

TOWN OF NORTH PROVIDENCE RHODE ISLAND

BASIC FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



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, 2016

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TOWN OF NORTH PROVIDENCE, RHODE ISLAND

FOR THE YEAR ENDED JUNE 30, 2016

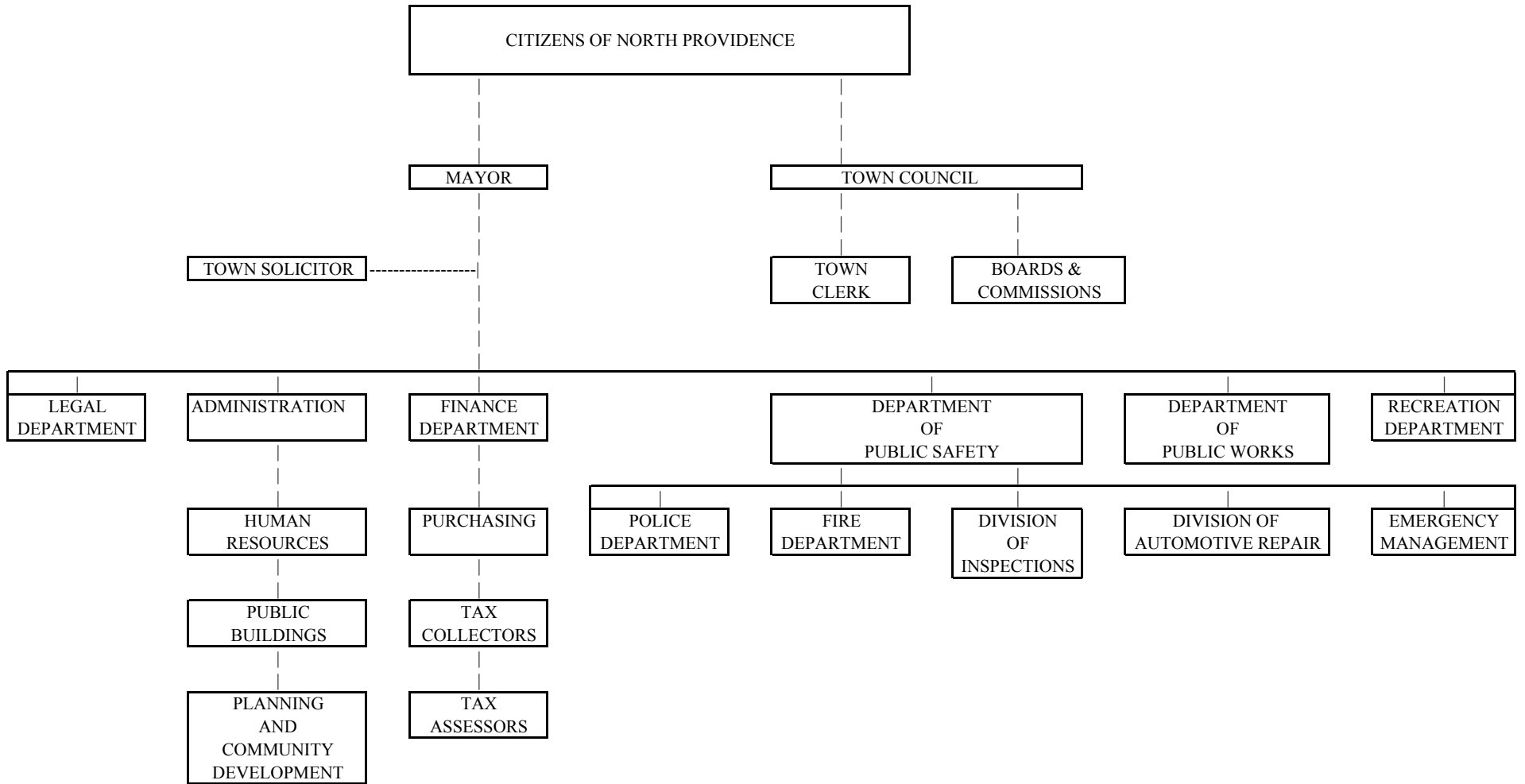
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(CONCLUDED)

TOWN OF NORTH PROVIDENCE

GOVERNMENTAL ORGANIZATION



TOWN OF NORTH PROVIDENCE, RHODE ISLAND

JUNE 30, 2016

TOWN COUNCIL

Dino P. Autiello, President
Alice C. Brady, Council at Large
Raymond DeStefanis
William F. Warren
Mansuet J. Giusti, III
Stephen L. Feola
Kristen J. Catanzaro

MAYOR

Charles A. Lombardi

FINANCE DEPARTMENT

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

TOWN OF NORTH PROVIDENCE

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Providence, Rhode Island as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in fiscal 2016, the Town of North Providence, Rhode Island adopted new accounting guidance, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. Our opinion is not modified with respect to this matter.

As described in Note 19, the implementation of GASB Statement 75 resulted in the restatement of net position of the Governmental Activities as of June 30, 2015. The net position was restated to include the net OPEB liability, deferred inflows of resources, and deferred outflows of resources related to the OPEB plan maintained by the Town of North Providence, Rhode Island. The net position was decreased by \$49,652,909 as a result of the implementation of GASB 75.

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 76 through 80, Pages 81 through 90, and Page 91 through 94, 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 January 30, 2017, 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, 2015, from which the partial information was derived.

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
January 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016.

Financial Highlights

- For the year ended June 30, 2016, the government-wide Statement of Activities reports an increase of \$1,495,351 in Net Position.
- As of year-end June 30, 2016, the Town's General Fund had a total fund balance of \$7,830,114. This is an increase of \$1,471,217 over last year's total fund balance of \$6,358,897.
- As of June 30, 2016 the School Unrestricted Fund Balance eliminated their deficit fund balance as of June 30, 2015 of \$673,643 as a result of a supplemental transfer from the Town's General Fund.
- The Town has one Business-Type Fund, the School Cafeteria Fund. At June 30, 2016, this fund had an overall net position overage of \$47,687.
- On the budgetary basis of accounting, the Town's General Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$1,170,987. The School Unrestricted Fund reported an excess of revenues and other financing sources over expenditures and other financing uses of \$673,643.
- During fiscal year 2016 the Town continued its fiscal stewardship by reducing its outstanding long-term debt by approximately \$3,657,230 (bonds, notes, and lease obligations). In addition, the Town did not need to borrow on a short-term basis to fund its current operations.
- The Town has ended fiscal year 2016 with its seventh consecutive operating surplus.

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 75.

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 76 through 94.

The combining statements referred to earlier in connection with non-major governmental funds, and fiduciary funds (as applicable) are presented on Pages 95 through 102.

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, 2016 by \$1,495,351.

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, 2016 and 2015 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
		Restated (1)				Restated (1)
Current and Other Assets	\$ 60,904	\$ 61,348	\$ 253	\$ 218	\$ 61,157	\$ 61,566
Capital Assets	51,156	48,327	27	44	51,183	48,371
Total Assets	112,060	109,675	280	262	112,340	109,937
Deferred outflows of resources	18,949	7,317			18,949	7,317
Long-Term Liabilities	140,045	128,130			140,045	128,130
Other Liabilities	12,079	13,842	232	234	12,311	14,076
Total Liabilities	152,124	141,972	232	234	152,356	142,206
Deferred inflows of resources	9,623	7,234			9,623	7,234
Net investment in capital assets	\$ 38,372	\$ 34,122	\$ 26	\$ 44	\$ 38,398	\$ 34,166
Restricted	36,684	38,539			36,684	38,539
Unrestricted	(105,795)	(104,875)	22	(16)	(105,773)	(104,891)
Total Net Position	<u>\$(30,739)</u>	<u>\$(32,214)</u>	<u>\$ 48</u>	<u>\$ 28</u>	<u>\$(30,691)</u>	<u>\$(32,186)</u>

(1) The net position as of June 30, 2015 has been restated to reflect the cumulative adjustment resulting from the implementation of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Footnote 19 to the accompanying financial statements at June 30, 2016 for further information.

As of June 30, 2016 the Town reports a positive (surplus) balance of approximately \$48,000 in business-type activities (School Cafeteria Fund) while the governmental activities have total net deficit position of approximately \$(30,739,000). 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, 2016 and 2015.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND CHANGES IN NET POSITION For the Fiscal Years Ended June 30, 2016 and 2015 (in 000's)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
	Restated (1)				Restated (1)	
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,603	\$ 4,269	\$ 366	\$ 355	\$3,969	\$4,624
Operating Grants and Contributions	24,818	20,622	868	818	25,686	21,440
Capital Grants and Contributions	831	979			831	979
General Revenues:						
Property taxes	70,047	68,937			70,047	68,937
Motor vehicle phase-out taxes	390	394			390	394
Telephone and State PILOT	414	1,111			414	1,111
Grants and aid not restricted for a specific program	2,617	2,338			2,617	2,338
Gain on sale of surplus equipment	91	42			91	42
Unrestricted investment earnings	19	12			19	12
Total Revenues	102,830	98,704	1,234	1,173	104,064	99,877
Expenses:						
Legislative, judicial, and administrative	15,621	14,673			15,621	14,673
Department of Finance	847	849			847	849
Public Safety	18,252	18,453			18,252	18,453
Public Services/works	5,227	4,831			5,227	4,831
Grants and contributions	1,412	1,388			1,412	1,388
Education	59,564	53,735			59,564	53,735
Interest on long-term debt	432	517			432	517
School Cafeteria			1,214	1,177	1,214	1,177
Total Expenses	101,355	94,446	1,214	1,177	102,569	95,623
Increase (decrease) in net position	1,475	4,258	20	(4)	1,495	4,254
Net position beginning of year	(32,214)	13,181	28	32	(32,186)	13,213
Cumulative effect to implement GASB 75	-	(49,653)	-	-	-	(49,653)
Net position (deficit) end of year	\$(30,739)	\$32,214	\$ 48	\$ 28	\$(30,691)	(\$32,186)

(1) The net position as of June 30, 2015 has been restated to reflect the cumulative adjustment resulting from the implementation of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Footnote 19 to the accompanying financial statements at June 30, 2016 for further information.

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, 2016, the governmental funds reported a combined ending fund balance of \$11,784,378. Unassigned fund balance amounted to \$4,920,126 with non-spendable fund balance of \$746,972, committed fund balance of \$2,548,834, and restricted fund balance of \$3,568,446.

The General Fund is the operating fund of the Town. For the year ended June 30, 2016 the general fund of the Town reported an increase in fund balance of \$1,417,217. As of June 30, 2016, the cumulative surplus fund balance in the General Fund was \$7,830,114. The unassigned portion of the fund balance/cumulative surplus as of June 30, 2016 was \$5,036,300.

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 \$47,687 at June 30, 2016.

General Fund Budgetary Highlights

Total revenues in the General Fund of the Town exceeded budgeted revenues by \$1,694,096 for the year ended June 30, 2016. The most significant favorable revenue variances were in the collection of property taxes, payments in lieu of property taxes and State Construction Aid to Education. Total expenditures in the General Fund of the Town were less than the budget by \$1,150,177 for the year ended June 30, 2016. The most significant favorable expenditure variances were in Public Safety and Legislative, Judicial and General Administrative expenditures. The excess of revenues and other financing sources over expenditures and other financing uses in the Town’s General Fund is \$1,170,987 for the year ended June 30, 2016.

Total revenues in the School Unrestricted Fund exceeded budget by \$80,829 for the year ended June 30, 2016. Total expenditures in the School Unrestricted Fund was less than budget by \$850,826. The most significant reduction was in Purchased Services. The excess of revenues and other financing sources over expenditures and other financing uses in the School Unrestricted Fund was \$673,643 for the year ended June 30, 2016. During the fiscal year ended June 30, 2016 the Town provided a supplemental transfer to the School Department in the amount of \$1,086,930. This supplemental transfer was provided to fund the School’s cumulative deficit of \$673,643 as of June 30, 2015 and \$413,287 to cover certain capital expenditures incurred by the School’s Capital Projects Fund. Without the supplemental transfer to the School Department and the subsequent transfer of funds from the School Unrestricted Fund to the School Capital Projects Fund, the School Department would have shown a budgetary surplus of \$431,655 for the fiscal year ended June 30, 2016.

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 \$51,182,000 net of accumulated depreciation at June 30, 2016. 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 6, Page 40.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$17,439	\$16,184			\$17,439	\$16,184
Construction in progress	965	590			965	590
Buildings and improvements	22,975	22,793			22,975	22,793
Equipment, furn. & fixtures	3,123	3,183	\$ 27	\$ 44	3,150	3,227
Vehicles	1,774	1,803			1,774	1,803
Infrastructure	4,292	3,258			4,292	3,258
Land improvements	587	516			587	516
Total	<u>\$51,155</u>	<u>\$48,327</u>	<u>\$ 27</u>	<u>\$ 44</u>	<u>\$51,182</u>	<u>\$48,371</u>

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

The School Department received "Approval of Necessity of School Construction" from the State of Rhode Island's Council on Elementary and Secondary Education on May 17, 2016 for School construction projects totaling \$73,509,339. Accordingly, the cost of construction, which includes debt service, will qualify for approximately 56% reimbursement from the State of Rhode Island through their Housing Aid Program. The funding for this project will be through the sale of bonds which were overwhelmingly approved by the voters in a Bond Referendum held on November 8, 2016. It is anticipated that approximately \$60.0 million of the bonds will be sold in June 2017 with remaining amount of \$15.0 million to be sold in the fourth quarter of fiscal year 2019.

Long Term Debt

As of June 30, 2016, the Town had total bonded debt (net of bond premium) of \$11,763,000. 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	
	2016	2015
General Obligation Bonds	\$11,763	\$15,055
Bond premium	434	488
Notes and Lease purchase obligations	805	898
Total obligations	\$13,002	\$16,441

There were no outstanding short-term obligations at June 30, 2016.

State statutes limit the amount of general obligation debt a governmental entity may have outstanding to 3% of the full assessed value of all taxable property within the Town. The Town of North Providence's limit is approximately \$65,248,000 at year-end based on the December 31, 2014 assessed value of property. The outstanding general obligation debt of the Town is approximately \$11,763,000 as of June 30, 2016, which is \$53,485,000 under the State imposed limitation.

As of June 30, 2016, the Town of North Providence's bonds are insured and hold an A3 credit rating from Moody's and an A rating from Standard & Poor's.

Additional information regarding debt administration of the Town can be found in Note 9 on Pages 42 through 44 of this report.

Economic Factors and Next Year's Budgets and Tax Rates

- The Town of North Providence has budgeted \$95,788,697 for fiscal 2017, an increase of \$1,899,697 over fiscal 2016. The net increase was principally for an increased education appropriation in the amount of \$1,821,049 of which \$1,621,049 was funded from additional State Aid to Education.
- The Budgeted educational expenses are \$53,165,383 or 55.5% of total appropriations; leaving \$42,623,314 or 44.5% budgeted for the remaining Town appropriations.
- State Aid to Education is budgeted at \$19,665,123 which is an increase of \$1,621,049 over fiscal 2016. State Aid to Education represents 36.0% of the education budget.
- The locally-administered Police Pension Fund's funded ratio is currently at approximately 90% at June 30, 2016 utilizing the actuarial value of the pension assets. The most recent actuarial report has recommended increasing the annual contribution to 28.3% of covered payroll versus the current 22.1%. This increase is estimated to be approximately \$267,000 for fiscal 2017.
- The Town of North Providence has a four-tier tax base. This base is comprised of the following for fiscal year 2016: Residential Real Estate \$27.94; Commercial Real Estate \$34.68; Tangible Property \$69.91 and Motor Vehicle \$41.95.

Request for Information

This financial report is designed to provide our citizens a general overview of the 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, 2016**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 17,067,277	\$ 198,859	\$ 17,266,136
Cash held in escrow	500,000	-	500,000
Accounts receivable, net	5,197,507	-	5,197,507
Internal balances	(2,037)	2,037	-
Due from federal and state governments	35,900,081	52,444	35,952,525
Prepays	746,972	-	746,972
Total Current Assets	59,409,800	253,340	59,663,140
Noncurrent Assets:			
Net Pension Asset	1,494,043	-	1,494,043
Capital assets not being depreciated	18,403,875	-	18,403,875
Capital assets, net of accumulated depreciation	32,751,738	26,428	32,778,166
Total Noncurrent Assets	52,649,656	26,428	52,676,084
TOTAL ASSETS	112,059,456	279,768	112,339,224
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to Pension Plans	15,873,881	-	15,873,881
Deferred outflows of resources related to OPEB Plans	3,074,868	-	3,074,868
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,948,749	-	18,948,749
LIABILITIES:			
Current Liabilities:			
Accounts payable	3,204,879	232,081	3,436,960
Accrued liabilities	5,804,354	-	5,804,354
Unearned revenue	261,375	-	261,375
Current portion of compensated absences	750,000	-	750,000
Current portion of IBNR claims	571,691	-	571,691
Current portion of bonds and notes	1,486,225	-	1,486,225
Total Current Liabilities	12,078,524	232,081	12,310,605
Noncurrent Liabilities:			
Compensated absences	6,694,362	-	6,694,362
Net OPEB liability	62,899,419	-	62,899,419
Net pension liability	58,936,587	-	58,936,587
Bond and note obligations, net	11,515,025	-	11,515,025
Total Noncurrent Liabilities	140,045,393	-	140,045,393
TOTAL LIABILITIES	152,123,917	232,081	152,355,998
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to Pension Plans	3,274,039	-	3,274,039
Deferred inflows related to OPEB Plans	6,349,055	-	6,349,055
TOTAL DEFERRED INFLOWS OF RESOURCES	9,623,094	-	9,623,094
NET POSITION:			
Net investment in capital assets	38,372,363	26,428	38,398,791
Restricted	36,683,772	-	36,683,772
Unrestricted	(105,794,941)	21,259	(105,773,682)
TOTAL NET POSITION	\$ (30,738,806)	\$ 47,687	\$ (30,691,119)

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs:	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	\$ 15,620,807	\$ 1,110,109	\$ 62,401	\$ -	\$ (14,448,297)		\$ (14,448,297)
Department of finance	846,322	80,338			(765,984)		(765,984)
Public safety	18,252,477	1,048,440	554,448	120	(16,649,469)		(16,649,469)
Public services	5,227,122	261,253	-	313,975	(4,651,894)		(4,651,894)
Grants and contributions	1,412,076	-	175,272	-	(1,236,804)		(1,236,804)
Education	59,564,363	1,102,570	24,025,430	516,894	(33,919,469)		(33,919,469)
Interest on long-term debt	431,962				(431,962)		(431,962)
Total governmental activities	101,355,129	3,602,710	24,817,551	830,989	(72,103,879)		(72,103,879)
Business-type activities:							
School Cafeteria	1,214,389	365,944	868,316			\$ 19,871	19,871
Total business-type activities	1,214,389	365,944	868,316	-	-	19,871	19,871
Total	\$ 102,569,518	\$ 3,968,654	\$ 25,685,867	\$ 830,989	(72,103,879)	19,871	(72,084,008)
General revenues:							
Property taxes					70,047,127		70,047,127
Motor vehicle phase-out taxes					389,770		389,770
Telephone and State PILOT payments					414,649		414,649
Grants and aid not restricted for a specific program					2,616,801		2,616,801
Gain on sale of surplus equipment					91,615		91,615
Unrestricted investment earnings					19,397		19,397
Total general revenues and transfers					73,579,359	-	73,579,359
Change in Net Position					1,475,480	19,871	1,495,351
Net Position - beginning of year (As Restated)					(32,214,286)	27,816	(32,186,470)
Net Position - ending of year					\$ (30,738,806)	\$ 47,687	\$ (30,691,119)

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, 2016*

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 13,848,058	\$ 122,991	\$ -	\$ 2,390,933	\$ 705,295	\$ 17,067,277
Cash held in escrow	-	-	-	-	500,000	500,000
Accounts and other receivable, net	4,894,482	43,884	-	-	259,141	5,197,507
Due from federal and state governments	288,210	132,099	-	34,569,645	910,127	35,900,081
Prepaid expenditures	630,798	116,174	-	-	-	746,972
Due from other funds	516,935	5,013,252	-	-	1,036,799	6,566,986
TOTAL ASSETS	\$ 20,178,483	\$ 5,428,400	\$ -	\$ 36,960,578	\$ 3,411,362	\$ 65,978,823
LIABILITIES:						
Accounts payable	\$ 1,924,531	\$ 801,112	\$ -	\$ 254,666	\$ 224,570	\$ 3,204,879
Accrued liabilities	2,170,164	3,548,249	-	-	3,741	5,722,154
Due to other funds	4,386,305	1,079,039	-	22,140	1,081,539	6,569,023
Unearned revenue - other	-	-	-	-	261,375	261,375
TOTAL LIABILITIES	8,481,000	5,428,400	-	276,806	1,571,225	15,757,431
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes, EMS, Fines etc.	3,867,369	-	-	34,569,645	-	38,437,014
FUND BALANCES:						
Nonspendable	630,798	116,174	-	-	-	746,972
Restricted	-	-	-	2,114,127	1,454,319	3,568,446
Committed	2,163,016	-	-	-	385,818	2,548,834
Unassigned	5,036,300	(116,174)	-	-	-	4,920,126
TOTAL FUND BALANCES	7,830,114	-	-	2,114,127	1,840,137	11,784,378
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,178,483	\$ 5,428,400	\$ -	\$ 36,960,578	\$ 3,411,362	\$ 65,978,823

(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, 2016**

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	\$ 11,784,378
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, 2016.	51,155,613
Net Pension Assets and related Deferred Outflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	20,442,792
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.	(83,916,722)
Net Pension Liability and related Deferred Inflows of Resources for pension plans are reported in the Statement of Net Position of the Governmental Activities but are not reported on the Fund Statements.	(68,559,681)
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.	38,437,014
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, 2016.	(82,200)
Total Net Position reported in Exhibit A-1	<u><u>\$ (30,738,806)</u></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, 2016**

	General Fund	School Unrestricted Fund	Debt Service Fund	Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
General property taxes	\$ 69,694,231	\$ -	\$ -	\$ -	\$ -	\$ 69,694,231
Intergovernmental	3,596,492	18,244,786	-	2,881,379	3,658,668	28,381,325
Private grants	-	-	-	-	122,570	122,570
Licenses and fees	444,443	-	-	-	407,492	851,935
Investment income	14,149	-	23	2,382	2,843	19,397
Departmental	1,210,191	-	-	-	-	1,210,191
Contributions	-	2,200	-	-	52,350	54,550
State on behalf pension contribution	-	2,177,660	-	-	-	2,177,660
Medicaid reimbursement	-	987,571	-	-	-	987,571
Miscellaneous	1,196,001	68,197	-	120	7,509	1,271,827
TOTAL REVENUES	76,155,507	21,480,414	23	2,883,881	4,251,432	104,771,257
EXPENDITURES:						
Current:						
Legislative, judicial, and administrative	2,037,344					2,037,344
Department of finance	873,240					873,240
Public safety	15,785,543			451,232	402,248	16,639,023
Public services/works	4,585,472				302,078	4,887,550
Grants and contributions	1,420,686					1,420,686
Education	-	52,638,877			2,468,356	55,107,233
Other	12,570,884				188,671	12,759,555
Debt Service:						
Principal	1,339,979	46,227	2,235,000		178,322	3,799,528
Interest and other costs	464,040		40,940		26,983	531,963
Capital:						
Capital expenditures	1,041,058	713,915		1,406,922	1,417,239	4,579,134
TOTAL EXPENDITURES	40,118,246	53,399,019	2,275,940	1,858,154	4,983,897	102,635,256
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	36,037,261	(31,918,605)	(2,275,917)	1,025,727	(732,465)	2,136,001
OTHER FINANCING SOURCES (USES)						
Proceeds from issuance of debt obligations	-	-	-	-	414,499	414,499
Transfers in	-	33,437,190	579,005	-	1,394,791	35,410,986
Transfers out	(34,566,044)	(844,942)	-	-	-	(35,410,986)
TOTAL OTHER FINANCING SOURCES (USES)	(34,566,044)	32,592,248	579,005	-	1,809,290	414,499
NET CHANGE IN FUND BALANCES	1,471,217	673,643	(1,696,912)	1,025,727	1,076,825	2,550,500
FUND BALANCE BEGINNING OF YEAR	6,358,897	(673,643)	1,696,912	1,088,400	763,312	9,233,878
FUND BALANCE AT END OF YEAR	\$ 7,830,114	\$ -	\$ -	\$ 2,114,127	\$ 1,840,137	\$ 11,784,378

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, 2016**

Net Change in Fund Balances - Total Governmental Funds (Exhibit B-2):	\$ 2,550,500
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.	2,828,495
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.	(414,499)
Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position.	3,799,528
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 2016 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.	(3,403,124)
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, 2015.	95,864
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 2015.	(3,330,822)
Accrued interest on debt obligations is not recorded in the governmental funds as it will not be paid with current measurable and available resources. The change in accrued interest is reported in the government-wide statement of activities. This is the decrease in the accrual for the year ended June 30, 2016 versus June 30, 2015.	45,800
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 2016 the effect of the OPEB Liability and related components resulted in an increase in pension expense reported in the Government-Wide Statement of Activities as compared to the fund statements.	(1,286,714)
Premium on bond issuance is reported as revenue in the fund statements when it is received. However, the premium is recorded as a component of long-term debt in the government-wide statements and amortized over the life of the bond issuance. This is the amount bond premium amortized and which is recorded as a reduction of interest expense in the government-wide statement of activities.	54,201
Decrease in compensated absences. The governmental fund reflects this activity when it will be paid with measurable and available resources. The change from prior year balances is reflected in the statement of activities and changes in net position.	<u>536,251</u>
Change in Net Position of Governmental Activities in the Statement of Activities (Exhibit A-2)	<u>\$ 1,475,480</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, 2016
(With Comparative Totals for June 30, 2015)

	<u>Enterprise Funds</u>	
	<u>School Cafeteria</u> <u>(current year)</u>	<u>School Cafeteria</u> <u>(prior year)</u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 198,859	\$ 104,461
Other receivables	-	33,057
Due from other funds	2,037	2,037
Due from federal and state governments	52,444	78,502
Total Current Assets	<u>253,340</u>	<u>218,057</u>
Noncurrent Assets:		
Equipment	181,144	181,144
Accumulated depreciation	(154,716)	(137,246)
Total Noncurrent Assets	<u>26,428</u>	<u>43,898</u>
TOTAL ASSETS	<u>279,768</u>	<u>261,955</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	232,081	234,139
TOTAL LIABILITIES	<u>232,081</u>	<u>234,139</u>
NET POSITION:		
Net investment in capital assets	26,428	43,898
Unrestricted	21,259	(16,082)
TOTAL NET POSITION	<u>\$ 47,687</u>	<u>\$ 27,816</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)**

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
Operating revenues:		
Federal & State Grants for free and reduced lunch	\$ 868,316	\$ 817,601
Charges for usage and service	365,944	354,826
Total Operating Revenues	1,234,260	1,172,427
Operating expenses:		
Management operations costs	1,192,470	1,159,415
Maintenance and other costs	4,449	155
Depreciation expense	17,470	17,470
Total Operating Expenses	1,214,389	1,177,040
Change in Net Position	19,871	(4,613)
Net Position at beginning of year	27,816	32,429
Net Position at end of year	\$ 47,687	\$ 27,816

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, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	Enterprise Funds	
	School Cafeteria (current year)	School Cafeteria (prior year)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 365,944	\$ 354,826
Cash received from State and Federal Grants	894,374	785,786
Cash paid to suppliers for goods and services and other operating payments	(1,165,920)	(1,176,542)
Net cash provided (used) by operating activities	94,398	(35,930)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Decrease in amounts due from other funds	-	86,933
Net cash provided by noncapital financing activities	-	86,933
Net increase in cash and cash equivalents	94,398	51,003
Cash and cash equivalents, beginning of year	104,461	53,458
Cash and cash equivalents, end of year	\$ 198,859	\$ 104,461
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 19,871	\$ (4,613)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	17,470	17,470
(Increase) decrease in:		
Intergovernmental receivables	26,058	(31,815)
Other receivables	33,057	(33,057)
Increase (decrease) in:		
Accounts payable	(2,058)	16,085
Net cash provided (used) by operating activities	\$ 94,398	\$ (35,930)

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, 2016

	Police Pension Trust Fund	OPEB Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 1,147,662	\$ 806	\$ 526,935
Investments	35,512,931	763,979	-
Receivables	20,164	-	26,326
TOTAL ASSETS	<u>36,680,757</u>	<u>764,785</u>	<u>553,261</u>
LIABILITIES			
Deposits held in custody for others	-	-	553,261
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>553,261</u>
NET POSITION			
Held in trust for OPEB benefits		764,785	
Held in trust for pension benefits	36,680,757		-
TOTAL NET POSITION	<u>\$ 36,680,757</u>	<u>\$ 764,785</u>	<u>\$ -</u>

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

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2016

	Police Pension <u>Trust Fund</u>	OPEB <u>Trust Fund</u>
ADDITIONS:		
Contributions - employer	\$ 832,616	\$ 250,000
Contributions - plan members	315,247	
Investment interest and dividends	1,114,986	10,169
Realized and unrealized gains and (losses)	<u>(752,374)</u>	<u>5,296</u>
TOTAL ADDITIONS	<u>1,510,475</u>	<u>265,465</u>
DEDUCTIONS:		
Benefits paid	2,225,216	-
Investment expense	<u>126,218</u>	<u>680</u>
TOTAL DEDUCTIONS	<u>2,351,434</u>	<u>680</u>
CHANGE IN NET POSITION	(840,959)	264,785
NET POSITION - BEGINNING OF YEAR	37,521,716	500,000
NET POSITION - END OF YEAR	<u>\$ 36,680,757</u>	<u>\$ 764,785</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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

The financial statements do not include any component units.

Basis of Presentation

Government-Wide Financial Statements

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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, 2016. 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, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major and Non-Major Funds

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

<u>Fund</u>	<u>Brief Description</u>
Major:	
General Fund:	See above for description.
Debt Service Fund:	This fund is used to report transfers from the General Fund that are restricted for principal and interest payments on the deficit reduction bond. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Special Revenue Funds: School Unrestricted Fund	This fund is used to report all financial transactions of the North Providence School Department, which are not legally required to be accounted for separately.
Federal Forfeiture Fund	This fund is used to report all financial transactions of the Town of North Providence relative to funding received from the Department of Justice from federal seizures. The funding is restricted for expenditures relative to the Police Department operations.
Proprietary Funds: School Cafeteria	Accounts for the operations of the school breakfast and lunch programs of the North Providence School Department. <i>(This fund did not meet the definition for classification as a major fund. However, management has elected to present the fund as a major fund.)</i>
Non-Major:	
Special Revenue Funds:	The Town of North Providence currently maintains thirty-five (35) Special Revenue Funds which are considered to be non-major governmental funds. The School Restricted Funds is comprised of 17 individual Special Revenue Funds. The details of the Special Revenue Funds can be found in the combining fund exhibits located in supplementary information.
Capital Project Funds:	The Town of North Providence currently maintains four (4) Capital Project Funds which have been classified as non-major governmental funds. The details of these funds can be found in the combining fund exhibits located in supplementary information.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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 \$5,425,000 at June 30, 2016. The allowance for uncollectible accounts includes approximately \$3,858,000 for property taxes, \$568,000 for tax lien property, \$145,000 for municipal court fines, and \$854,000 for EMS rescue billing. Major receivable balances for the governmental activities include property taxes (approximately 89% of the net receivable balance at June 30, 2016).

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016**

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, 2016 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, 2016 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, 2014 and prior and is not collected within 60 days of June 30, 2016 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 pension 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, 2016**

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, 2016**

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, 2016**

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 \$83,916,722 are as follows:

Bonds payable, including bond premium	\$12,196,611
Note and lease purchase obligations	804,639
Accrued IBNR claims.....	571,691
Net OPEB liability	62,899,419
Compensated absences.....	<u>7,444,362</u>
Total	<u>\$83,916,722</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 \$2,828,495 difference are as follows:

Capital outlays capitalized Government-wide	\$4,726,082
Depreciation expense.....	<u>(1,897,587)</u>
Net adjustment – decrease net position	<u>\$2,828,495</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 (\$3,330,822) difference are as follows:

Unavailable revenue - ending.....	\$ 38,437,014
Unavailable revenue – beginning.....	<u>(41,767,836)</u>
Net adjustment –decrease net position	<u>(\$ 3,330,822)</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 (\$3,403,124) difference are as follows:

Decrease in Net Pension Asset for fiscal 2016	(\$ 325,839)
Increase in Deferred Outflows for pension plans	8,556,863
Increase in Net Pension Liability for fiscal 2016.....	(15,593,692)
Decrease in Deferred Inflows for pension plans	<u>3,959,544</u>
Net adjustment (increase net position).....	<u>(\$ 3,403,124)</u>

Recently Issued Accounting Standards

During the fiscal year ended June 30, 2016 the Town implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application.
- GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.
- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

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

- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, effective for the fiscal year ending June 30, 2017.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

- GASB Statement No. 81 – Irrevocable Split-Interest Agreements, effective for the fiscal year ending June 30, 2018.
- GASB Statement No. 82 – Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73, effective for the fiscal year ending June 30, 2017.
- GASB Statement No. 83 – Certain Asset Retirement Obligations, effective for the fiscal year ending June 30, 2019.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services (example - outstanding unfilled purchase orders). Encumbrance accounting is utilized by the Town's General Fund to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances are reported as expenditures for budgetary purposes but are not reported as expenditures in accordance with GAAP. At June 30, 2016 the Town included \$300,230 as budgetary basis expenditures in the General Fund for outstanding encumbrances.

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, 2015 from which the partial information was derived

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 was \$18,941,539 (including Fiduciary Funds of \$1,675,403) while the bank balance was approximately \$20,409,000. Of the bank balance, approximately \$750,000 was covered by federal depository insurance and the remaining amount was collateralized.

Investments

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

3. CASH AND INVESTMENTS (Continued)

At June 30, 2016 the Town's investments were maintained solely in the Fiduciary Funds. Investments in the Police Pension Trust Fund and the OPEB Trust Fund totaled \$35,512,931 and \$763,979, respectively. These investments consisted of the following:

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Rating</u>
Mutual Funds	\$ 18,154,123	n/a	n/a	not rated
Common Stock - Equities/ETFs	8,893,092	n/a	n/a	not rated
Corporate Bonds	764,741	2.00% - 8.50%	1/2017 - 2/2045	A2
Corporate Bonds	958,118	2.20% - 4.95%	3/2019- 6/2025	AA2
Corporate Bonds	491,353	1.90% - 5.50%	1/2018 - 10/2018	AA3
Corporate Bonds	749,665	1.85% - 7.90%	11/2018 - 2/2039	A1
Corporate Bonds	40,117	1.00%	5/30/2018	AA1
Corporate Bonds	456,162	1.30 - 8.625%	11/2018 - 9/2029	AAA
Corporate Bonds	49,025	4.00% - 5.63%	4/2024 - 5/2041	BAA1
Government Bonds	2,109,742	.625% - 4.625%	8/2021 - 8/2045	AAA
Government Asset Back/CMO	1,998,746	2.00% - 6.50%	4/2018 - 3/2044	not rated
Corporate Mortgage/Asset Backed	885,804	.210% - 3.76%	1/2018 - 8/2045	AAA
Foreign Bonds	507,406	1.674% - 5.30%	2/2018- 3/2025	A2
Foreign Bonds	192,801	4.125%	1/28/2021	AA3
Foreign Bonds	26,015	0%	09/01/16	A3
Total	<u>\$ 36,276,910</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	\$ 2,109,742	\$ 2,109,742		
U.S. Government Asset Backed/CMO	1,998,746	1,998,746		
Corporate Mortgage/Asset Backed	885,804		\$ 885,804	
Corporate Bonds	3,509,181	3,509,181		
Fixed Income Mutual Funds & ETFs	1,278,669	1,278,669		
Foreign Bonds	726,222		726,222	
U.S. Listed Equities	5,210,740	5,210,740		
Equity Mutual Funds and ETFs	18,786,162	18,786,162		
Multi-asset Mutual Funds	1,771,644	1,771,644		
Totals	<u>\$ 36,276,910</u>	<u>\$ 34,664,884</u>	<u>\$ 1,612,026</u>	<u>\$ -</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016 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, 2016 the Town's investments included investments in corporate and foreign bonds totaling \$4,235,403 which are subject to credit risk of the issuing entity.

4. PROPERTY TAXES

During the year ended June 30, 2016, the Town received \$389,770 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, 2016**

4. PROPERTY TAXES (Continued)

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

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

Net property taxes levied for fiscal year 2016 were based on a net assessed value of approximately \$2,174,922,000 at December 31, 2014 and amounted to approximately \$69,318,000. Collections on this assessment through June 30, 2016 amounted to approximately \$66,648,000, which represents approximately 96% of the total tax levy.

The Town recognizes property tax revenues in accordance with generally accepted accounting principles on the Fund statements. Unpaid property taxes as of June 30, 2016 (\$4,605,478) are recorded as a receivable, net of an allowance for uncollectible property taxes of \$3,858,000. Those net property taxes receivable which were not collected within the 60 days immediately following June 30, 2016 are recorded as unavailable revenue and amounted to \$3,609,008 at June 30, 2016. Property taxes recognized as revenue on the Fund statements for the fiscal year ended June 30, 2015 (due to their collection within the 60 days immediately following June 30, 2016) amounted to \$996,470.

5. ACCOUNTS RECEIVABLE

At June 30, 2016 General Fund accounts receivable on the fund statements consisted of the following:

	<u>Receivable Balance</u>	<u>Allowance</u>	<u>Net Receivable</u>
Property taxes	\$ 8,463,478	(\$3,858,000)	\$4,605,478
Tax lien property	568,332	(568,332)	-
Municipal Court fees.....	190,214	(144,759)	45,455
EMS Rescue billings	1,066,907	(854,000)	212,907
Other receivables	30,642	-	30,642
Total	<u>\$10,319,573</u>	<u>(\$5,425,091)</u>	<u>\$4,894,482</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

6. CAPITAL ASSETS

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

	Balances <u>7/1/15</u>	<u>Additions</u>	Retirements & <u>Disposals</u>	Balances <u>6/30/16</u>
Governmental Activities:				
Nondepreciable Assets:				
Land	\$ 16,184,150	\$ 1,255,000		\$ 17,439,150
Construction in progress	590,333	374,392	\$ -	964,725
Total nondepreciable assets	<u>16,774,483</u>	<u>1,629,392</u>	<u>-</u>	<u>18,403,875</u>
Depreciable Assets:				
Buildings and improvements	46,342,664	1,045,482		47,388,146
Land improvements	791,180	100,960		892,140
Vehicles	7,213,356	260,366		7,473,722
Equipment, furniture and fixtures	5,946,789	334,385		6,281,174
Infrastructure	7,714,102	1,355,497		9,069,599
Total depreciable assets	<u>68,008,091</u>	<u>3,096,690</u>	<u>-</u>	<u>71,104,781</u>
Total cost	<u>84,782,574</u>	<u>4,726,082</u>	<u>-</u>	<u>89,508,656</u>
Accumulated Depreciation:				
Building and improvements	(23,550,308)	(862,363)		(24,412,671)
Land improvements	(275,000)	(29,936)		(304,936)
Vehicles	(5,409,789)	(290,260)		(5,700,049)
Equipment, furnitures and fixtures	(2,764,760)	(393,647)		(3,158,407)
Infrastructure	(4,455,599)	(321,381)		(4,776,980)
Total acumulated depreciation	<u>(36,455,456)</u>	<u>(1,897,587)</u>	<u>-</u>	<u>(38,353,043)</u>
Net capital assets	<u>\$ 48,327,118</u>	<u>\$ 2,828,495</u>	<u>\$ -</u>	<u>\$ 51,155,613</u>
Business-type Activities:				
Machinery, equipment and furniture	\$ 181,144			\$ 181,144
Accumulated Depreciation:				
Machinery, equipment and furniture	(137,246)	\$ (17,470)	\$ -	(154,716)
Net capital assets	<u>\$ 43,898</u>	<u>\$ (17,470)</u>	<u>\$ -</u>	<u>\$ 26,428</u>

Depreciation expense for the year ended June 30, 2016 was charged to the following functions/programs of the Town:

Governmental Activities:	
Legislative, judicial and administrative	\$ 87,328
Public safety	577,042
Public services/works	277,030
Grants and Contributions	194,212
Education	761,975
Total	<u>\$ 1,897,587</u>
Business-type Activities:	
School Cafeteria Fund	<u>\$ 17,470</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

7. DUE FROM FEDERAL AND STATE GOVERNMENTS

Due from federal and state governments represent balances on contracts, awards, and grants as well as for services provided and consisted of the following at June 30, 2016:

General Fund:	
State of Rhode Island	\$ 288,210
School Unrestricted Fund:	
State of Rhode Island – EDS – Medicaid Funding	91,077
Rhode Island Department of Education	41,022
Federal Forfeiture Fund:	
U.S. Department of Justice	34,569,645
Non-Major Governmental Funds:	
State of Rhode Island (RIDE)	209,033
State of Rhode Island DEM, RIEMA and others	701,094
School Cafeteria Fund:	
State of Rhode Island	52,444
Total all fund types	<u>\$35,952,525</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, 2016 this amount was considered earned by the Town but is reported as unavailable for revenue recognition in the fund financial statements.

8. INTERFUND BALANCES

Interfund balances represent short-term advances from one fund (primarily the General Fund) to another fund. The advances may represent balances resulting from operating advances or reimbursement for expenditures paid by one fund on behalf of another fund. The composition of interfund balances at June 30, 2016 is as follows:

<u>Governmental Funds:</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund	\$ 516,935	\$4,386,305
School Unrestricted Fund	5,013,252	1,079,039
Federal Forfeiture Fund	-	22,140
Total Major Governmental Funds	<u>5,530,187</u>	<u>5,487,484</u>
Non-major Governmental Funds:		
Special Revenue Funds	1,019,037	495,549
Capital Project Funds	17,762	585,990
Total Non-Major Governmental Funds	<u>1,036,799</u>	<u>1,081,539</u>
Proprietary Funds:		
School Cafeteria Fund	2,037	-
Total Interfund Balances	<u>\$6,569,023</u>	<u>\$6,569,023</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

9. LONG-TERM DEBT

(a) At June 30, 2016, 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, 2015	Additions	Retirements	Outstanding June 30, 2016	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%	\$2,100,000		\$ 175,000	\$1,925,000	\$ 175,000
Deficit Funding Bond.....	07/15/10	10,500,000	07/15/15	2.8-4.12%	2,235,000		2,235,000	0	0
RIHEBC Refunding Bond	12/19/13	9,635,000	11/15/23	1.0% - 5.0%	8,840,000		820,000	8,020,000	850,000
General Obligation Refunding	2/27/14	2,165,000	9/15/23	.63% - 3.77%	1,880,000		280,000	1,600,000	265,000
School Building Authority Capital Bond	06/30/16	218,000	6/1/2021	.94%	0	\$ 218,000	0	218,000	44,000
Premium on Refunding Bond.....	12/19/13	542,013			487,812		54,201	433,611	0
Total general obligation bonds		\$26,560,013			15,542,812	218,000	3,564,201	12,196,611	1,334,000
Notes and lease purchase obligations:									
Back Hoe Loader.....	09/10/11	\$ 84,300	09/10/15	2.70%	17,303		17,303	0	0
2012 Ladder Truck	09/09/11	667,854	09/09/21	2.90%	412,417		63,919	348,498	65,773
2014 Pumper Truck	03/14/14	407,695	03/14/23	3.75%	324,452		35,527	288,925	36,859
2014 Appraisal Equipment	01/10/14	142,100	02/15/16	4.32%	47,676		47,676	0	0
2015 Medical Rescue Unit.....	08/17/15	196,499	07/01/2019	2.10%	0	196,499	78,876	117,623	0
Server and equipment (School).....	11/01/13	192,114	11/01/16	7.05%	95,820		46,227	49,593	49,593
Total lease purchase obligations ..		\$ 1,690,562			897,668	196,499	289,528	804,639	152,225
Compensated absences					7,980,613	0	536,251	7,444,362	750,000
IBNR claims					667,555	571,691	667,555	571,691	571,691
					8,648,168	571,691	1,203,806	8,016,053	1,321,691
Governmental activities long-term liabilities					\$25,088,648	\$986,190	\$5,057,535	\$21,017,303	\$2,807,916

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

9. LONG-TERM DEBT (Continued)

(b) Additional Debt Information

State law limits the amount of bonded debt that a municipality can enter into without legislation. The debt cap cannot exceed 3% of the assessed value of taxable property of the Town. Accordingly, the maximum bonded debt obligations that the Town of North Providence could enter into is approximately \$65,248,000 which is 3% of the assessed value of property at December 31, 2014 (\$2,174,922,000). The Town's total bonded debt at June 30, 2016 was \$11,763,000 which is less than the maximum amount allowed. Also some of the Towns bonded debt may be exempt from the 3% calculation resulting in additional amounts available within the cap. The total long-term debt of the Town (\$21,017,303) represents approximately 1.0% of the assessed value of the taxable property of the Town at June 30, 2016.

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 \$82,200 at June 30, 2016.

Compensated absences of \$7,444,362 at June 30, 2016 represent vested sick, personal, and vacation time earned by employees as of June 30, 2016 in accordance with their applicable employment contracts. This balance is comprised of \$4,880,427 for Town personnel and \$2,563,935 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>
2017	\$ 1,486,225	\$ 454,986	\$ 1,941,211
2018	1,513,318	407,708	1,921,026
2019	1,557,521	355,515	1,913,036
2020	1,595,850	298,501	1,894,351
2021	1,599,446	238,317	1,837,763
2022 – 2026	4,640,279	378,702	5,018,981
2027	175,000	7,438	182,438
Total	<u>\$12,567,639</u>	<u>\$2,141,167</u>	<u>\$14,698,806</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

9. LONG-TERM DEBT (Continued)

(d) Advanced and Current Refundings and Defeased Debt

Proceeds of refunding bonds are deposited into an irrevocable escrow trust. The trust is held by an independent trustee and is invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity. Accordingly, the escrow trust fund, as well as the defeased bonds, would not be reflected in the financial statements of the Town of North Providence, Rhode Island. The Town does not have any defeased bonds outstanding at June 30, 2016.

(e) Schedule of long-term debt by purpose at June 30, 2016 is as follows:

	<u>Amount</u>	<u>Percent</u>
School and public improvement bonds and premium	\$12,196,611	58%
Lease purchase obligations	804,639	4%
IBNR claims	571,691	3%
Compensated absences	<u>7,444,362</u>	<u>35%</u>
Total	<u><u>\$21,017,303</u></u>	<u>100%</u>

10. FUND BALANCES (DEFICITS)

(a) Fund Balances

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

At June 30, 2016 **Nonspendable Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General Fund:

Prepaid expenditures – health care deposits	\$573,000
Miscellaneous prepaid expenditures	<u>57,798</u>
Total General Fund	<u><u>630,798</u></u>

School Unrestricted Fund:

Prepaid expenditures	<u>116,174</u>
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Total Nonspendable Fund Balance \$746,972

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

10. FUND BALANCES (DEFICITS) (Continued)

(a) Fund Balances (Continued)

At June 30, 2016 **Restricted Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

Federal Forfeiture Fund:

Restricted for law enforcement expenditures	2,114,127
Total Major Governmental Funds	<u>2,114,127</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Community development programs	102,130
Police/Public safety programs	255,700
Preservation of records and technology	291,488
Educational programs	46,929
Community events	4,573
Youth commission project	202,379

Capital Project Funds:

School Capital Projects Fund	500,000
Town Capital Project Fund	51,120
Total NonMajor Governmental Fund	<u>1,454,319</u>

Total Restricted Fund Balance **\$3,568,446**

At June 30, 2016 **Committed Fund Balance** consisted of the following:

MAJOR GOVERNMENTAL FUNDS:

General fund:

Open purchase orders/encumbrances	\$ 300,230
Budgetary reserve in accordance with Resolution R15-008	<u>1,862,786</u>
Total General Fund Commitment	<u>2,163,016</u>

NONMAJOR GOVERNMENTAL FUNDS:

Special Revenue Funds:

Land acquisition and preservation	156,732
Recycling program	140,923

Capital Projects Funds:

Fire Equipment acquisitions	17,762
Elementary School improvements	70,401
Total NonMajor Governmental Fund	<u>385,818</u>

Total Committed Fund Balance **\$2,548,834**

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, 2016**

10. FUND EQUITY BALANCES (DEFICITS) (Continued)

(b) Fund Deficits (Continued)

The following individual funds had negative unassigned fund balance at June 30, 2016:

Major Governmental Fund:

School Unrestricted Fund..... \$116,174

The cumulative fund deficit of the School Unrestricted Fund at June 30, 2016 was \$0.

The deficit fund balance in the School Unrestricted Fund will be cleared in fiscal 2017 when the prepaid expenditures are charged against the fiscal 2017 budget appropriation. The deficit unassigned fund balance at June 30, 2016 was the result of prepaid expenditures being reported as a component of nonspendable fund balance.

The following individual funds had operating deficits for the fiscal year ending June 30, 2016:

Major Governmental Funds

Debt Service Fund..... \$1,696,912

Nonmajor Governmental Funds:

Special Revenue Funds

Community Fund Program \$ 382
 Treasury Forfeiture Fund..... 35,190
 Recording Fees Fund 28,620
 Roadway Aid Grant 27,485
 School Restricted Funds 154,057

Total deficits non-major governmental funds ... **\$245,734**

11. INTERFUND TRANSFERS

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs with revenue generated by the fund. The composition of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer Out</u>	School Unrestricted Fund	Proprietary Funds	Non-major Governmental Funds	Debt Service Fund	Total Transfer Out
General Fund	\$33,437,190	\$ -	\$ 549,849	\$579,005	\$34,566,044
School Unrestricted Fund	-	-	844,942	-	844,942
Total transfer in	<u>\$33,437,190</u>	<u>\$ -</u>	<u>\$1,394,791</u>	<u>\$579,005</u>	<u>\$35,410,986</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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, 2016**

12. 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, 2016**

12. 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, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Other benefit provisions (Continued)

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

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

Employees covered by benefit terms.

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

	General Employees MERS Plan	Fire Employees MERS Plan
Retirees and Beneficiaries	163	69
Inactive, Nonretired Members	116	12
Active Members	209	90
Total	488	171

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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 2016 were determined by the actuarial valuation dated June 30, 2013.

The contribution information for the fiscal year ended June 30, 2016 for the MERS Plans is as follows:

	General Employees MERS Plan	Fire Employees MERS Plan
Employer Contributions (rounded)	\$ 470,000	\$ 1,297,000
Covered Payroll (rounded)	\$ 6,907,000	\$ 5,505,000
Percentage of annual covered payroll	6.82%	23.56%

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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, 2015 measurement date (June 30, 2014 valuation rolled forward to June 30, 2015)	
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	20 years at June 30, 2015
Asset Valuation Method	5 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	<u>General Employees</u> 3.5% to 7.5%
	<u>Police & Fire Employees</u> 4% to 14%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS Police & Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS Police & Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments (COLA)	A 2% COLA is assumed after January 1, 2014.

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity:	38%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8%	3.98%
Private Equity	7%	9.99%
Core Fixed Income	15%	2.18%
Asbsolute Return Hedge Funds	7%	3.98%
Infrastructure	3%	5.70%
Real Estate	8%	4.85%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3%	7.80%
Total	100%	

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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)			
	Increase (Decrease)		
General Employees MERS Plan:	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances as of June 30, 2014	\$ 26,776,595	\$ 28,596,477	\$ (1,819,882)
Changes for the Year:			
Service Cost	563,314	-	563,314
Interest on the total pension liability	1,969,480	-	1,969,480
Changes in benefits	(43,256)	-	(43,256)
Difference between expected and actual experience	(951,302)	-	(951,302)
Changes in assumptions	-	-	-
Employer contributions	-	546,023	(546,023)
Employee contributions	-	68,652	(68,652)
Net investment income	-	661,148	(661,148)
Benefit payments, including employee refunds	(1,597,027)	(1,597,027)	-
Administrative expense	-	(26,534)	26,534
Other changes	-	(36,892)	36,892
Net Changes	<u>(58,791)</u>	<u>(384,630)</u>	<u>325,839</u>
Balances as of June 30, 2015	<u>\$ 26,717,804</u>	<u>\$ 28,211,847</u>	<u>\$ (1,494,043)</u>

Changes in the Net Pension Liability (Asset)			
	Increase (Decrease)		
Fire Employees MERS Plan:	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balances as of June 30, 2014	\$ 40,820,249	\$ 30,891,114	\$ 9,929,135
Changes for the Year:			
Service Cost	813,061	-	813,061
Interest on the total pension liability	3,007,667	-	3,007,667
Changes in benefits	337,396	-	337,396
Difference between expected and actual experience	(133,337)	-	(133,337)
Changes in assumptions	-	-	-
Employer contributions	-	1,289,951	(1,289,951)
Employee contributions	-	339,060	(339,060)
Net investment income	-	725,793	(725,793)
Benefit payments, including employee refunds	(2,249,114)	(2,249,114)	-
Administrative expense	-	(29,050)	29,050
Other changes	-	2,576	(2,576)
Net Changes	<u>1,775,673</u>	<u>79,216</u>	<u>1,696,457</u>
Balances as of June 30, 2015	<u>\$ 42,595,922</u>	<u>\$ 30,970,330</u>	<u>\$ 11,625,592</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Ending Net Pension Liability (Asset)		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
General Employees MERS Plan	\$ 1,345,122	\$ (1,494,043)	\$ (3,817,974)
Fire Employees MERS Plan	\$ 16,119,494	\$ 11,625,592	\$ 7,947,472

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, 2016 the Town of North Providence recognized pension expense in the Government-Wide Statement of Activities of:

General Employees MERS Plan	\$ (291)
Fire Employees MERS Plan	\$ 1,405,667

(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, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, the Town of North Providence's School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 who must contribute 11% of their annual covered salary. The state and the Town of North Providence are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town of North Providence; the rates were 9.41% and 13.73% of annual covered payroll for the fiscal year ended June 30, 2016 for the State and Town of North Providence, respectively. The Town of North Providence's School Department contributed approximately \$3,400,000, \$3,154,000, and \$2,785,000 for the fiscal years ended June 30, 2016, 2015 and 2014, 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, 2016 was approximately \$2,088,500. This amount has been included in the Fund Statements as revenue and educational expenditures for fiscal 2016.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Pension Liabilities and Pension Expense

At June 30, 2016, the Town of North Providence reported a liability of \$39,842,958 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.....	\$39,842,958
State of Rhode Island's proportionate share of the net pension liability associated with the Town of North Providence	<u>27,219,459</u>
Total net pension liability.....	<u>\$67,062,417</u>

The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The Town 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, 2015 the Town of North Providence's proportion was 1.44752546%.

For the year ended June 30, 2016 the Town of North Providence recognized gross pension expense in the Government-wide financial statements of approximately \$9,117,000 and operating grants and contributions for education of approximately \$3,305,200 for support provided by the State.

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

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

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

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

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, 2016**

12. 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 23 sources. The June 30, 2015 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity:	38%	-
U.S. Equity	-	6.93%
International Developed	-	7.32%
International Emerging Markets	-	9.52%
Equity Hedge Funds	8%	3.98%
Private Equity	7%	9.99%
Core Fixed Income	15%	2.18%
Asbsolute Return Hedge Funds	7%	3.98%
Infrastructure	3%	5.70%
Real Estate	8%	4.85%
Other Real Return Assets:	11%	-
Master Limited Partnerships	-	4.51%
Credit	-	4.51%
Inflation Linked Bonds	-	1.24%
Cash, Overlay, Money Market	3%	7.80%
Total	<u>100%</u>	

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

	Ending Net Pension Liability (Asset)		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Teacher's Pension Plan - ERS	\$ 49,962,749	\$ 39,842,958	\$ 31,558,477

(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, 2016. The covered payroll for employees covered by the plan for the year ended June 30, 2016 was approximately \$3,941,000.

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, 2016**

12. 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. The plan actuarial valuation dated July 1, 2014 was used to determine the Town's annual required contribution for the fiscal year ended June 30, 2016. The Town's actuarially determined contribution for the fiscal year ended June 30, 2016 was \$812,452. The Town contributed \$832,616 or 102.5% of the required contribution for fiscal 2016.

Actuarial Methods and Assumptions:

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

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Actuarial Methods and Assumptions (Continued):

Funding Method - Entry Age Normal Cost Method

Investment Return – 7.25%

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

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

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

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

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

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

Withdrawal –	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, 2016 (latest available) can be obtained by contacting the Finance Department, Town of North Providence, 2000 Smith Street, North Providence, RI 02911.

Plan Administration

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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, 2016 the Town's Police Pension Trust Fund investments were diversified in such a manner where no one investment accounted for 5% or more of the of the pension plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2016 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was .73%. 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, 2016**

12. 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, 2016 are summarized in the following table:

Asset Class:	Long-Term Expected Rate of Return
Cash	-0.24%
Equity	5.75%
Fixed Income	1.25%
Real Estate	5.84%
Other	4.06%

Net Pension Liability

The net pension liability consisted of the following components at June 30, 2015:

Component:	Police Pension Plan Trust Fund
Total pension liability	\$44,148,794
Plan fiduciary net position	\$36,680,757
Net pension liability	\$7,468,037
Plan fiduciary net position as a percentage of the total pension liability	83.08%

Discount Rate

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. DEFINED BENEFIT PENSION PLANS (Continued)

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

Police Pension Plan - Trust Fund	Changes in the Net Pension Liability (Asset)		Net Pension Liability (Asset)
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	
Balances as of June 30, 2015	\$ 41,210,651	\$ 37,521,716	\$ 3,688,935
Changes for the Year:			
Service Cost	828,290	-	828,290
Interest on the total pension liability	2,967,159	-	2,967,159
Difference between expected and actual experience	2,283,764	-	2,283,764
Changes in assumptions	(915,854)	-	(915,854)
Employer contributions	-	832,616	(832,616)
Employee contributions	-	315,247	(315,247)
Net investment income	-	362,612	(362,612)
Benefit payments, including employee refunds	(2,225,216)	(2,225,216)	-
Administrative expense	-	(126,218)	126,218
Net Changes	<u>2,938,143</u>	<u>(840,959)</u>	<u>3,779,102</u>
Balances as of June 30, 2016	<u>\$ 44,148,794</u>	<u>\$ 36,680,757</u>	<u>\$ 7,468,037</u>

For the year ended June 30, 2016 the Town of North Providence recognized pension expense of \$2,185,337 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (asset)	\$13,291,506	\$7,468,037	\$2,323,200

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

12. 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	Total All Plans
Deferred Outflows of Resources:					
Contributions subsequent to measurement date	\$ 469,948	\$ 1,296,885	\$ 3,399,995	\$ -	\$ 5,166,828
Net Difference between projected and actual earnings	19,398	8,506	-	3,508,218	3,536,122
Changes in proportion and difference in employers contribution proportion	-	-	5,343,920	-	5,343,920
Difference between actual and expected experience	-	-	-	1,827,011	1,827,011
Total Deferred Outflows of Resources	489,346	1,305,391	8,743,915	5,335,229	15,873,881
Deferred Inflows of Resources:					
Difference between actual and expected experience	724,996	110,204	259,432	82,761	1,177,393
Difference between projected and actual earnings	-	-	30,057	-	30,057
Changes in assumptions	87,538	175,254	1,071,114	732,683	2,066,589
Total Deferred Inflows of Resources	812,534	285,458	1,360,603	815,444	3,274,039
Net Deferred Outflows (Inflows)	\$ (323,188)	\$ 1,019,933	\$ 7,383,312	\$ 4,519,785	\$ 12,599,842

Deferred outflows of resources related to 2016 contributions to pension plans subsequent to the measurement date (June 30, 2015 where applicable) will be recognized as a reduction of the net pension liability for the year ended June 30, 2017.

Other amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2016 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, 2016**

12. 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	
	<hr/>	
2017.....	\$	1,159,209
2018.....		1,159,209
2019.....		1,195,455
2020.....		2,407,979
2021.....		559,649
Thereafter.....		951,513
Total.....	\$	7,433,014
		<hr/>

13. DEFINED CONTRIBUTION PENSION PLAN

Plan Description:

General municipal, certified school, and noncertified school employees participating in the defined benefit plans administered by the State of Rhode Island with less than 20 years of service as of June 30, 2012, as described in Note 12, also participate in a defined contribution plan authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

The plan members and Town contributed approximately \$1,169,000 and \$165,000, respectively, during the fiscal year ended June 30, 2016. The employer contribution of \$165,000 consisted of approximately \$47,000 for general municipal employees, \$25,000 for noncertified school employees, and \$93,000 for certified teachers.

Although the Town (School Department) is required to contribute 1% to 1.5% towards the plan for certified teachers, the School Department receives reimbursement from the State of Rhode Island for .4% of 1% to 1.5% of the required contributions. For financial reporting purposes, the State's share of the contribution is reflected as on-behalf payments and is included as both revenue and expenditures in the accompanying financial statements. The on-behalf contributions for the defined contribution plan for the fiscal year ended June 30, 2016 amounted to approximately \$89,200.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

13. DEFINED CONTRIBUTION PENSION PLAN (Continued)

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

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

	<u>EE</u> <u>Contribution</u>	<u>ER</u> <u>Contribution</u>
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%

14. 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, 2016**

15. 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, 2016 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, 2016 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, 2016. Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2016 were as follows:

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

Approximate changes in the balances of self-insured claims liabilities as of and during the year ended June 30, 2015 were as follows:

Incurred but not reported claims (IBNR), June 30, 2014.....	\$ 742,808
Approximate amount of incurred claims	11,399,607
Paid claims including amount in accounts payable at June 30, 2015	<u>(11,474,860)</u>
Estimated IBNR Claims outstanding at June 30, 2015	<u>\$ 667,555</u>

The estimated IBNR claims liability represents claims which occurred prior to June 30, 2016 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, 2016. The IBNR claims outstanding at June 30, 2016 are comprised of \$300,803 and \$270,888 related to Town and School employees, respectively.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

At June 30, 2016 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.

16. 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, 2016.

17. OTHER POST EMPLOYMENT BENEFITS – OPEB PLAN

In addition to the pension benefits described in Notes 12 and 13, the Town provides post-employment health care benefits and dental in accordance with certain union contracts. The Town administers a single-employer defined benefit plan and presents the information for this Plan in the Fiduciary Fund Statements and the OPEB liability and related deferred inflows and outflows in the Government-Wide Statement of Net Position in accordance with GASB No. 75.

Eligibility:

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

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

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Eligibility (Continued):

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

General Employees:

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

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

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

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

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

Employees Covered by Benefit Terms:

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

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

Net OPEB Liability:

The following is a summary of the net OPEB liability as of June 30, 2016:

	<u>Town</u>	<u>School</u>	<u>Total</u>
Total OPEB Liability	\$ 56,717,102	\$ 6,947,102	\$ 63,664,204
Actuarial Value of Assets	764,785	-	764,785
Net OPEB Liability	<u>\$ 55,952,317</u>	<u>\$ 6,947,102</u>	<u>\$ 62,899,419</u>
Funded Ratio	1.3%	0.0%	1.2%

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Net OPEB Liability:

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

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, 2015	\$ 57,198,352	\$ 500,000	\$ 56,698,352
Changes for the Year:			
Service Cost	2,725,113	-	2,725,113
Interest on the total OPEB liability	2,233,318	-	2,233,318
Changes in benefits	(2,583)	-	(2,583)
Difference between expected and actual experience	(5,905,518)	-	(5,905,518)
Changes in assumptions	3,226,250	-	3,226,250
Employer contributions	-	3,007,830	(3,007,830)
Net investment income	-	15,465	(15,465)
Benefit payments	(2,757,830)	(2,757,830)	-
Administrative expense	-	(680)	680
Net Changes	(481,250)	264,785	(746,035)
Balances as of June 30, 2016	\$ 56,717,102	\$ 764,785	\$ 55,952,317

School - OPEB Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2015	\$ 8,188,540	\$ -	\$ 8,188,540
Changes for the Year:			
Service Cost	294,094	-	294,094
Interest on the total OPEB liability	315,409	-	315,409
Changes in benefits	(367,084)	-	(367,084)
Difference between expected and actual experience	(937,473)	-	(937,473)
Changes in assumptions	66,260	-	66,260
Employer contributions	-	612,644	(612,644)
Benefit payments	(612,644)	(612,644)	-
Net Changes	(1,241,438)	-	(1,241,438)
Balances as of June 30, 2016	\$ 6,947,102	\$ -	\$ 6,947,102

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Discount Rate:

The long-term expected rate of return in the Town's OPEB plan investments is 7.5%. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments should be the yield for a 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Accordingly, for the fiscal year ended June 30, 2016 the discount rate utilized for both the Town and School OPEB plan was 2.92%. The basis for utilizing this discount rate was that the Town will contribute \$750,000 to the OPEB plan for fiscal 2017 and \$250,000 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, 2016 calculated using the discount rate assumed (2.92%) and what the liability would be using a discount rate that is 1% higher and 1% lower than the current rate.

	Ending Net OPEB Liability (Asset)		
	1% Decrease (1.92%)	Current Discount Rate (2.92%)	1% Increase (3.92%)
Town OPEB Plan	\$ 61,054,370	\$ 55,952,317	\$ 51,373,442
School OPEB Plan	\$ 7,295,131	\$ 6,947,102	\$ 6,606,045

Healthcare Trend Rates:

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

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

The following presents the net OPEB liability as of June 30, 2016 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% decreasing to 4%	Healthcare Trend Rate 9% decreasing to 5%	1% Increase 10% decreasing to 6%
Town OPEB Plan	\$ 50,445,510	\$ 55,952,317	\$ 62,370,074
School OPEB Plan	\$ 6,433,852	\$ 6,947,102	\$ 7,523,498

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

OPEB Expense:

For the year ended June 30, 2016 the Town's Government-Wide Statement of Activities recognized OPEB expense of \$4,907,187 which consisted of \$4,731,784 for the Town plan and \$175,403 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, 2016 in the Government-Wide Statement of Net Position as follows:

	Town OPEB Plan	School OPEB Plan	Total All Plans
Deferred Outflows of Resources:			
Net Difference between projected and actual earnings	\$ 17,901	\$ -	\$ 17,901
Changes in assumptions	2,995,804	61,163	3,056,967
Total Deferred Outflows of Resources:	3,013,705	61,163	3,074,868
Deferred Inflows of Resources:			
Difference between actual and expected experience	5,483,695	865,360	6,349,055
Total Deferred Inflows of Resources:	5,483,695	865,360	6,349,055
Net Deferred Outflows (Inflows)	\$ (2,469,990)	\$ (804,197)	\$ (3,274,187)

The amounts noted above and reported as deferred outflows or inflows of resources at June 30, 2016 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
2017.....	\$ (253,918)
2018.....	(253,918)
2019.....	(253,918)
2020.....	(253,917)
2021.....	(258,393)
Thereafter.....	(2,000,123)
Total.....	\$ (3,274,187)

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

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

Valuation date:	June 30, 2016
Measurement date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal Level %
Discount Rate:	Accounting 2.92% for Town and School. Funding - 7.5% for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire and 3.5% for all other employees except Police plus merit and longevity increases. The assumptions are based on the RI ERS and MERS actuarial valuation as of June 30, 2015.
Asset Method:	Market value of assets.
Employer Funding Policy:	Town is expected to contribute \$250,000 for fiscal 2017 and the actuarially determined contribution beginning in fiscal 2018. The School Department funds on a pay-as-you-go basis.
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 2017 decreasing by .5% annually through fiscal 2025 at which time the trend rate for medical and prescriptions remains at 5%. Annual dental trend is assumed to be 3%.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Rate of Return

For the year ended June 30, 2016 the annual money-weighted weighted rate of return on OPEB plan investments, net of plan expense was 1.68%. 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.

18. FEDERAL FORFEITURE FUND

The Federal Forfeiture Fund includes \$34,569,645 due from federal and state governments. This amount has also been reported as unavailable revenue at June 30, 2016 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.

19. RESTATEMENT

The net position at June 30, 2015 has been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of this new standard.

Net Position, Governmental Activities June 30, 2015	
as originally reported	\$17,438,623
Record Net OPEB Liability at beginning of year.....	(64,886,892)
Remove Net OPEB Obligation as recorded	
at the beginning of the year	<u>15,233,983</u>
Net Position, Governmental Activities, June 30, 2015	
As restated	<u>(\$32,214,286)</u>
Total Net Position June 30, 2015 as originally stated.	\$17,466,439
Net decrease in net position as noted above	<u>(49,652,909)</u>
Net Position, June 30, 2015, as restated	<u>(\$32,186,470)</u>

(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, 2016

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Property taxes:			
Current taxes	\$ 66,119,652	\$ 66,654,696	\$ 535,044
Prior taxes	2,500,000	2,514,892	14,892
Total taxes current and prior	68,619,652	69,169,588	549,936
Interest on delinquent accounts	500,000	524,643	24,643
Total property taxes	69,119,652	69,694,231	574,579
State & Federal Aid:			
School construction aid	196,593	1,124,008	927,415
Meal Tax	340,404	346,028	5,624
State motor vehicle phase-out	393,578	389,770	(3,808)
Telephone tax	435,538	414,649	(20,889)
Library aid	175,272	175,272	-
In lieu of property taxes	624,679	-	(624,679)
State aid to education	18,044,074	18,244,621	200,547
Medicaid reimbursement (Education Department)	850,000	987,571	137,571
School miscellaneous receipts	100,000	70,397	(29,603)
State municipal incentive aid	-	152,777	152,777
State community relief fund	989,710	993,988	4,278
Total state aid - Town	22,149,848	22,899,081	749,233
Licenses, fees and rents:			
Pool & fitness center	220,000	168,704	(51,296)
Notte Park	-	58,306	58,306
Data processing services	14,000	14,000	-
Rental of Town properties	160,000	203,433	43,433
Total licenses, fees and rents	394,000	444,443	50,443
Investment income - short term	-	14,149	14,149
Departmental revenues:			
Building inspection revenue	300,000	346,455	46,455
Town clerk receipts	620,000	732,000	112,000
Municipal court revenue	85,000	131,736	46,736
Total departmental revenues	1,005,000	1,210,191	205,191
Miscellaneous revenues:			
Housing authority - in lieu of taxes	25,500	26,920	1,420
Miscellaneous Receipts	50,000	74,649	24,649
Fines and Penalties	-	34,333	34,333
Tax collector costs	60,000	80,338	20,338
Sale of surplus equipment	10,000	91,615	81,615
EMS rescue services	950,000	888,146	(61,854)
Total miscellaneous revenues	1,095,500	1,196,001	100,501
Total Revenues	93,764,000	95,458,096	1,694,096
Other Financing Sources:			
Use of Surplus Fund Balance	125,000	-	(125,000)
Total Revenues and Other Financing Sources	93,889,000	95,458,096	1,569,096

(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, 2016

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:			
Legislative, judicial and general administrative:			
Administration	221,355	191,624	29,731
Town council	743,975	121,918	622,057
Town council contingency	125,000	-	125,000
Town clerk	190,413	189,302	1,111
Legal department	386,834	410,398	(23,564)
Public Buildings	1,053,259	1,402,284	(349,025)
Board of canvassers	105,693	99,130	6,563
Human resources	45,881	27,848	18,033
Zoning board of review	35,250	28,425	6,825
Planning department /economic development	112,511	136,393	(23,882)
Other (departments)	93,600	56,263	37,337
Total general government	3,113,771	2,663,585	450,186
Department of Finance:			
Finance Director/Town Treasurer	324,642	288,079	36,563
Tax collector	358,624	330,632	27,992
Tax assessor	201,807	200,680	1,127
Purchasing	65,120	62,579	2,541
Auditing financial records	35,000	38,946	(3,946)
Total department of finance	985,193	920,916	64,277
Public Safety:			
Fire Department	8,922,877	8,484,117	438,760
Police Department	6,584,192	5,842,436	741,756
Communication Division	416,046	443,807	(27,761)
Division of inspections	210,035	192,972	17,063
Division of automotive repair	541,057	613,728	(72,671)
Civil Defense	6,750	10,898	(4,148)
Fire hydrants	253,000	225,432	27,568
Total public safety	16,933,957	15,813,390	1,120,567
Public Services/Works:			
Street lights	650,000	614,222	35,778
Beautification	3,000	448	2,552
Department of public works	1,647,605	1,570,768	76,837
Recreation department	484,054	528,044	(43,990)
Environmental protection	1,928,890	1,911,202	17,688
Local welfare	10,574	9,951	623
Total public services/works	4,724,123	4,634,635	89,488
Grants & Contributions:			
Grants to organizations	15,500	14,578	922
Grant to senior center	539,485	539,485	-
Grant to library	866,077	866,623	(546)
Total grants and contributions	1,421,062	1,420,686	376

(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, 2016

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other expenditures:			
Insurance	883,000	873,773	9,227
Employee fringe benefits and unemployment compensation	11,311,745	11,310,678	1,067
Contingent - Deficit Reduction Plan	579,005	579,005	-
Road resurfacing	709,989	1,041,058	(331,069)
Contingent - Consultant	90,000	86,190	3,810
Contingent - Miscellaneous	50,000	311,533	(261,533)
Total other expenditures	13,623,739	14,202,237	(578,498)
Debt Service:			
Bond and note principal	1,275,000	1,275,000	-
Bond and note interest	467,821	464,040	3,781
Total debt service	1,742,821	1,739,040	3,781
Total expenditures	42,544,666	41,394,489	1,150,177
Excess of revenues and other financing sources over expenditures	51,344,334	54,063,607	2,719,273
Other financing uses:			
Transfer to School - Town Appropriation	(32,350,260)	(32,350,260)	-
Transfer to School - State Aid for Education	(18,044,074)	(18,244,621)	(200,547)
Transfer to Town Capital Project and Special Revenue Funds	-	(152,841)	(152,841)
Transfer to School - Medicaid Receipts	(850,000)	(987,571)	(137,571)
Transfer to School - Miscellaneous Receipts	(100,000)	(70,397)	29,603
Transfer to School - Deficit Reduction	-	(1,086,930)	(1,086,930)
Total other financing uses	(51,344,334)	(52,892,620)	(1,548,286)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 1,170,987	\$ 1,170,987

(CONCLUDED)

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

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
State Aid	\$ 18,150,245	\$ 18,191,725	\$ 18,244,786	\$ 53,061
Medicaid Reimbursement	925,000	925,000	987,571	62,571
Miscellaneous Revenue	105,200	105,200	70,397	(34,803)
Total revenues	<u>19,180,445</u>	<u>19,221,925</u>	<u>19,302,754</u>	<u>80,829</u>
Expenditures:				
Salaries	27,430,500	27,272,500	27,350,718	(78,218)
Employee benefits	11,627,400	11,485,950	11,411,372	74,578
Purchased services	10,153,985	10,250,985	9,829,098	421,887
Supplies and materials	1,761,350	1,761,350	1,808,888	(47,538)
Capital outlay	845,200	1,223,200	713,915	509,285
Other	78,200	78,200	107,368	(29,168)
Total expenditures	<u>51,896,635</u>	<u>52,072,185</u>	<u>51,221,359</u>	<u>850,826</u>
Excess of revenues over (under) expenditures before other financing sources (uses)	<u>(32,716,190)</u>	<u>(32,850,260)</u>	<u>(31,918,605)</u>	<u>931,655</u>
Other financing sources (uses):				
Operating transfer from the Town	32,641,190	32,350,260	32,350,260	-
Capital budget funding from Capital Reserve Fund	75,000	500,000	-	(500,000)
Deficit reduction supplemental transfer from Town	-	-	1,086,930	1,086,930
Transfer to School Capital Projects Fund	-	-	(844,942)	(844,942)
Total other financing sources (uses)	<u>32,716,190</u>	<u>32,850,260</u>	<u>32,592,248</u>	<u>(258,012)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 673,643</u>	<u>\$ 673,643</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, 2016**

	<u>Revenues & Other Financing Sources</u>	<u>Expenditures & Other Financing Uses</u>
Town General Fund:		
Total per budgetary basis of accounting - RSI-1	\$ 95,458,096	\$ 94,287,109
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.	(19,302,589)	(19,302,589)
Encumbrance recorded as expenditures for budgetary purposes but not reported as an expenditure in accordance with GAAP.		(300,230)
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 76,155,507</u>	<u>\$ 74,684,290</u>
School Unrestricted Fund:		
Total per budgetary basis of accounting - RSI-2	\$ 52,739,944	\$ 52,066,301
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>2,177,660</u>	<u>2,177,660</u>
Total per GAAP basis of accounting - Exhibit B-2	<u>\$ 54,917,604</u>	<u>\$ 54,243,961</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, 2015	June 30, 2014
Total pension liability:		
Service cost	\$ 563,314	\$ 589,114
Interest on the Total Pension Liability	1,969,480	1,913,568
Changes of benefit terms	(43,256)	-
Differences between expected and actual experience	(951,302)	-
Changes in assumptions	-	(159,026)
Benefit payments	(1,597,027)	(1,573,501)
Net change in total pension liability	(58,791)	770,155
Total pension liability - beginning of year	26,776,595	26,006,440
Total pension liability - ending of year (a)	<u>\$ 26,717,804</u>	<u>\$ 26,776,595</u>
Plan fiduciary net position:		
Contribution - employer	\$ 546,023	\$ 482,264
Contribution - employee	68,652	79,175
Net investment income	661,148	3,808,732
Benefit payments	(1,597,027)	(1,573,501)
Administrative expenses	(26,534)	(23,850)
Other	(36,892)	(461,536)
Net change in plan fiduciary net position	(384,630)	2,311,284
Plan fiduciary net position - beginning of year	28,596,477	26,285,193
Plan fiduciary net position - ending of year (b)	<u>\$ 28,211,847</u>	<u>\$ 28,596,477</u>
Plan's net pension liability (asset) - ending (a)-(b)	<u>\$ (1,494,043)</u>	<u>\$ (1,819,882)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.59%	106.80%
Covered-employee payroll	\$ 6,828,046	\$ 6,802,707
Net pension liability as a percentage of covered-employee payroll	-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, 2016 only two 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%

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, 2016 only two 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, 2015	June 30, 2014
Total pension liability:		
Service cost	\$ 813,061	\$ 860,112
Interest on the Total Pension Liability	3,007,667	2,907,446
Changes of benefit terms	337,396	-
Differences between expected and actual experience	(133,337)	-
Changes in assumptions	-	(239,140)
Benefit payments	(2,249,114)	(2,088,125)
Net change in total pension liability	1,775,673	1,440,293
Total pension liability - beginning of year	40,820,249	39,379,956
Total pension liability - ending of year (a)	\$ 42,595,922	\$ 40,820,249
Plan fiduciary net position:		
Contribution - employer	\$ 1,289,951	\$ 912,444
Contribution - employee	339,060	364,178
Net investment income	725,793	4,114,352
Benefit payments	(2,249,114)	(2,088,125)
Administrative expenses	(29,050)	(25,764)
Other	2,576	4,947
Net change in plan fiduciary net position	79,216	3,282,032
Plan fiduciary net position - beginning of year	30,891,114	27,609,082
Plan fiduciary net position - ending of year (b)	\$ 30,970,330	\$ 30,891,114
Plan's net pension liability (asset) - ending (a)-(b)	\$ 11,625,592	\$ 9,929,135
Plan fiduciary net position as a percentage of the total pension liability	72.71%	75.68%
Covered-employee payroll	\$ 4,886,183	\$ 5,206,491
Net pension liability as a percentage of covered-employee payroll	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, 2016 only two 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%

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, 2016 only two 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, 2012 determined the contribution rates for fiscal 2015.

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	20 years as of June 30, 2015
Asset Valuation Method:	5 year smoothed market
Investment rate of return:	7.50%
Projected salary increases:	3.5% - 7.5% for general employees 4% to 14% for police and fire employees
Inflation:	2.75%
Mortality:	Male employees, MERS General and MERS Police and Fire: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. Female employees, MERS General and MERS Police and Fire: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Employer's proportion of the net pension liability	1.44752546%	1.22123336%
Employer's proportionate share of the net pension liability	\$ 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	\$ 27,219,459	\$ 20,383,682
Total net pension liability	<u>\$ 67,062,417</u>	<u>\$ 50,108,507</u>
Employer's covered payroll	\$ 23,970,000	\$ 23,525,000
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	166.22%	126.35%
Plan fiduciary net position as a percentage of the total pension liability	57.6%	61.4%

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, 2016 only two 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%

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, 2016 only two years are available.

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

The following reflects the changes in benefit provisions for the Municipal Employers Retirement System (MERS), and the State Employees Retirement System/ERS (Teachers Plan) which are administered by the State of Rhode Island - ERSRI.

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

Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees (and teachers) and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.

Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision).

Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan based on the members years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service) . Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.

Members who retired from a COLA eligible plan before 7/1/2012 will receive a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.

Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5 year intervals.

The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)

Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Police Pension Trust Fund
For the Year Ended June 30, 2016

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

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2016 only three years are available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedules of Employer Contributions and Investment Returns
Police Pension Trust Fund
June 30, 2016

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	2016	\$812,452	\$832,616	\$20,164	\$ 3,811,043	21.85%
	2015	\$849,111	\$849,111	\$0	\$ 3,751,058	22.64%
	2014	\$849,111	\$849,111	\$0	\$ 3,751,058	22.64%
	2013	\$1,675,153	\$22,318,088	\$20,642,935	\$ 3,583,371	622.82%
	2012	\$1,675,153	\$1,568,508	(\$106,645)	\$ 3,583,371	43.77%
	2011	\$1,529,633	\$787,295	(\$742,338)	\$ 3,833,169	20.54%
	2010	\$1,529,633	\$746,432	(\$783,201)	\$ 3,833,169	19.47%
	2009	\$1,529,633	\$820,963	(\$708,670)	\$ 3,833,169	21.42%
	2008	\$1,525,120	\$606,159	(\$918,961)	\$ 3,881,749	15.62%
	2007	\$1,255,035	\$967,426	(\$287,609)	\$ 3,671,759	26.35%

Schedule of Investment Returns

	Year Ended June 30	Actual Money Weighted Rate of Return, Net of Investment Expenses
Police Pension Trust Fund	2016	0.73%
	2015	-0.02%
	2014	14.28%

The information in these schedules is intended to show 10 years. However as of June 30, 2016 only three years are available for the Schedule of Investment Returns.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
OPEB Trust Fund - Town
For the Year Ended June 30, 2016

	<u>Town OPEB Trust Fund 2016</u>
Total pension liability:	
Service cost	\$ 2,725,113
Interest	2,233,318
Change in benefit terms	(2,583)
Differences between expected and actual experience	(5,905,518)
Changes in assumptions	3,226,250
Benefit payments	<u>(2,757,830)</u>
Net change in total pension liability	(481,250)
Total pension liability - beginning	<u>57,198,352</u>
Total pension liability - ending (a)	<u>\$ 56,717,102</u>
Plan fiduciary net position:	
Contribution - employer	\$ 3,007,830
Contribution - employee	-
Net investment income	15,465
Benefit payments, including refunds of employee contributions	(2,757,830)
Administrative expenses	<u>(680)</u>
Net change in plan fiduciary net position	264,785
Plan fiduciary net position - beginning	<u>500,000</u>
Plan fiduciary net position - ending (b)	<u>\$ 764,785</u>
Plan's net pension liability - ending (a)-(b)	<u>\$ 55,952,317</u>
Plan fiduciary net position as a percentage of the total pension liability	1.35%
Covered-employee payroll	\$ 13,102,224
Net pension liability as a percentage of covered-employee payroll	427.04%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2016 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 - School
For the Year Ended June 30, 2016

	School OPEB Trust Fund 2016
Total pension liability:	
Service cost	\$ 294,094
Interest	315,409
Change in benefit terms	(367,084)
Differences between expected and actual experience	(937,473)
Changes in assumptions	66,260
Benefit payments	<u>(612,644)</u>
Net change in total pension liability	(1,241,438)
Total pension liability - beginning	<u>8,188,540</u>
Total pension liability - ending (a)	<u><u>\$ 6,947,102</u></u>
Plan fiduciary net position:	
Contribution - employer	\$ 612,644
Contribution - employee	-
Net investment income	-
Benefit payments, including refunds of employee contributions	(612,644)
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>\$ 6,947,102</u></u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%
Covered-employee payroll	\$ 26,618,426
Net pension liability as a percentage of covered-employee payroll	26.10%

Notes:

The information in this schedule is intended to show 10 years. As of June 30, 2016 only one year is available.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Required Supplementary Information
Schedule of Contributions and Investment Returns
OPEB Trust Fund
June 30, 2016**

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
2016	\$3,854,662	\$3,007,830	(\$846,832)	\$ 13,102,224	22.96%
2015	\$5,651,000	\$3,839,000	(\$1,812,000)	\$ 37,460,000	10.25%
2014	\$5,332,000	\$2,961,000	(\$2,371,000)	\$ 37,460,000	7.90%
2013	\$4,955,000	\$2,841,000	(\$2,114,000)	\$ 41,332,000	6.87%
2012	\$4,686,000	\$2,771,000	(\$1,915,000)	\$ 41,332,000	6.70%
2011	\$4,549,000	\$2,208,000	(\$2,341,000)	n/a	n/a
2010	\$4,289,000	\$1,945,000	(\$2,344,000)	n/a	n/a
2009	\$4,039,000	\$1,646,000	(\$2,393,000)	n/a	n/a

The Actuarially Determined Contribution (ADC) for 2016 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	1.68%

The information in these schedules is intended to show 10 years. However as of June 30, 2016 only eight years are available for contributions and one year for investment returns.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

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

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

Valuation date:	June 30, 2016
Measurement date:	June 30, 2016
Actuarial Cost Method:	Entry Age Normal Level %
Discount Rate:	Accounting 2.92% for Town and School. Funding - 7.5% for Town funding purposes.
Inflation rate:	3% per year
Payroll Growth:	For amortization purposes - 3.5% For valuation purposes utilized 4% wage inflation for Fire and 3.5% for all other employees except Police plus merit and longevity increases. The assumptions are based on the State of RI ERS and MERS actuarial valuation as of June 30, 2015.
Asset Method:	Market value of assets.
Employer Funding Policy:	Town is expected to contribute \$250,000 for fiscal 2017 and the actuarially determined contribution beginning in fiscal 2018. The School Department funds on a pay-as-you-go basis.
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 2017 decreasing by .5% annually through fiscal 2025 at which time the trend rate for medical and prescriptions remains at 5%. Annual dental trend is assumed to be 3%.

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TOWN OF NORTH PROVIDENCE

OTHER SUPPLEMENTARY INFORMATION



TOWN OF NORTH PROVIDENCE

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Police Grants Fund	Community Development Block Grant
Community Fund Program	State Drug Forfeiture
Treasury Forfeiture Fund	Emergency Management
Fire Alarm Tie-in	Historical Records Trust
Fire Prevention Fund	Land Trust Reserve Fund
Recording Fees Fund	Decon Grant Fund
Substance Abuse Task Force	Fireworks Parade Fund
Recycling Fund	Youth Commission 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
Close Reading Grant	IDEA Part B
IDEA Preschool Grant	Title II
Title III	Perkins
Perkins Marine	Perkins Technology
Lowes Grant	HEZ Grant
Title II Math & Science Partnership	United Way
Quality Improvement	RI Foundation
Cox Mini Grant	

(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, 2016**

	SPECIAL REVENUE FUNDS							
	<u>Police Grants</u>	<u>Community Development Block Grants</u>	<u>Community Fund Program</u>	<u>State Drug Forfeiture</u>	<u>Treasury Forfeiture Fund</u>	<u>Emergency Management</u>	<u>Fire Alarm Tie-In</u>	<u>Historical Records Trust</u>
ASSETS								
Cash and cash equivalents	\$ -	\$ 94,457	\$ -	\$ 64,435	\$ 60,326	\$ -	\$ -	\$ -
Cash held in escrow								
Accounts and other receivable(net)		259,141						
Due from federal & state governments	1,129	9,912				-		
Prepaid expenses								
Due from other funds		15,262	523			32,675	39,143	69,665
TOTAL ASSETS	\$ 1,129	\$ 378,772	\$ 523	\$ 64,435	\$ 60,326	\$ 32,675	\$ 39,143	\$ 69,665
LIABILITIES								
Accounts payable	\$ -	\$ 13,760	\$ -	\$ -	1,710	\$ -	\$ 10,140	\$ 4,058
Accrued liabilities		3,741						
Due to other funds	1,129							
Unearned revenue - other		259,141						
TOTAL LIABILITIES	1,129	276,642	-	-	1,710	-	10,140	4,058
FUND BALANCES								
Restricted	-	102,130	523	64,435	58,616	32,675	29,003	65,607
Committed								
Unassigned								
TOTAL FUND BALANCES	-	102,130	523	64,435	58,616	32,675	29,003	65,607
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,129	\$ 378,772	\$ 523	\$ 64,435	\$ 60,326	\$ 32,675	\$ 39,143	\$ 69,665

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016**

	<u>SPECIAL REVENUE FUNDS</u>							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ 223,247	\$ -	\$ -	\$ -	\$ -	\$ -
Cash held in escrow								
Accounts and other receivable(net)								
Due from federal & state governments				16,378	5,097			
Prepaid expenses								
Due from other funds	75,538	156,732	2,634		4,799	4,050	140,929	202,379
TOTAL ASSETS	\$ 75,538	\$ 156,732	\$ 225,881	\$ 16,378	\$ 9,896	\$ 4,050	\$ 140,929	\$ 202,379
LIABILITIES								
Accounts payable	\$ 4,567	\$ -	\$ -	\$ 43	\$ 7,662	\$ -	\$ 6	\$ -
Accrued liabilities								
Due to other funds				16,335				
Unearned revenue - other					2,234			-
TOTAL LIABILITIES	4,567	-	-	16,378	9,896	-	6	-
FUND BALANCES								
Restricted	70,971		225,881		-	4,050		202,379
Committed		156,732					140,923	
Unassigned				-				
TOTAL FUND BALANCES	70,971	156,732	225,881	-	-	4,050	140,923	202,379
TOTAL LIABILITIES AND FUND BALANCES	\$ 75,538	\$ 156,732	\$ 225,881	\$ 16,378	\$ 9,896	\$ 4,050	\$ 140,929	\$ 202,379

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Roadway Aid Grant</u>	<u>EPA Grant Fund</u>	<u>School Restricted Funds</u>	<u>Total Special Revenue Funds</u>	<u>School Capital Reserve</u>	<u>Capital Project Fund</u>	<u>Kids Klub School Improvements</u>	<u>Fire Equipment Capital Fund</u>	<u>Total Capital Project Funds</u>	
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ 15,000	\$ 457,465	\$ 177,429	\$ -	\$ 70,401	\$ -	\$ 247,830	\$ 705,295
Cash held in escrow					500,000				500,000	500,000
Accounts and other receivable(net)			-	259,141					-	259,141
Due from federal & state governments		175,301	209,033	416,850		493,277			493,277	910,127
Prepaid expenses			-	-					-	-
Due from other funds	-		274,708	1,019,037	-			17,762	17,762	1,036,799
TOTAL ASSETS	\$ -	\$ 175,301	\$ 498,741	\$ 2,152,493	\$ 677,429	\$ 493,277	\$ 70,401	\$ 17,762	\$ 1,258,869	\$ 3,411,362
LIABILITIES										
Accounts payable	\$ -	\$ 112,410	\$ 36,618	\$ 190,974	\$ -	\$ 33,596	\$ -	\$ -	\$ 33,596	\$ 224,570
Accrued liabilities			-	3,741					-	3,741
Due to other funds		62,891	415,194	495,549	177,429	408,561			585,990	1,081,539
Unearned revenue - other				261,375					-	261,375
TOTAL LIABILITIES	-	175,301	451,812	951,639	177,429	442,157	-	-	619,586	1,571,225
FUND BALANCES										
Restricted	-		46,929	903,199	500,000	51,120			551,120	1,454,319
Committed		-		297,655	-	-	70,401	17,762	88,163	385,818
Unassigned				-	-	-			-	-
TOTAL FUND BALANCES	-	-	46,929	1,200,854	500,000	51,120	70,401	17,762	639,283	1,840,137
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 175,301	\$ 498,741	\$ 2,152,493	\$ 677,429	\$ 493,277	\$ 70,401	\$ 17,762	\$ 1,258,869	\$ 3,411,362

(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, 2016

Table with columns for Police Grants, Community Development Block Grants, Community Fund Program, State Drug Forfeiture, Treasury Forfeiture Fund, Emergency Management, Fire Alarm Tie-In, and Historical Records Trust. Rows include REVENUES (Intergovernmental, Interest and investment income, Fees and assessments, Private grants, Contributions, Other, Total revenues), EXPENDITURES (Current: Public safety, Education, Public works, Other expenses; Debt Service; Capital Outlays, Total expenditures), OTHER FINANCING SOURCES (USES) (Proceeds from issuance of debt obligations, Transfers in, Total other financing sources (uses)), and Net change in fund balances, Fund balances - beginning of year, Fund balances - end of year.

(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, 2016

	SPECIAL REVENUE FUNDS							
	Fire Prevention Fund	Land Trust Reserve Fund	Recording Fees Fund	Decon Grant	Substance Abuse Task Force	Fireworks Parade Fund	Recycling Fund	Youth Commission Fund
REVENUES:								
Intergovernmental	\$ -	\$ -	\$ -	\$ 20,739	\$ 24,330	\$ -	\$ -	202,000
Interest and investment income			394					
Fees and assessments	28,255	10,500	30,067				34,243	
Private grants								
Contributions								
Other								600
Total revenues	28,255	10,500	30,461	20,739	24,330	-	34,243	202,600
EXPENDITURES:								
Current:								
Public safety	15,570				24,330	-		
Education								
Public works								
Other expenses			48,820	19,130			14,204	939
Debt Service:								
Debt service principal								
Interest expense								
Capital Outlays				7,566			48,659	
Total expenditures	15,570	-	48,820	26,696	24,330	-	62,863	939
Excess (deficiency) of revenues over (under) expenditures	12,685	10,500	(18,359)	(5,957)	-	-	(28,620)	201,661
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt obligations								
Transfers in				5,957				
Total other financing sources (uses)	-	-	-	5,957	-	-	-	-
Net change in fund balances	12,685	10,500	(18,359)	-	-	-	(28,620)	201,661
Fund balances - beginning of year	58,286	146,232	244,240	-	-	4,050	169,543	718
Fund balances - end of year	\$ 70,971	\$ 156,732	\$ 225,881	\$ -	\$ -	\$ 4,050	\$ 140,923	\$ 202,379

(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, 2016

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS				Total Capital Project Funds	Total Nonmajor Governmental Funds
	Roadway Aid Grant	EPA Grant Fund	School Restricted Funds	Total Special Revenue Funds	School Capital Reserve	Capital Project Fund	Kids Klub School Improvements	Fire Equipment Capital Fund		
REVENUES:										
Intergovernmental	\$ -	\$ 175,301	\$ 2,263,900	\$ 3,054,600	\$ 516,894	\$ 87,174	\$ -	\$ -	\$ 604,068	\$ 3,658,668
Interest and investment income				2,777	66				66	2,843
Fees and assessments				139,988			44,437	223,067	267,504	407,492
Private grants			122,570	122,570					-	122,570
Contributions			-	850		51,500			51,500	52,350
Other	-			7,509					-	7,509
Total revenues	-	175,301	2,386,470	3,328,294	516,960	138,674	44,437	223,067	923,138	4,251,432
EXPENDITURES:										
Current:										
Public safety				402,248					-	402,248
Education			2,468,356	2,468,356					-	2,468,356
Public works		302,078		302,078					-	302,078
Other expenses	27,485			188,671					-	188,671
Debt Service:										
Debt service principal								178,322	178,322	178,322
Interest expense								26,983	26,983	26,983
Capital Outlays			72,171	133,201	592,540	465,532	29,467	196,499	1,284,038	1,417,239
Total expenditures	27,485	302,078	2,540,527	3,494,554	592,540	465,532	29,467	401,804	1,489,343	4,983,897
Excess (deficiency) of revenues over (under) expenditures	(27,485)	(126,777)	(154,057)	(166,260)	(75,580)	(326,858)	14,970	(178,737)	(566,205)	(732,465)
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of debt obligations					218,000	-		196,499	414,499	414,499
Transfers in	-	126,777		171,871	844,942	377,978			1,222,920	1,394,791
Total other financing sources (uses)	-	126,777	-	171,871	1,062,942	377,978	-	196,499	1,637,419	1,809,290
Net change in fund balances	(27,485)	-	(154,057)	5,611	987,362	51,120	14,970	17,762	1,071,214	1,076,825
Fund balances - beginning of year	27,485	-	200,986	1,195,243	(487,362)	-	55,431	-	(431,931)	763,312
Fund balances - end of year	\$ -	\$ -	\$ 46,929	\$ 1,200,854	\$ 500,000	\$ 51,120	\$ 70,401	\$ 17,762	\$ 639,283	\$ 1,840,137

(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 2016 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, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Seized Property:</u>				
ASSETS:				
Cash	81,487	\$ 34,993	\$ 41,342	\$ 75,138
TOTAL ASSETS	\$ 81,487	\$ 34,993	\$ 41,342	\$ 75,138
LIABILITIES:				
Deposits held in custody for others	\$ 81,487	\$ 34,993	\$ 41,342	\$ 75,138
TOTAL LIABILITIES	\$ 81,487	\$ 34,993	\$ 41,342	\$ 75,138
<u>Low Cost Spay/Neuter:</u>				
ASSETS:				
Other receivables	\$ 2,175	\$ 325	\$ -	\$ 2,500
TOTAL ASSETS	\$ 2,175	\$ 325	\$ -	\$ 2,500
LIABILITIES:				
Deposits held in custody for others	\$ 2,175	\$ 325	\$ -	\$ 2,500
TOTAL LIABILITIES	\$ 2,175	\$ 325	\$ -	\$ 2,500
<u>Animal Care Donations:</u>				
ASSETS:				
Other receivables	11,758	4,288	400	\$ 15,646
TOTAL ASSETS	\$ 11,758	\$ 4,288	\$ 400	\$ 15,646
LIABILITIES:				
Deposits held in custody for others	\$ 11,758	\$ 4,288	\$ 400	\$ 15,646
TOTAL LIABILITIES	\$ 11,758	\$ 4,288	\$ 400	\$ 15,646
<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, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Realty Tax Transfer Account:</u>				
ASSETS:				
Cash	\$ 46,299	\$ 582,385	\$ 570,321	\$ 58,363
TOTAL ASSETS	<u>\$ 46,299</u>	<u>\$ 582,385</u>	<u>\$ 570,321</u>	<u>\$ 58,363</u>
LIABILITIES:				
Deposits held in custody for others	\$ 46,299	\$ 582,385	\$ 570,321	\$ 58,363
TOTAL LIABILITIES	<u>\$ 46,299</u>	<u>\$ 582,385</u>	<u>\$ 570,321</u>	<u>\$ 58,363</u>
<u>Student Activities Fund</u>				
ASSETS:				
Cash	\$ 330,891	\$ 489,998	\$ 449,316	\$ 371,573
TOTAL ASSETS	<u>\$ 330,891</u>	<u>\$ 489,998</u>	<u>\$ 449,316</u>	<u>\$ 371,573</u>
LIABILITIES:				
Deposits held in custody for others	\$ 330,891	\$ 489,998	\$ 449,316	\$ 371,573
TOTAL LIABILITIES	<u>\$ 330,891</u>	<u>\$ 489,998</u>	<u>\$ 449,316</u>	<u>\$ 371,573</u>
<u>Food Pantry Fund</u>				
ASSETS:				
Cash	\$ 626	\$ 2,100	\$ 2,000	\$ 726
TOTAL ASSETS	<u>\$ 626</u>	<u>\$ 2,100</u>	<u>\$ 2,000</u>	<u>\$ 726</u>
LIABILITIES:				
Deposits held in custody for others	\$ 626	\$ 2,100	\$ 2,000	\$ 726
TOTAL LIABILITIES	<u>\$ 626</u>	<u>\$ 2,100</u>	<u>\$ 2,000</u>	<u>\$ 726</u>
<u>Performance Bond Fund</u>				
ASSETS:				
Cash	\$ 21,093	\$ 42	\$ -	\$ 21,135
TOTAL ASSETS	<u>\$ 21,093</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 21,135</u>
LIABILITIES:				
Deposits held in custody for others	\$ 21,093	\$ 42	\$ -	\$ 21,135
TOTAL LIABILITIES	<u>\$ 21,093</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ 21,135</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash	\$ 480,396	\$ 1,109,518	\$ 1,062,979	\$ 526,935
Other receivables	22,113	4,613	400	26,326
TOTAL ASSETS	<u>\$ 502,509</u>	<u>\$ 1,114,131</u>	<u>\$ 1,063,379</u>	<u>\$ 553,261</u>
LIABILITIES:				
Deposits held in custody for others	\$ 502,509	\$ 1,114,131	\$ 1,063,379	\$ 553,261
TOTAL LIABILITIES	<u>\$ 502,509</u>	<u>\$ 1,114,131</u>	<u>\$ 1,063,379</u>	<u>\$ 553,261</u>

(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, 2016**

<u>Year</u>	<u>Residential & Commercial Mill Rate</u>	<u>Property Taxes Receivable July 1, 2015</u>	<u>Current Year Assessment</u>	<u>Transfers Addendums (Net)</u>	<u>Abatements and Adjustments</u>	<u>Amount to be Collected</u>	<u>Collections</u>	<u>Property Taxes Receivable June 30, 2016</u>
2015	\$27.94 & \$34.68		\$ 69,317,745	\$ 573,418	\$ (79,644)	\$ 69,811,519	\$ 66,647,909	\$ 3,163,610
2014	\$27.94 & \$34.68	\$ 2,924,363			\$ (9,126)	2,915,237	2,095,080	820,157
2013	\$24.29 & \$31.03	1,061,096			(4,095)	1,057,001	299,025	757,976
2012	\$24.29 & \$31.03	765,415			(575)	764,840	68,638	696,202
2011	\$24.15 & \$30.85	725,174			(20,817)	704,357	35,392	668,965
2010	\$24.15 & \$30.85	681,105			(21,746)	659,359	19,065	640,294
2009	\$19.65 & \$25.60	347,726				347,726	12,588	335,138
2008	\$19.65 & \$25.60	364,512				364,512	5,685	358,827
2007	\$16.75 & \$22.70	353,535				353,535	1,921	351,614
2006	\$16.75 & \$22.70	283,746				283,746	802	282,944
2005	\$16.55 & \$22.50	266,106				266,106	258	265,848
2004	\$16.55 & \$22.50	158,493				158,493	260	158,233
2003 and prior	various	238,990			(275,092)	(36,102)	228	(36,330)
Subtotal		8,170,261	\$ 69,317,745	\$ 573,418	\$ (411,095)	\$ 77,650,329	\$ 69,186,851	8,463,478
Less: allowance for uncollectable accounts		(3,700,000)						(3,858,000)
Net property taxes receivable		<u>\$ 4,470,261</u>						<u>\$ 4,605,478</u>

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF PROPERTY TAXES RECEIVABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<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, 2014 (2015 tax roll)</u>				
	<u>Valuations</u>	<u>Levy</u>			
Real Property	\$ 2,214,045,736	\$ 64,627,708	Current year collections	\$	69,186,851
Motor Vehicles	240,031,116	10,069,305	Revenue received 60 days subsequent to fiscal year ending June 30, 2016		996,470
Tangible Property	62,394,031	4,361,967	Subtotal		<u>70,183,321</u>
Total assessments	<u>2,516,470,883</u>	<u>79,058,980</u>	Prior year revenue received in current year fiscal year ending June 30, 2015 - 60 day rule		<u>(1,013,733)</u>
Exemptions and adjustments	<u>(341,548,501)</u>	<u>(9,741,235)</u>			
<i>Net assessed value</i>	<u>\$ 2,174,922,382</u>	<u>\$ 69,317,745</u>	<i>Current year property tax revenue</i>	<u>\$</u>	<u>69,169,588</u>

(CONCLUDED)

Town of North Providence
Annual Supplemental Transparency Report (MTP2)
Fiscal Year Ended June 30, 2016

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Property Tax Collection	\$ 66,654,696	\$ -
Prior Year Property Tax Collection	2,514,444	-
Interest & Penalty	525,091	-
PILOT & Tax Treaty (excluded from certified levy)	-	-
Other Local Property Taxes	-	-
Licenses and Permits	1,078,455	-
Fines and Forfeitures	166,070	-
Investment Income	14,172	-
Departmental	307,348	-
Rescue Run Revenue	1,111,213	-
Police & Fire Detail	343,600	-
Other Local Non-Property Tax Revenues	-	-
Tuition	-	50,623
Impact Aid	-	-
Medicaid	-	987,571
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	868,316
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	10,000	2,263,900
MV Excise Tax Reimbursement	389,770	-
State PILOT Program	-	-
Distressed Community Relief Fund	989,710	-
Library Resource Aid	175,272	-
Library Construction Aid	-	-
Public Service Corporation Tax	414,649	-
Meals & Beverage Tax	346,028	-
Hotel Tax	-	-
LEA Aid	-	18,244,786
Housing Aid Capital Projects	-	516,894
Housing Aid Bonded Debt	1,124,008	-
State Food Service Revenue	-	-
Incentive Aid	157,054	-
Property Revaluation Reimbursement	-	-
Other State Revenue	-	-
Other Revenue	410,617	726,354
Local Appropriation for Education	-	33,437,190
Regional Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
Total Revenue	\$ 76,732,196	\$ 57,095,634
Transfer from Capital Projects Funds	\$ -	\$ -
Transfer from Other Funds	-	-
Debt Proceeds	196,499	-
Other Financing Sources	-	-
Rounding	-	-
Total Other Financing Sources	\$ 196,499	\$ -

<u>EXPENDITURES</u>	<u>General</u>		<u>Social</u>	<u>Information</u>		<u>Public</u>	<u>Parks and</u>	<u>Police</u>	
	<u>Government</u>	<u>Finance</u>	<u>Services</u>	<u>Technology</u>	<u>Planning</u>	<u>Libraries</u>	<u>Works</u>	<u>Rec</u>	<u>Department</u>
Compensation- Group A	\$ 914,891	\$ 719,362	\$ 9,648	\$ 116,472	\$ 109,816	\$ 619,876	\$ 876,229	\$ 397,267	\$ 4,551,720
Compensation - Group B	-	-	-	-	-	-	-	-	630,271
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	48,269	29,103	-	26,772	2,007	-	48,678	-	305,960
Overtime - Group B	-	-	-	-	-	-	-	-	32,186
Police & Fire Detail	-	-	-	-	-	-	-	-	339,654
Active Medical Insurance - Group A	255,585	174,460	-	54,474	10,859	113,944	265,869	65,422	1,269,194
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	207,126
Active Dental insurance- Group A	18,965	13,793	-	4,307	858	6,039	14,091	5,172	45,744
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	16,375
Payroll Taxes	74,880	58,521	738	11,272	9,283	41,999	76,883	24,969	426,522
Life Insurance	11,790	3,960	-	2,508	-	2,640	3,300	1,320	4,224
Defined Contribution- Group A	11,818	16,982	-	2,332	2,557	17,937	16,243	4,084	-
Defined Contribution - Group B	-	-	-	-	-	-	-	-	12,099
Other Benefits- Group A	-	-	-	-	-	-	-	-	-
Other Benefits- Group B	-	-	-	-	-	-	-	-	36,542
Local Pension- Group A	124,331	45,487	-	21,227	-	-	-	15,162	812,452
Local Pension - Group B	-	-	-	-	-	-	-	-	51,552
State Pension- Group A	34,270	26,431	-	15,154	376	13,766	57,112	10,395	-
State Pension - Group B	-	-	-	-	-	-	-	-	41,162
Other Pension	208,087	36,693	-	-	-	-	-	-	-
Purchased Services	46,072	58,010	-	-	52,000	8,441	80,194	5,838	216,508
Materials/Supplies	-	-	-	181,856	-	125,969	104,433	47,007	78,738
Software Licenses	-	-	-	31,282	-	57,552	-	-	-
Capital Outlays	-	-	-	-	-	-	626,105	40,669	40,914
Insurance	645,388	-	-	-	-	-	-	-	-
Maintenance	12,805	-	-	-	-	18,471	27,694	170,997	155,337
Vehicle Operations	10,936	-	-	38,925	-	-	83,267	7,522	198,390
Utilities	64,573	-	-	69,293	-	45,972	249,549	168,038	54,573
Contingency	16,163	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	614,222	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	261,385	-	-
Trash Removal & Recycling	-	-	-	-	-	-	1,911,202	-	-
Claims & Settlements	34,774	-	-	-	-	-	-	-	-
Community Support	567,772	-	-	-	-	-	-	-	-
Other Operation Expenditures	97,723	71,357	303	29,299	995	31,652	278,388	16,086	81,468
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional 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	\$ 3,199,094	\$ 1,254,157	\$ 10,689	\$ 605,172	\$ 188,751	\$ 1,104,258	\$ 5,594,845	\$ 979,950	\$ 9,608,711

<u>EXPENDITURES</u>	<u>Fire</u>		<u>Public Safety</u>	<u>Education</u>			<u>Total</u>	<u>Education</u>
	<u>Department</u>	<u>Dispatch</u>	<u>Other</u>	<u>Appropriation</u>	<u>Debt</u>	<u>OPEB</u>	<u>Municipal</u>	<u>Department</u>
Compensation- Group A	\$ 6,837,960	\$ -	\$ 411,444	\$ -	\$ -	\$ -	\$ 15,564,685	\$ 25,636,687
Compensation - Group B	246,680	-	-	-	-	-	876,951	3,130,638
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	1,102,141	-	24,237	-	-	-	1,587,166	-
Overtime - Group B	48,807	-	-	-	-	-	80,993	72,973
Police & Fire Detail	3,946	-	-	-	-	-	343,600	-
Active Medical Insurance - Group A	1,741,517	-	87,230	-	-	-	4,038,554	2,807,777
Active Medical Insurance- Group B	65,422	-	-	-	-	-	272,548	1,261,419
Active Dental insurance- Group A	83,419	-	6,896	-	-	-	199,285	226,758
Active Dental Insurance- Group B	5,172	-	-	-	-	-	21,548	72,005
Payroll Taxes	626,210	-	27,908	-	-	-	1,379,186	2,097,360
Life Insurance	50,926	-	2,442	-	-	-	83,110	253,694
Defined Contribution- Group A	-	-	4,681	-	-	-	76,634	91,888
Defined Contribution - Group B	4,957	-	-	-	-	-	17,056	25,410
Other Benefits- Group A	-	-	11,419	-	-	-	11,419	354,066
Other Benefits- Group B	13,703	-	-	-	-	-	50,245	-
Local Pension- Group A	-	-	19,579	-	-	-	1,038,239	4,284
Local Pension - Group B	21,227	-	-	-	-	-	72,779	315,228
State Pension- Group A	1,273,576	-	24,418	-	-	-	1,455,498	3,403,995
State Pension - Group B	13,855	-	-	-	-	-	55,017	226,155
Other Pension	-	-	-	-	-	-	244,780	-
Purchased Services	190,752	-	-	-	-	-	657,814	10,408,217
Materials/Supplies	144,558	-	-	-	-	-	682,561	1,673,587
Software Licenses	-	-	-	-	-	-	88,834	32,341
Capital Outlays	196,499	-	-	-	-	-	904,186	1,359,641
Insurance	-	-	-	-	-	-	645,388	331,141
Maintenance	161,468	-	9,165	-	-	-	555,937	264,663
Vehicle Operations	181,858	-	3,862	-	-	-	524,760	2,830
Utilities	102,131	-	8,796	-	-	-	762,925	489,666
Contingency	-	-	-	-	-	-	16,163	-
Street Lighting	-	-	-	-	-	-	614,222	-
Revaluation	-	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	261,385	-
Trash Removal & Recycling	-	-	-	-	-	-	1,911,202	-
Claims & Settlements	-	-	-	-	-	-	34,774	-
Community Support	-	-	-	-	-	-	567,772	-
Other Operation Expenditures	40,669	-	4,547	-	-	-	652,487	142,703
Local Appropriation for Education	-	-	-	33,437,190	-	-	33,437,190	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	2,413,322	-	2,413,322	-
Municipal Debt- Interest	-	-	-	-	67,923	-	67,923	-
School Debt- Principal	-	-	-	-	1,275,000	-	1,275,000	-
School Debt- Interest	-	-	-	-	464,041	-	464,041	-
Retiree Medical Insurance- Total	-	-	-	-	-	2,237,188	2,237,188	846,052
Retiree Dental Insurance- Total	-	-	-	-	-	92,411	92,411	20,167
OPEB Contribution- Total	-	-	-	-	-	250,000	250,000	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
Total Expenditures	\$ 13,157,454	\$ -	\$ 646,624	\$ 33,437,190	\$ 4,220,286	\$ 2,579,599	\$ 76,586,779	\$ 55,551,345

Transfer to Capital Project Funds	\$ -	\$ -
Transfer to Other Funds	549,849	-
Payment to Bond Escrow Agent	-	-
Other Financing Uses	-	-
Total Other Financing Uses	\$ 549,849	\$ -
Net Change in Fund Balance	(207,933)	1,544,289
Fund Balance - beginning of year	8,055,809	(932,203)
Fund Balance - end of year	\$ 7,847,876	\$ 612,086

Town of North Providence
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Municipal
 Fiscal Year Ended June 30, 2016

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
General Fund	\$ 76,155,507	\$ -	\$ 40,118,246	\$ 34,566,044	\$ 1,471,217	\$ 6,358,897	\$ 7,830,114
Debt Service Fund	23	579,005	2,275,940	-	(1,696,912)	1,696,912	-
Fire Equipment Capital Fund	223,067	196,499	401,804	-	17,762	-	17,762
Totals per audited financial statements	\$ 76,378,597	\$ 775,504	\$ 42,795,990	\$ 34,566,044	\$ (207,933)	\$ 8,055,809	\$ 7,847,876

Reconciliation from financial statements to MTP2

Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP2	\$ -	\$ -	33,437,190	(33,437,190)	\$ -	\$ -	\$ -
Elimination of a transfer from General Fund to Debt Service Fund	-	(579,005)	-	(579,005)	-	-	-
Police detail reflected as net in financials, but posted as gross revenue and expenditure on MTP2	353,600	-	353,600	-	-	-	-
Rounding	(1)	-	(1)	-	-	-	-
Totals Per MTP2	\$ 76,732,196	\$ 196,499	\$ 76,586,779	\$ 549,849	\$ (207,933)	\$ 8,055,809	\$ 7,847,876

Town of North Providence
 Combining Schedule of
 Reportable Government Services with
 Reconciliation to MTP2
 Education Department
 Fiscal Year Ended June 30, 2016

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance	Fund Balance/ (Deficit) - Beginning	Fund Balance/ (Deficit) - Ending
School Unrestricted Fund	\$ 21,480,414	\$ 33,437,190	\$ 53,399,019	\$ 844,942	\$ 673,643	\$ (673,643)	\$ -
Enterprise Fund	1,234,260	-	1,214,389	-	\$ 19,871	27,816	\$ 47,687
School Special Revenue Funds	2,386,470	-	2,540,527	-	\$ (154,057)	200,986	\$ 46,929
School Capital Reserve	\$ 516,960	\$ 1,062,942	\$ 592,540	\$ -	\$ 987,362	\$ (487,362)	\$ 500,000
Totals per audited financial statements	\$ 25,618,104	\$ 34,500,132	\$ 57,746,475	\$ 844,942	\$ 1,526,819	\$ (932,203)	\$ 594,616

Reconciliation from financial statements to MTP2

Municipal appropriation for Education reported as a transfer on financial statements but an revenue on MTP2	\$ 33,437,190	\$ (33,437,190)	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(2,177,660)	-	(2,177,660)	-	-	-	-
Elimination of transfer from General Fund to School Capital Reserve Fund	-	(844,942)	-	(844,942)	-	-	-
Miscellaneous variances between UCOA & FS	-	-	(17,470)	-	17,470	-	17,470
Debt proceeds to school special revenue funds reflected as other financing in financial statements, but reflected as revenue for UCOA and MTP2	218,000	(218,000)	-	-	-	-	-
Rounding	-	-	-	-	-	-	-
Totals Per MTP2	\$ 57,095,634	\$ -	\$ 55,551,345	\$ -	\$ 1,544,289	\$ (932,203)	\$ 612,086

TOWN OF NORTH PROVIDENCE, RHODE ISLAND**NOTES TO SUPPLEMENTARY INFORMATION
ANNUAL SUPPLEMENTAL TRANSPARENCY REPORT (MTP2)
FISCAL YEAR ENDED JUNE 30, 2016****NOTE 1. Basis of Presentation**

The *Annual Supplemental Transparency Report (MTP2)* is a new supplemental schedule required by the State of Rhode Island, as a result of newly enacted legislation, Article 8 of the Appropriations Act (2016 House Bill 7454 sub A as amended). This supplementary schedule included within the audit report is part of a broader project to create a municipal transparency portal (MTP) on the Division of Municipal Finance website to host municipal financial information in a centralized location.

The format of the *Annual Supplemental Transparency Report (MTP2)* was prescribed by the State Department of Revenue (Division of Municipal Finance), Office of the Auditor General, and the Department of Education.

NOTE 2. Reportable Government Services

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

NOTE 3. Allocations

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

NOTE 4. Employee Groups

Group A - This item includes compensation (salaries, longevity, stipends, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for the primary work force of the department (Police Department: Police Officers, Fire Department: Fire Fighters, Education Department: Certified Employees, and Other Departments: All Employees).

Group B - This item would only include compensation (salaries, longevity, stipend, clothing, shift differential, out-of-rank, holiday pay, and bonuses) and benefits (medical and dental insurance, pension contributions, OPEB (pay-go and ADC contributions) for administrative and civilian dispatch employees in Police and Fire Departments and Non-Certified employees for Education Department.

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/>. (Documents pertaining to the Transparency Portal will be posted in January 2017)

TOWN OF NORTH PROVIDENCE

SINGLE AUDIT SECTION

This section contains information regarding federal grant activity for the year ended June 30, 2016, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town of North Providence, Rhode Island's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Johnston, Rhode Island
January 30, 2017

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, 2016. The Town of North Providence, Rhode Island's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of North Providence, Rhode Island, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Robert J. Civetti, CPA, LLC

Johnston, Rhode Island
January 30, 2017

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

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		\$ 5,960
State and Community Highway Safety	20.600	None		3,671
Safety Belt Performance Grants	20.609	None		5,142
Child Safety and Child Booster Seats Incentive Grants	20.613	None		1,316
Total U.S. Department of Transportation			\$ -	<u>16,089</u>
U.S. Department of Justice				
Equitable Sharing Program	16.922	None	150,000	1,858,154
Passed through Rhode Island Department of Justice				
Enforcing Underage Drinking Laws Program - Byrne Memorial Grant	16.727	None		1,668
Bulletproof Vest Partnership Program	16.607	None		2,969
Total U.S. Department of Justice			<u>150,000</u>	<u>1,862,791</u>
U.S. Department of Homeland Security				
Passed through Rhode Island Emergency Management Agency				
Homeland Security Grant Program	97.067	EMW-2015-SS-00027-S01		26,696
Assistance to Firefighters Grant	97.044	EMW-2014-FO-02272		263,637
Total U.S. Department of Homeland Security			<u>-</u>	<u>290,333</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		129,842
Tobacco Compliance Grant	93.XXX	None		951
Total U.S. Department of Health and Human Services			<u>-</u>	<u>130,793</u>
U.S. Department of Education				
Passed through Rhode Island Department of Education				
Special Education Grants to States - Project IDEA - Part B	84.027	2725-13202-601		965,775
Special Education Preschool Grants	84.173	2725-13502-601		17,971
Special Education Cluster			<u>-</u>	<u>983,746</u>
Title I Grants to Local Educational Agencies	84.010	2725-11702-601		731,402
Teacher Quality Partnership Grants	84.336	2725-17702-601		110,896
Supporting Effective Instruction State Grants - Title II	84.367	2725-16402-601		156,568
English Language Acquisition State Grants - Title III	84.365	2725-16502-601		20,282
Career and Technical Education - Basic Grants to States	84.048			126,364
Total U.S. Department of Education			<u>-</u>	<u>2,129,258</u>
U.S. Department of Treasury				
Treasury forfeiture funds	21.000	None	-	35,350
Environmental Protection Agency				
Congressional Mandated Projects	66.202	None	-	175,301
U.S. Department of Housing and Urban Development				
Passed through Rhode Island Office of Housing & Community Development				
Community Development Block Grant	14.228		27,646	64,432

(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, 2016**

Federal Grantor	Federal	Pass-Through	Pass-Through to	
Pass-Through Grantor/Program or Cluster Title	<u>Number</u>	<u>Identifying Number</u>	<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		627,084
Summer Food Service Program for Children	10.559	None		11,501
National School Breakfast Program	10.553	None		172,849
Total School Lunch Cluster			<u>-</u>	<u>811,434</u>
Fresh Fruit and Vegetable Program	10.582	None		37,746
Child and Adult Care Food Program	10.558	None		5,388
Commodity Supplemental Food Program	10.565	None		95,723
Total U.S. Department of Agriculture			<u>-</u>	<u>950,291</u>
Total Expenditures of Federal Awards			<u>\$ 177,646</u>	<u>\$ 5,654,638</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, 2016**

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, 2016. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or limited as to reimbursement. The Schedule also includes \$95,723 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.

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major program:

School Lunch Cluster:	
National School Lunch Program	CFDA #10.555
Special Milk Program for Children	CFDA #10.556
Summer Food Service Program for Children	CFDA #10.559
School Breakfast Program	CFDA #10.553
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, 2016**

SECTION II. FINANCIAL STATEMENT FINDINGS

Current Year Findings:

None

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings:

None

(CONCLUDED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

2015-001: Maintenance and Review of General Ledger

Criteria: Internal controls should be established and performed to ensure that financial records are complete and accurate so that the financial results and financial position of the Town are fairly presented in accordance with governing accounting standards.

Status: Cleared during fiscal 2016.

SECTION V. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-002: Improving Teacher Quality State Grants – CFDA # 84.367

Criteria: The North Providence School Department receives federal funding for Improving Teacher Quality State Grants passed through the State of Rhode Island. Provisions of the grant agreement require that the School Department submit periodic reports requesting reimbursement for expenditures incurred and paid by the School Department which meet the requirements of the grant agreement.

Status: Cleared during fiscal 2016.

2015-003: 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 by way of a pass-through the State of Rhode Island. One of the compliance requirements 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.

Status: Cleared during fiscal 2016.

2015-004: School Lunch Cluster – CFDA #10.555

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. Essentially, 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.

Status: Cleared during fiscal 2016.

(CONTINUED)

TOWN OF NORTH PROVIDENCE, RHODE ISLAND

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

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

2015-005: School Lunch Cluster – CFDA #10.555 and #10.553

Criteria: Internal controls should be established and maintained to ensure compliance with federal requirements related to federally funded programs. Establishment and maintenance of sound internal controls should help to ensure that the compliance requirements over federal programs are adhered to.

Status: Cleared during fiscal 2016.

(CONCLUDED)

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