the Student Activity Funds we noted instances where the custodians of some of these funds were not in compliance with the established policy. In addition, we noted that the Finance Department was not properly preparing and/or maintaining reconciliations of these bank accounts and reporting the balances within the general ledger accounting system.

Cause: The lack of monitoring of compliance by School Department finance personnel and the failure to obtain monthly bank statements and reconciliations so that the balances can be properly reported in the general ledger accounting system.

Effect: Noncompliance with policies related to the internal controls over the transactions using the custodial funds maintained by the School Department. In addition, financial statements may contain misstatements of the assets and liabilities which are maintained in custodial nature by the School Department.

Recommendation: We recommend that the Director of Finance prepare a formal policy and procedure document which governs the use of, and accounting for, custodial funds maintained by the School Department. This document should then be reviewed with all personnel responsible for administering the student activity funds to ensure future compliance. In addition, we recommend that the monthly bank statements for all student activity funds along with the bank reconciliations be forwarded to the Finance Department so that the activity can be reviewed and balances properly updated in the general ledger accounting records.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-005: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: One of the special tests and provisions of the compliance requirements related to the School Lunch Cluster is the requirement for “Paid Lunch Equity.” Under this provision the School Department is required to ensure that sufficient funds are provided to its school food service program from lunches served to students who are not eligible for free or reduced price meals. The School Department is required to make sure that the fee charged to full pay students is not less than the federal reimbursement rate paid for free lunch less the subsidy paid for full pay lunches. The calculation of this requirement should be completed annually utilizing the meal activity from October of the previous fiscal year.

Condition: The weighted average price requirement for fiscal 2018 was calculated to be \$2.85 while the actual calculated weighted average price was calculated at \$2.58. The variance of \$0.27 per meal is not required to be increased in one year, rather the School Department should be increasing the paid lunch fee by no more than \$0.10 per year until they are in compliance with the paid lunch equity calculation.

Cause: The administration of the North Providence School Department had been increasing the fee charged for paid meals since they became aware of this requirement during fiscal 2016. However, the Department failed to increase the fee for paid meals for fiscal 2018 by no more than the \$0.10 cap.

Effect: Lack of compliance with the federal requirements governing “paid lunch equity” may result in the loss of revenue which could have been earned and retained in the School Lunch Program.

Recommendation: We recommend that management of the School Department review all requirements of the School Lunch Program Cluster to ensure that adequate policies and procedures are in place to maintain compliance with the requirements. We also recommend that management of the School Department meet with representatives of the school food service provider and the Rhode Island Department of Education to properly complete the calculation of “paid lunch equity” and make adjustments to the current price being charged to the full pay students, as applicable.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2018-006: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: The North Providence School Department participates in the school lunch and breakfast program funded by the federal government passed-through the State of Rhode Island Department of Education. One of the compliance requirements related to of the school lunch and breakfast program relates to determining the eligibility of students who may qualify for free or reduced lunch. Administrators of school lunch and breakfast programs are required to obtain and maintain documentation to substantiate a student’s eligibility to receive free or reduced lunch.

Condition: In order to test compliance with the requirements related to eligibility for free or reduced lunch/breakfast we tested seventy-five participants who were receiving free or reduced meals. The results of that testing identified three instances where finance personnel could not provide documentation to support the free meals being provided, one instance where the application did not identify the number of members of the household and therefore, did not support the free lunch being provided, and two instances where the direct certification report that included the child for free lunch was not within the time period of when the meals were being provided.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-006: School Lunch Cluster – CFDA #10.555 and #10.553 (Continued)

Cause: Failure to establish formal policies and procedures for obtaining, maintaining, and reviewing eligibility applications and direct certification information along with periodic reconciling of the information to the free and reduced lunch census.

Effect: Lack of compliance with the federal requirements governing eligibility and therefore, inaccurate submission for reimbursement of meals served to eligible “free” students.

Recommendation: We recommend that management of the School Department develop adequate policies and procedures for maintaining and reviewing eligibility applications. We further recommend that procedures be established whereby finance personnel periodically compare the served meal reports to eligibility information to ensure that the School Department is properly seeking reimbursement for meals served to those individuals that qualify under “free” or “reduced” status.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

2018-007: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: Students whose family meet certain income guidelines may qualify for “free” or “reduced” meals. In order to qualify the family must submit applications to the School Department on an annual basis providing information on the family size and household income. Although, families meeting certain requirements may qualify for free lunch if they are included on a direct certification listings provided by the State of Rhode Island. Applications and direct certifications are reviewed by school department personnel and information entered into the computer program to determine eligibility. Annually, the school personnel must complete a verification testing of a limited number of applications as determined by the federal regulations.

Condition: The North Providence School Department currently has one employee who is responsible for reviewing and entering the applications to determine a student’s eligibility for free or reduced priced meals. This employee is also responsible for completing the annual verification of applications. The North Providence School Department currently has no policy or procedures in place requiring someone, independent of the approval process, to review and approve the application entry conclusion or verification testing.

Cause: Failure to establish adequate controls to ensure compliance with maintenance of documentation to substantiate eligibility for free or reduced priced meals.

Effect: The lack of controls results in the increase in risk that intentional or unintentional errors or irregularities may occur and go undetected by management.

Recommendation: We recommend that the Director of Finance establish formal policies and procedures for maintaining and reviewing applications submitted by families for free and reduced priced meals. We further recommend that these controls include requirements that someone independent of the initial application determination perform a periodic testing of the applications to ensure completeness and accuracy. In addition, the annual verification requirement completed by the school personnel should be reviewed and approved for compliance.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-008: Equitable Sharing Program - CFDA #16.922

Criteria: Non-Federal entities are prohibited from contracting with or making subawards to parties that are suspended or debarred. Accordingly, the Town of North Providence should have policies and procedures to ensure that federally funded contracts are not being awarded to suspended or debarred parties.

Condition: During our testing of controls and allowable costs related to the construction of a new public safety complex, we noted that the Town of North Providence does not currently have a policy or procedures for determining if a contractor is suspended or debarred.

Cause: Lack of a formal set of policy and procedures governing the internal controls and compliance requirements related to federally funded programs.

Effect: Increase in the risk that contracts will be awarded to entities that are suspended or debarred from participating in federally funded programs.

Recommendation: We recommend that the Town's Director of Purchasing work with the Town Controller to develop a formal set of policies and procedures governing procurement of services and that those procedures include completion of a search of debarred and suspended entities prior to the awarding of contracts for federally funded programs. The policies should include forms to document the search of suspended or debarred entities and these forms should be maintained with the contract agreements.

View of Responsible Official and Corrective Action: See response at the end of the Single Audit Section

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

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

None

SECTION V. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

TOWN OF NORTH PROVIDENCE SCHOOL DEPARTMENT

2240 Mineral Spring Avenue, North Providence, Rhode Island 02911
(401) 233-1100 - FAX (401) 233-1106 - TDD (800) 745-6575

Joseph B. Goho, *Superintendent*
Louise K. Seitsinger, M.Ed., *Assistant Superintendent*
Ronald Gonsalves Jr., MBA, CPA, *Finance Director*
Susan M. Moore, M.Ed. *Interim Director of Special Education*
Kathryn Gaouette, *Director of Human Resources*

SCHOOL COMMITTEE
Frank Pallotta, Ed.D. *Chair*
Roderick E. DaSilva, *Vice Chair*
Steven M. Andreozzi, *Clerk*
Arthur Corsini
Anthony R. Marciano, Sr., Esq.
Gina M. Picard, M.Ed.
Charles Pollock

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

2018-001: Maintenance and Review of General Ledger

Management of the School Department agrees with the finding regarding lack of controls over the maintenance and review of general ledger accounting records. Management within the School Department is in the process of developing appropriate procedures to strengthen internal controls which will include requirements that all transactions be processed directly into the Munis Accounting System. The procedures will also include procedures for appropriate and timely reconciliation of account balances. These procedures will be implemented by July 1, 2019.

2018-002: Separation of Duties Related to Payroll Processing

Management of the School Department agrees with the finding regarding lack of appropriate segregation of duties. Management within the School Department is in the process of developing appropriate procedures to strengthen internal controls which will include revising current roles within the Munis Accounting System to ensure sound financial management practices including proper separation of duties. We anticipate that these procedures will be implemented by July 1, 2019.

2018-003: Cutoff Procedures

Management of the School Department agrees with the finding regarding the establishment of policies and procedures related to the proper cutoff of financial reporting to ensure the accounting records are accurate and reliable. Management within the School Department is in the process of developing appropriate procedures to strengthen internal controls which will include utilizing period 13 appropriately within the Munis Accounting System for reporting accounts payables, accounts receivable and accrued liabilities at year end. We anticipate that these procedures will be implemented by July 1, 2019.

2018-004: Student Activity Funds

Management of the School Department agrees with the finding regarding student activity funds and began utilizing a policy previously developed in December 2018. Our plan is to continue to adhere to this process including maintaining copies for auditor reference and verification that the policy is adhered. Adherence to the School Department policy began in December 2018.

2018-005: School Lunch Cluster – CFDA #10.555 and #10.553 – Special Tests and Provisions

Management of the School Department agrees with the finding regarding the lack of compliance with the federal requirement governing “paid lunch equity”. In order to ensure that the school department takes appropriate actions to adhere to federal guidelines, the School Department after approval from the School Committee will increase the school lunch cost by \$0.10 in the upcoming school year, fiscal 2020.

The North Providence School Department does not discriminate on the basis of age, sex, religion, national origin, color or handicap in accordance with applicable laws and regulations. Individuals with disabilities, who require assistance or special arrangements to participate in a program or activity sponsored by the North Providence School Department, please contact superintendent's office. We request that you provide a 48-hour notice so that the proper arrangements may be made.

2018-006: School Lunch Cluster – CFDA #10.555 and #10.553 – Eligibility

Management of the School Department agrees with the finding regarding the failure to establish formal policies and procedures for obtaining, maintaining, and reviewing eligibility applications. Management within the School Department is in the process of developing appropriate procedures to strengthen internal controls which will include adequate procedures for maintaining and reviewing eligibility applications submitted by families for free and reduced priced meals. The procedures will also include periodic review by a member of the Finance Department that includes comparing the served meal reports to eligibility information, ensuring that the School Department is properly seeking reimbursement for meals served to the individuals that qualify under the “free” or “reduced” status. These procedures will be implemented by July 1, 2019.

2018-007: School Lunch Cluster – CFDA #10.555 and #10.553 – Eligibility – Material Weakness in Internal Controls over Compliance

Management of the School Department agrees with the finding regarding the failure to properly maintain and review applications submitted by families for “free” or “reduced” meals. Management within the School Department is in the process of developing appropriate procedures to strengthen internal controls which will include adequate procedures for reviewing applications to ensure completeness and accuracy. The procedures will also include an independent periodic review to ensure procedures are adhered to. These procedures will be implemented by July 1, 2019.



DEPARTMENT OF FINANCE

Management's Corrective Action Plan
For the Year Ended June 30, 2018

CHARLES A. LOMBARDI
Mayor

Section III. Federal Award Findings and Questioned Costs

2018-008: Equitable Sharing Program – CFDA# 16.922 - Material Weakness in Internal Control Over Compliance

Response: The Town has put into place procedures with our Purchasing Agent where all federally funded purchases will be verified with the Office of Federal Contract Compliance.

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