

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

*For the Fiscal Year Ended
June 30, 2016*

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-3
REQUIRED SUPPLEMENTARY INFORMATION:	
<i>Management's Discussion and Analysis</i>	4-12
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	13
Statement of Activities.....	14
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to Government-Wide Statement of Activities	18
Statement of Net Position - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	20
Statement of Cash Flows - Proprietary Funds	21-22
Statement of Fiduciary Net Position - Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	24
<i>Notes to Basic Financial Statements</i>	25-69
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress – Other Post Employment Benefit Plan.....	70
Schedule of the Town's Proportionate Share of the Net Pension Liability -Employees' Retirement System Pension Plan.....	71
Schedule of the Town's Proportionate Share of the Net Pension Asset -Teachers' Survivor Benefit Pension Plan.....	72
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios -General Employees Pension Plan	73
Schedule of Changes in the Net Pension Liability and Related Ratios-Police Officers Pension Plan	74
Schedule of Town Contributions – Pension Plans.....	75-76
Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual – General Fund	77-78
Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual – School Unrestricted Fund.....	79
Notes to Required Supplementary Information	80-83

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
ANNUAL FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (Continued)

OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet - Nonmajor Governmental Funds.....	84-88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	89-93
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds.....	94
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	95-96
Tax Collector's Annual Report	97

SINGLE AUDIT SECTION:

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	98-99
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	100-101
Schedule of Findings and Questioned Costs	102-103
Summary Schedule of Prior Year Audit Findings	104
Schedule of Expenditures of Federal Awards	105-106
Notes to Schedule of Expenditures of Federal Awards.....	107



CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and supplementary other postemployment benefit and pension information on pages 4 through 12 and pages 70 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements. The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the combining fiduciary fund financial statements, other supplementary information, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2017 on our consideration of the Town of North Smithfield, Rhode Island's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Smithfield, Rhode Island's internal control over financial reporting and compliance.

Bacon & Company, LLC

Warwick, Rhode Island
January 3, 2017

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Town of North Smithfield provides this Management's Discussion and Analysis of the Town's Annual Financial Report for the readers of the Town's financial statements. This narrative overview and analysis of the financial statements of the Town of North Smithfield is for fiscal year ended June 30, 2016.

Included within our discussion will be a series of comparative tables, serving to more clearly illustrate Changes in the Town's financial position. These tables will reflect governmental activities, business - type activities and total activities for the 2015 and 2016 fiscal years. We encourage readers to consider the information presented in this narrative in conjunction with additional information that we have provided herein.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

Government-Wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The Town maintains 26 governmental funds; 4 are considered major funds for presentation purposes. That is, each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances. Data from the remaining 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of “combining statements” later in this report. The Town's four major governmental funds are:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position (government and business-type activities) totaled \$21,532,124 at the close of the most recent fiscal year.

Town of North Smithfield Net Position						
	June 30, 2016			June 30, 2015		
	Gov- ern- men- tal Acti- vities	Busi- ness- Type Acti- vities	Total	Gov- ern- men- tal Acti- vities	Busi- ness- Type Acti- vities	Total
<u>Assets</u>						
Current assets	\$ 19,967,322	\$ 3,872,652	\$ 23,839,974	\$ 9,636,301	\$ 5,107,561	\$ 14,743,862
Capital assets, net	49,859,287	12,321,549	62,180,836	50,971,386	13,185,531	64,156,917
Other noncurrent assets	3,232,266	2,874,828	6,107,094	4,677,516	2,950,656	7,628,172
Total assets	73,058,875	19,069,029	92,127,904	65,285,203	21,243,748	86,528,951
<u>Deferred outflow of resources</u>						
Deferred pension amounts	2,798,572	-	2,798,572	2,060,711	-	2,060,711
Deferred amounts on refunding	111,612	43,230	154,842	-	-	-
Total deferred outflow of resources	2,910,184	43,230	2,953,414	2,060,711	-	2,060,711
<u>Liabilities</u>						
Current liabilities	5,078,471	781,398	5,859,869	3,705,289	1,139,142	4,844,431
Noncurrent liabilities	58,745,792	4,461,886	63,207,678	50,590,906	5,624,589	56,215,495
Total liabilities	63,824,263	5,243,284	69,067,547	54,296,195	6,763,731	61,059,926
<u>Deferred inflow of resources</u>						
Deferred pension amounts	1,338,057	-	1,338,057	3,794,258	-	3,794,258
Deferred sewer assessments	-	3,143,590	3,143,590	-	3,374,451	3,374,451
Total deferred inflow of resources	1,338,057	3,143,590	4,481,647	3,794,258	3,374,451	7,168,709
<u>Net position</u>						
Net investment in capital assets	21,504,983	8,029,508	29,534,491	20,930,606	8,176,410	29,107,016
Restricted for specific use	3,018,230	-	3,018,230	2,280,073	-	2,280,073
Unrestricted	(13,716,474)	2,695,877	(11,020,597)	(13,955,218)	2,929,156	(11,026,062)
Total net position	\$ 10,806,739	\$10,725,385	\$ 21,532,124	\$ 9,255,461	\$11,105,566	\$ 20,361,027

The largest portion of the Town's net position, \$29,534,491 reflects its investment in capital such as land, building, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$3,018,230 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of (\$11,020,597) may be used to meet the Town's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

Changes in Net Position

Town of North Smithfield Changes in Net Position						
	June 30, 2016			June 30, 2015		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 2,234,037	\$ 2,602,400	\$ 4,836,437	\$ 1,919,939	\$ 2,483,265	\$ 4,403,204
Operating grants	9,650,934	-	9,650,934	8,837,922	-	8,837,922
Capital grants	52,723	-	52,723	187,883	-	187,883
General Revenues						
Property taxes, levied for general purposes	31,778,072	-	31,778,072	30,357,316	-	30,357,316
State aid	697,420	-	697,420	640,510	-	640,510
Interest income	13,254	4,403	17,657	877	2,556	3,433
Miscellaneous	67,519	-	67,519	42,413	-	42,413
Total revenues	<u>44,493,959</u>	<u>2,606,803</u>	<u>47,100,762</u>	<u>41,986,860</u>	<u>2,485,821</u>	<u>44,472,681</u>
Expenses						
General government	1,632,297	-	1,632,297	1,459,621	-	1,459,621
Financial administration	922,061	-	922,061	918,422	-	918,422
Public safety	7,166,942	-	7,166,942	6,509,291	-	6,509,291
Public works	2,665,777	-	2,665,777	2,570,884	-	2,570,884
Grants & contributions	8,936	-	8,936	17,575	-	17,575
Education	29,169,610	-	29,169,610	26,909,949	-	26,909,949
Interest	1,353,334	-	1,353,334	1,324,206	-	1,324,206
Water	-	471,289	471,289	-	477,428	477,428
Sewer	-	2,539,419	2,539,419	-	2,247,457	2,247,457
Total expenses	<u>42,918,957</u>	<u>3,010,708</u>	<u>45,929,665</u>	<u>39,709,948</u>	<u>2,724,885</u>	<u>42,434,833</u>
Excess (deficiency) of revenues over (under) expenses before transfers	1,575,002	(403,905)	1,171,097	2,276,912	(239,064)	2,037,848
Transfers in (out)	<u>(23,724)</u>	<u>23,724</u>	<u>-</u>	<u>(29,589)</u>	<u>29,589</u>	<u>-</u>
Change in net position	1,551,278	(380,181)	1,171,097	2,247,323	(209,475)	2,037,848
Net position - beginning	<u>9,255,461</u>	<u>11,105,566</u>	<u>20,361,027</u>	<u>7,008,138</u>	<u>11,315,041</u>	<u>18,323,179</u>
Net position - ending	<u>\$ 10,806,739</u>	<u>\$ 10,725,385</u>	<u>\$ 21,532,124</u>	<u>\$ 9,255,461</u>	<u>\$ 11,105,566</u>	<u>\$ 20,361,027</u>

Governmental Activities - To aid in the understanding of the new Statement of Activities, some additional explanation is given. Of particular interest is the format which is different than a typical Statement of Revenues, Expenditures and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden to our taxpayers of each of the Town's functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Governmental activities increased the Town's net position by \$1,551,278.

Business-Type activities - Business-type activities decreased the Town's net position by \$380,181.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$16,468,264 an increase of \$9,471,474 (135.37%) in comparison with the restated prior year beginning fund balance. The General Fund and School Unrestricted Fund are the chief operating funds of the Town. Of that increase, \$7,542,634 (79.64%) is related to Fiscal Year 2016 Town Building and Road Bond issuances.

At the end of the current fiscal year, the total fund balance of the General Fund was \$5,224,337, of which \$3,546,930 is unassigned (67.9%). The General Fund total fund balance increased by \$1,205,688 (30.0%) during the current fiscal year. The unassigned fund balance in the General Fund represents 8.8% of the total Fiscal Year 2016 General Fund budgeted expenditures.

At the end of the current fiscal year, the total fund balance of the School Unrestricted Fund was \$2,120,895, of which \$1,933,166 is restricted for education with the balance being assigned for specific purposes. There are no unassigned balances in the School Unrestricted Fund. The School Unrestricted Fund total fund balance has increased by \$546,342 (34.7%) during the current fiscal year.

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

At the end of the current fiscal year, net position of the Water Fund amounted to \$1,019,002, an increase of \$101,340 (11.0%) from the prior year restated Net Position. In the Sewer Fund, net position amounted to \$9,706,383, a decrease of \$481,521 (4.7%) from the prior year restated Net Position.

General Fund Budgetary Highlights

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

Property taxes - were \$113,759 over budget. This positive variance is attributed to a higher collection percentage of billed taxes, as well as less than anticipated tax abatements. For the current fiscal year, a tax sale was held that generated payments on many delinquent accounts. Additionally, DMV registry blocks has aided in the collection of Motor Vehicle taxes.

Intergovernmental and grant revenue – was under budget by \$105,069 due to School Medicaid being budgeted in the amount of \$205,000. All Medicaid revenue collected by the School through Compuclaim is reported on the School Unrestricted fund. The only revenue received by the Town for Medicaid is the Quarterly administrative disbursement, which amounted to \$18,549 in FY16.

Town clerk licenses and fees – were over budget by \$30,759 due to favorable collections of Real Estate recordings and the budget committee’s conservative approach for revenue estimation.

Other Departmental fines and fees – were over budget by \$64,937 due to favorable collections of Building Permit Fees and the budget committee’s conservative approach for revenue estimation.

Other Revenues – were over budget by \$47,381 due to favorable collections of Rescue Service Fees and the budget committee’s conservative approach for revenue estimation.

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

General governmental expenditures - were under budget by \$178,445, primarily due to unexpended contingency fund items (\$82,977), favorable cost control from the Town Solicitor’s referral of cases to outside Legal representation (\$55,812), Board of Canvassers election costs savings (\$12,032), and plant operations line items being under spent (\$12,904).

Financial administration expenditures - were under budget by \$15,580 due to the Audits and Computer Services expenditure line item being over-budgeted by \$40,514, as well as other cost savings and overruns. A few items to note is that the Tax Collector’s office was over budget by \$17,631 primarily due to segregating tax sale revenues from expenditures that we netted in the past, and Insurance line item which had to absorb Trust deductibles that are now being billed separately from our premium.

Public safety expenditures – were over budget by \$55,572 primarily due to overtime costs in the Police Department.

Public works expenditures – were under budget by \$16,905 primarily due to favorable outcomes for the Highway Department in FY16, as well as cost savings for Recycling.

Capital Assets and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounted to \$62,180,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads and construction in progress.

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

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

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
Land	\$ 8,720,242	\$ 16,141	\$ 8,736,383	\$ 8,720,242	\$ 16,141	\$ 8,736,383
Construction in progress	351,475	-	351,475	-	-	-
Land improvements	1,388,824	16,299	1,405,123	1,406,730	17,162	1,423,892
Buildings and improvements	36,910,565	1,550,014	38,460,579	38,023,741	1,596,945	39,620,686
Infrastructure	575,289	5,601,172	6,176,461	579,487	5,735,324	6,314,811
Machinery, equipment and furniture	1,191,363	5,106,869	6,298,232	1,296,344	5,771,002	7,067,346
Vehicles	721,529	31,054	752,583	944,842	48,957	993,799
Total	\$49,859,287	\$12,321,549	\$62,180,836	\$50,971,386	\$13,185,531	\$64,156,917

Long-Term Obligations – At the end of the fiscal year, the Town had total debt outstanding of \$66,474,418. General obligation bonds are backed by the full faith and credit of the Town, including the Town's power to levy additional taxes to ensure repayment of the debt. A summary of the Town's Long-Term Obligations is presented below:

Town of North Smithfield Long-Term Obligations

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds & Loans	\$ 35,307,624	\$4,612,033	\$39,919,657	\$29,855,000	\$6,108,696	\$35,963,696
Capital leases payable	478,368	79,609	557,977	693,252	105,268	798,520
Amortized premium on bonds	699,664	48,683	748,347	-	-	-
Accrued compensated absences	947,369	-	947,369	944,697	-	944,697
Settlements payable	100,100	110,552	210,652	195,100	79,524	274,624
Net OPEB obligation	2,239,683	-	2,239,683	1,941,068	-	1,941,068
Net pension liabilities	21,850,733	-	21,850,733	19,204,973	-	19,204,973
Totals	\$ 61,623,541	\$4,850,877	\$66,474,418	\$52,834,090	\$6,293,488	\$59,127,578

The Town retired bond debt of \$3,339,000 for Governmental Activities and \$2,055,039 for Business-Type Activities during the current fiscal year. Additionally, the Town issued bonds for Town Buildings and Roads in the amount of \$7,350,000, as well as refunded \$1,970,000 worth of Town and Sewer bonds in the current fiscal year. State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. Currently, the Town is in compliance with the Legal Debt margin requirement.

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

Independent Audit

State statutes and the Town Charter require an annual audit by independent certified public accountants. The accounting firm of Bacon & Company, LLC provided this service for the purpose of issuing basic financial statements and supplementary information for the year ended June 30, 2016. In addition to meeting the requirements set forth in state statutes, the audit is also designed to meet the requirements of the federal Single Audit Act of 1984 as amended by the Single Audit Act Amendments of 1996 and related Uniform Guidance. The auditors' reports related specifically to the single audit are located at the end of this report in the single audit section.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2016-2017 is \$42,513,194, an increase of \$2,152,130 (5.33%) from the prior year. The State approved this increase over the 4.0% cap due to the repayment of the bonds issued in fiscal year 2016 beginning in fiscal year 2017. Education, at \$25,021,559 or 58.9% of the total budgeted expenditures, had an increase of \$359,715. This increase is made up primarily of State Aid increases.

For the fiscal year 2016-2017, the tax rate was broken down into three tiers: residential, commercial and personal property, with rates of \$16.36, \$18.16 and \$40.83, respectively. The breakdown consists of 41.1% for municipal and 58.9% for education. For the fiscal year 2015-2016, the tax rate was broken down into the same three tiers, with rates of \$16.68, \$18.50 and \$44.56, respectively. The breakdown consists of 38.9% for municipal and 61.1% for education.

Requests for Information

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

Thank you very much!

Jason Parmelee
Finance Director

BASIC FINANCIAL STATEMENTS

THE BASIC FINANCIAL STATEMENTS INCLUDE:

Government-Wide Financial Statements

Fund Financial Statements:

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 18,548,281	\$ 1,951,881	\$ 20,500,162
Real estate and personal property tax receivable, net	1,326,290	-	1,326,290
Water and sewer use fees receivable, net	-	181,922	181,922
Sewer assessments receivable, net	-	336,765	336,765
Due from federal and state government	479,857	-	479,857
Accrued interest receivable, net	419,244	-	419,244
Other receivables	122,303	201,065	323,368
Internal balances	(1,201,019)	1,201,019	-
Prepaid expenses	260,916	-	260,916
Inventory	11,450	-	11,450
Total current assets	<u>19,967,322</u>	<u>3,872,652</u>	<u>23,839,974</u>
Noncurrent assets:			
Sewer assessments receivable, net	-	2,874,828	2,874,828
Capital assets: (Note 5)			
Land and land easements	8,720,242	16,141	8,736,383
Construction in progress	351,475	-	351,475
Depreciable buildings, property, equipment, infrastructure, net	40,787,570	12,305,408	53,092,978
Capital assets, net	49,859,287	12,321,549	62,180,836
Net pension assets	3,232,266	-	3,232,266
Total noncurrent assets	<u>53,091,553</u>	<u>15,196,377</u>	<u>68,287,930</u>
Total assets	<u>73,058,875</u>	<u>19,069,029</u>	<u>92,127,904</u>
Deferred outflows of resources:			
Deferred pension amounts	2,798,572	-	2,798,572
Deferred amounts on refunding	111,612	43,230	154,842
Total deferred outflows of resources	<u>2,910,184</u>	<u>43,230</u>	<u>2,953,414</u>
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	1,908,648	227,779	2,136,427
Accrued interest payable	290,164	62,858	353,022
Unearned revenue	1,910	-	1,910
Settlements payable - due within one year	14,300	110,552	124,852
Long-term debt - due within one year (Note 6)	2,863,449	380,209	3,243,658
Total current liabilities	<u>5,078,471</u>	<u>781,398</u>	<u>5,859,869</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year (Note 6)	33,622,207	4,360,116	37,982,323
Accrued compensated absences	947,369	-	947,369
Settlements payable - due in more than one year	85,800	-	85,800
Other liabilities	-	101,770	101,770
Net pension liabilities	21,850,733	-	21,850,733
Net other post employment benefit obligation	2,239,683	-	2,239,683
Total noncurrent liabilities	<u>58,745,792</u>	<u>4,461,886</u>	<u>63,207,678</u>
Total liabilities	<u>63,824,263</u>	<u>5,243,284</u>	<u>69,067,547</u>
Deferred Inflows of Resources:			
Deferred pension amounts	1,338,057	-	1,338,057
Deferred sewer assessments	-	3,143,590	3,143,590
Total deferred inflows of resources	<u>1,338,057</u>	<u>3,143,590</u>	<u>4,481,647</u>
Net Position:			
Net investment in capital assets	21,504,983	8,029,508	29,534,491
Restricted for:			
Education programs	1,983,230	-	1,983,230
Public safety programs	802,871	-	802,871
Historical records preservation	72,014	-	72,014
Other programs	160,115	-	160,115
Unrestricted	(13,716,474)	2,695,877	(11,020,597)
Total net position	<u>\$ 10,806,739</u>	<u>\$ 10,725,385</u>	<u>\$ 21,532,124</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Activities
For the Fiscal Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,632,297	\$ 436,544	\$ 105,859	\$ -	\$ (1,089,894)	\$ -	\$ (1,089,894)
Financial administration	922,061	77,930	-	-	(844,131)	-	(844,131)
Public safety	7,166,942	946,017	188,896	-	(6,032,029)	-	(6,032,029)
Public works	2,665,777	101,215	39,494	7,500	(2,517,568)	-	(2,517,568)
Grants and contributions	8,936	-	-	-	(8,936)	-	(8,936)
Education	29,169,610	672,331	8,241,561	45,223	(20,210,495)	-	(20,210,495)
Interest on long-term debt	1,353,334	-	1,075,124	-	(278,210)	-	(278,210)
Total governmental activities	42,918,957	2,234,037	9,650,934	52,723	(30,981,263)	-	(30,981,263)
Business-Type Activities:							
Water	471,289	572,629	-	-	-	101,340	101,340
Sewer	2,539,419	2,029,771	-	-	-	(509,648)	(509,648)
Total business-type activities	3,010,708	2,602,400	-	-	-	(408,308)	(408,308)
Total	\$ 45,929,665	\$ 4,836,437	\$ 9,650,934	\$ 52,723	(30,981,263)	(408,308)	(31,389,571)
General Revenues:							
Taxes:							
Property taxes					31,778,072	-	31,778,072
State aid and in lieu of taxes, not restricted for a specific purpose					697,420	-	697,420
Investment earnings					13,254	4,403	17,657
Miscellaneous					67,519	-	67,519
Transfers					(23,724)	23,724	-
Total general revenues and transfers					32,532,541	28,127	32,560,668
Change in net position							
Net position - beginning of year, restated					1,551,278	(380,181)	1,171,097
Net position - end of year					9,255,461	11,105,566	20,361,027
					\$ 10,806,739	\$ 10,725,385	\$ 21,532,124

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

*Balance Sheet
Governmental Funds
June 30, 2016*

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Town Building Bond</i>	<i>Road Bond</i>	<i>Other Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets						
Cash and cash equivalents	\$ 6,693,550	\$ 2,922,485	\$ 5,323,715	\$ 2,557,296	\$ 1,051,235	\$ 18,548,281
Real estate and personal property tax receivable (net)	1,326,290	-	-	-	-	1,326,290
Due from federal and state governments	25,849	22,299	-	-	431,709	479,857
Other receivables	36,640	58,116	-	-	27,547	122,303
Due from other funds	491,734	543,133	-	-	744,793	1,779,660
Prepaid expenditures	260,916	-	-	-	-	260,916
Inventory	11,450	-	-	-	-	11,450
Total assets	\$ 8,846,429	\$ 3,546,033	\$ 5,323,715	\$ 2,557,296	\$ 2,255,284	\$ 22,528,757
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued expenditures	\$ 522,816	\$ 1,178,928	\$ 60,708	\$ 21,659	\$ 58,103	\$ 1,842,214
Due to other funds	1,954,907	246,210	173,130	82,880	589,986	3,047,113
Unearned revenue	1,910	-	-	-	-	1,910
Total liabilities	2,479,633	1,425,138	233,838	104,539	648,089	4,891,237
Deferred Inflows of Resources:						
Deferred property taxes	1,142,459	-	-	-	-	1,142,459
Other deferred revenues	-	-	-	-	26,797	26,797
Total deferred inflows of resources	1,142,459	-	-	-	26,797	1,169,256
Fund Balances (Deficits):						
Nonspendable:						
Prepaid expenditures	260,916	-	-	-	-	260,916
Inventory	11,450	-	-	-	-	11,450
Restricted for:						
Education programs	-	1,933,166	-	-	50,064	1,983,230
Public safety programs	-	-	-	-	802,871	802,871
Historical records preservation	-	-	-	-	72,014	72,014
Capital projects	-	-	5,089,877	2,452,757	476,806	8,019,440
Other programs	4,126	-	-	-	129,192	133,318
Committed for:						
Accrued sick and vacation	48,610	-	-	-	-	48,610
Other postemployment benefits	150,010	-	-	-	-	150,010
Revaluation	259,919	-	-	-	-	259,919
Capital assets and projects	544,509	-	-	-	-	544,509
Branch Village project	67,000	-	-	-	-	67,000
Public safety programs	-	-	-	-	64,438	64,438
Other	36,980	-	-	-	-	36,980
Assigned to:						
Road resurfacing and repairs	293,887	-	-	-	-	293,887
Building and field maintenance	-	60,408	-	-	-	60,408
Preschool program	-	101,623	-	-	-	101,623
Extraordinary special education costs	-	25,698	-	-	-	25,698
Unassigned	3,546,930	-	-	-	(14,987)	3,531,943
Total fund balances (deficits)	5,224,337	2,120,895	5,089,877	2,452,757	1,580,398	16,468,264
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,846,429	\$ 3,546,033	\$ 5,323,715	\$ 2,557,296	\$ 2,255,284	\$ 22,528,757

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds	\$ 16,468,264
 <i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>	
Capital assets used in Governmental Activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. See note 5 to the financial statements.	49,859,287
Accrued interest receivable on property taxes is reported as revenue in Government-Wide financial statements in the period earned. In Governmental Funds financial statements, interest on property taxes is reported when received.	419,244
Other long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in Governmental Funds financial statements.	26,797
Property taxes are recognized as revenue in the period for which levied in the Government-Wide financial statements, but are reported as revenue when received in Governmental Funds financial statements.	1,142,459
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(290,164)
Long-term liabilities (including bonds and loans payable, capital leases, settlements, compensated absences, net other post employment benefit obligations, and net pension liabilities) are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. See Note 6 to the financial statements.	(61,623,541)
Deferred outflows related debt refunding are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements.	111,612
Net pension assets are not available to pay for current period expenditures and, therefore, are not reported in Governmental Funds financial statements.	3,232,266
Deferred outflows and inflows related to pensions are not reported in the Governmental Funds financial statements, but are reported in the Government-Wide financial statements.	
Deferred outflows - pension	2,798,572
Deferred inflows - pension	(1,338,057)
Net Position of Governmental Activities	<u><u>\$ 10,806,739</u></u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Town Building Bond</i>	<i>Road Bond</i>	<i>Other Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:						
Property taxes	\$ 31,704,085	\$ -	\$ -	\$ -	\$ -	\$ 31,704,085
Motor vehicle excise in lieu of tax	177,990	-	-	-	-	177,990
Intergovernmental and grant revenue	1,792,622	6,914,455	-	-	916,929	9,624,006
Town clerk licenses and fees	354,909	-	-	-	-	354,909
Other departmental fines and fees	458,678	354,696	-	-	134,618	947,992
Investment and interest income	11,967	-	36	-	1,251	13,254
Other revenues	356,177	113,057	-	200	625,951	1,095,385
Total revenues	<u>34,856,428</u>	<u>7,382,208</u>	<u>36</u>	<u>200</u>	<u>1,678,749</u>	<u>43,917,621</u>
Expenditures:						
Current:						
General government	1,421,538	-	-	-	27,232	1,448,770
Financial administration	719,167	-	-	-	-	719,167
Public safety	5,158,085	-	-	-	162,745	5,320,830
Public works	2,189,020	-	-	-	44,193	2,233,213
Fixed charges	1,711,529	-	-	-	-	1,711,529
Grants and contributions	8,936	-	-	-	-	8,936
Settlements	95,000	-	-	-	-	95,000
Education	-	25,478,089	-	-	1,126,756	26,604,845
Other	-	-	-	-	20,235	20,235
Capital outlay	289,974	-	211,983	94,760	89,007	685,724
Debt service:						
Principal	2,103,946	-	-	-	29,938	2,133,884
Interest and issuance costs	1,323,964	-	50,900	23,931	1,171	1,399,966
Total expenditures	<u>15,021,159</u>	<u>25,478,089</u>	<u>262,883</u>	<u>118,691</u>	<u>1,501,277</u>	<u>42,382,099</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>19,835,269</u>	<u>(18,095,881)</u>	<u>(262,847)</u>	<u>(118,491)</u>	<u>177,472</u>	<u>1,535,522</u>
Other financing sources (uses):						
General obligation bonds issued	-	-	4,965,000	2,385,000	-	7,350,000
Refunding bonds issued	1,441,624	-	-	-	-	1,441,624
Premium on bonds issued	125,692	-	387,724	186,248	-	699,664
Payment to refunding bond escrow agent	(1,531,612)	-	-	-	-	(1,531,612)
Transfers from other funds	4,385	18,642,223	-	-	6,138	18,652,746
Transfers to other funds	(18,669,670)	-	-	-	(6,800)	(18,676,470)
Total other financing sources (uses)	<u>(18,629,581)</u>	<u>18,642,223</u>	<u>5,352,724</u>	<u>2,571,248</u>	<u>(662)</u>	<u>7,935,952</u>
Net change in fund balances	1,205,688	546,342	5,089,877	2,452,757	176,810	9,471,474
Fund balances (deficits) - beginning of year, restated	<u>4,018,649</u>	<u>1,574,553</u>	<u>-</u>	<u>-</u>	<u>1,403,588</u>	<u>6,996,790</u>
Fund balances (deficits) - end of year	<u>\$ 5,224,337</u>	<u>\$ 2,120,895</u>	<u>\$ 5,089,877</u>	<u>\$ 2,452,757</u>	<u>\$ 1,580,398</u>	<u>\$ 16,468,264</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in the Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Net Changes in Fund Balances - Total Governmental Funds \$ 9,471,474

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

Governmental Funds financial statements report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the amount of capital assets recorded in the current period. 968,510

A loss on the disposal of capital assets is not reported in the Governmental Funds financial statements, but is reported in the Government-Wide Statement of Activities. This amount represents net book value of capital assets disposed of during the current period. (39,315)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported in the Governmental Funds financial statements. (2,041,294)

Long-term compensated absences, net pension liabilities (assets) and net other post employment benefit (OPEB) obligation are reported in the Government-Wide financial statements, but do not require the use of current financial resources. Therefore, compensated absences, net pension liabilities (assets) and net OPEB obligation are not reported as expenditures in Governmental Funds financial statements. This amount represents the change in these long-term liabilities from the prior year. (1,198,235)

Bond, loan and lease proceeds and the related premium provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of debt principal and payments to escrow agents are expenditures or uses of current financial resources in Governmental Funds, but the payments reduce long-term liabilities in the Government-Wide Statement of Net Position.

This amount represents long-term debt issued.	(8,791,624)
This amount represents premium on long-term debt issued.	(699,664)
This amount represents long-term debt principal payments.	2,133,884
This amount represents payments to refunding bond escrow agent.	1,531,612

Accrued interest expense on long-term debt is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in Governmental Funds financial statements. The following amount represents the change in accrued interest from prior year. 46,632

Payments of settlements are expenditures in the Governmental Funds, but reduce long-term liabilities in the Government-Wide Statement of Net Position. 95,000

Revenues in the Statement of Activities that are not available in Governmental Funds are not reported as revenue in the Governmental Funds. 74,298

Change in Net Position of Governmental Activities \$ 1,551,278

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Net Position

Proprietary Funds

June 30, 2016

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,951,881	\$ 1,951,881
Accounts receivable:			
Water and sewer use fees, net	116,786	65,136	181,922
Sewer assessments, net	-	336,765	336,765
Other	-	201,065	201,065
Due from other funds	204,585	997,892	1,202,477
Total current assets	<u>321,371</u>	<u>3,552,739</u>	<u>3,874,110</u>
Noncurrent assets:			
Sewer assessments receivable, net	-	2,874,828	2,874,828
Capital assets:			
Non-depreciable assets	16,141	-	16,141
Depreciable assets - net	2,261,896	10,043,512	12,305,408
Total noncurrent assets	<u>2,278,037</u>	<u>12,918,340</u>	<u>15,196,377</u>
Total assets	<u>2,599,408</u>	<u>16,471,079</u>	<u>19,070,487</u>
Deferred outflows of resources			
Deferred amounts on refunding	-	43,230	43,230
Total deferred outflows of resources	<u>-</u>	<u>43,230</u>	<u>43,230</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	171,424	56,355	227,779
Accrued interest payable	39,097	23,761	62,858
Due to other funds	-	1,458	1,458
Settlements payable	-	110,552	110,552
Current portion of long term debt	135,181	245,028	380,209
Total current liabilities	<u>345,702</u>	<u>437,154</u>	<u>782,856</u>
Noncurrent liabilities:			
Long-term debt	1,191,404	3,168,712	4,360,116
Other liabilities	43,300	58,470	101,770
Total noncurrent liabilities	<u>1,234,704</u>	<u>3,227,182</u>	<u>4,461,886</u>
Total liabilities	<u>1,580,406</u>	<u>3,664,336</u>	<u>5,244,742</u>
Deferred inflows of resources			
Deferred sewer assessments	-	3,143,590	3,143,590
Total deferred inflows of resources	<u>-</u>	<u>3,143,590</u>	<u>3,143,590</u>
Net position			
Net investment in capital assets	951,452	7,078,056	8,029,508
Unrestricted	67,550	2,628,327	2,695,877
Total net position	<u>\$ 1,019,002</u>	<u>\$ 9,706,383</u>	<u>\$ 10,725,385</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
Operating revenues			
Assessments and user fees	\$ 515,880	\$ 1,907,349	\$ 2,423,229
Other revenues	56,749	122,422	179,171
Total operating revenues	<u>572,629</u>	<u>2,029,771</u>	<u>2,602,400</u>
Operating expenses			
Salaries and benefits	29,612	159,636	189,248
Service	242,878	1,083,616	1,326,494
Operating supplies	992	7,786	8,778
Fixed and general charges	60,158	209,509	269,667
Settlements	-	135,237	135,237
Depreciation	76,795	817,271	894,066
Total operating expenses	<u>410,435</u>	<u>2,413,055</u>	<u>2,823,490</u>
Operating income (loss)	<u>162,194</u>	<u>(383,284)</u>	<u>(221,090)</u>
Nonoperating revenues (expenses)			
Interest income	-	4,403	4,403
Interest expense	(60,854)	(112,535)	(173,389)
Bond issuance costs	-	(13,829)	(13,829)
Total non-operating revenues (expenses)	<u>(60,854)</u>	<u>(121,961)</u>	<u>(182,815)</u>
Income (loss) before transfers	101,340	(505,245)	(403,905)
Transfers in	-	23,724	23,724
Change in net position	101,340	(481,521)	(380,181)
Total net position - beginning of year, restated	<u>917,662</u>	<u>10,187,904</u>	<u>11,105,566</u>
Total net position - end of year	<u>\$ 1,019,002</u>	<u>\$ 9,706,383</u>	<u>\$ 10,725,385</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2016

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<i>Water</i>	<i>Sewer</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	
<i>Cash flows from operating activities</i>			
Cash received from customers	\$ 564,594	\$ 2,017,335	\$ 2,581,929
Cash payments to suppliers for goods and services	(297,038)	(1,354,491)	(1,651,529)
Cash payments to employees for services	(29,417)	(158,529)	(187,946)
 <i>Net cash provided by operating activities</i>	 238,139	 504,315	 742,454
 <i>Cash flows from non-capital financing activities</i>			
Interfund transactions	(64,087)	(635,373)	(699,460)
Transfers in	-	23,724	23,724
Settlements paid	-	(104,209)	(104,209)
 <i>Net cash used for non-capital financing activities</i>	 (64,087)	 (715,858)	 (779,945)
 <i>Cash flows from capital and related financing activities</i>			
Acquisition and construction of capital assets	(8,076)	(22,009)	(30,085)
Principal paid on bonds and loans	(132,188)	(598,719)	(730,907)
Interest paid on bonds and loans	(63,043)	(125,506)	(188,549)
 <i>Net cash used for capital and related financing activities</i>	 (203,307)	 (746,234)	 (949,541)
 <i>Cash flows from investing activities</i>			
Investment income	-	4,403	4,403
 <i>Net cash provided by investing activities</i>	 -	 4,403	 4,403
 <i>Net decrease in cash and cash equivalents</i>	 (29,255)	 (953,374)	 (982,629)
 <i>Cash and cash equivalents, beginning of year</i>	 29,255	 2,905,255	 2,934,510
 <i>Cash and cash equivalents, end of year</i>	 \$ -	 \$ 1,951,881	 \$ 1,951,881
 <i>Noncash capital and related financing activities:</i>			
Available debt proceeds not drawn down and used to decrease loans payable	\$ -	\$ (799,791)	\$ (799,791)
Increase in bonds payable due to refunding	-	57,059	57,059
Increase in deferred amounts on refunding	-	43,230	43,230

(Continued)

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Cash Flows (Continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<i>Business-Type Activities</i>		
	<i>Enterprise Funds</i>		
	<i>Water</i>	<i>Sewer</i>	<i>Total</i>
	<i>Fund</i>	<i>Fund</i>	
<i>Reconciliation of operating income (loss) to net cash provided by operating activities</i>			
Operating income (loss)	\$ 162,194	\$ (383,284)	\$ (221,090)
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation	76,795	817,271	894,066
Settlements	-	135,237	135,237
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	9,126	218,425	227,551
(Increase) decrease in other receivables	-	227	227
Increase (decrease) in accounts payable and accrued expenses	(9,976)	(52,700)	(62,676)
Increase (decrease) in deferred sewer assessments	-	(230,861)	(230,861)
<i>Net cash provided by operating activities</i>	\$ 238,139	\$ 504,315	\$ 742,454

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	<i>Private-Purpose Trust</i>	
	<u><i>Buxton Family Association</i></u>	<u><i>Agency Funds</i></u>
<i>Assets</i>		
Cash and cash equivalents	\$ 792	\$ 231,504
Accounts receivable	-	11,018
Due from other funds	-	66,434
<i>Total assets</i>	<u>792</u>	<u>308,956</u>
<i>Liabilities</i>		
Deposits held in custody for others	-	308,956
<i>Total liabilities</i>	<u>-</u>	<u>308,956</u>
<i>Net position</i>		
Restricted for other purposes	<u>\$ 792</u>	<u>\$ -</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	<i>Private-Purpose Trust</i>
	<i>Buxton Family Association</i>
<i>Additions</i>	
Earnings on investments	\$ 1
<i>Total additions</i>	<i>1</i>
 <i>Deductions</i>	
Miscellaneous	-
<i>Total deductions</i>	<i>-</i>
<i>Change in net position</i>	<i>1</i>
<i>Net position - beginning of year</i>	<i>791</i>
<i>Net position - end of year</i>	<i>\$ 792</i>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION AND ACCOUNTING

Government-Wide Financial Statements

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

Fund Financial Statements

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

Governmental Fund Financial Statements

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

Major Governmental Funds:

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

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

Town Building Bond Fund and **Road Bond Fund** – These funds account for debt proceeds used for major capital projects for Town buildings and roads, respectively.

Proprietary Fund Financial Statements

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

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

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

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

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

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

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s Fiduciary Funds include a Private Purpose Trust Fund and Agency Funds. Fiduciary Funds are used to account for assets held by the Town in a trustee

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

capacity or as an agent for individuals, private organizations or other governments. The Fiduciary Funds are accounted for on a spending or “*economic resources*” measurement focus and the accrual basis of accounting. Agency funds are purely custodial and do not involve measurement of results of operations.

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

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

C. RECENTLY ISSUED ACCOUNTING STANDARDS

The Town has implemented the following new accounting pronouncements:

- GASB Statement No. 72 – Fair Value Measurement and Application, effective for the Town’s fiscal year ending June 30, 2016.
- 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, effective for the Town’s fiscal years ending June 30, 2016.
- GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for the Town’s fiscal year ending June 30, 2016.

The adoption of GASB Statements Nos. 72, 73, and 76 did not have an impact on the Town’s financial position or results of operations.

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

- GASB Statement No. 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for the Town’s fiscal year ending June 30, 2018.
- GASB Statement No. 77 – Tax Abatement Disclosures, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 78 – Pensions Provided Through Certain Multiple – Employer Defined Benefit Pension Plans, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 79 – Certain External Investment Pools and Pool Participants, effective for the Town’s fiscal year ending June 30, 2017.
- GASB Statement No. 80 – Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, effective for the Town’s fiscal year ending June 30, 2017.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

D. CASH AND CASH EQUIVALENTS

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

E. INVESTMENTS

The Town reports investments at fair value.

F. ACCOUNTS RECEIVABLE AND TAXES RECEIVABLE

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

G. PREPAID ITEMS

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

H. INVENTORY

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

I. CAPITAL ASSETS

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

J. DEBT PREMIUMS

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

K. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

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

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

L. PROPERTY TAXES

The Town is permitted by state law to levy property taxes. Current tax collections for the Town, including 60 day collections, were approximately 98.02% of the total 2015 levy. The Town's fiscal 2015-2016 property taxes were levied on July 7, 2015 on assessed valuation as of December 31, 2014. Upon levy, taxes are due and payable on August 15 or may be paid quarterly on August 15, October 15, January 15, and April 15. Failure to mail payments by due dates will result in lien on taxpayer's property. Taxable assessed values are established by Tax Assessor's Office and are currently calculated at approximately 100% of current market value for real estate and 100% of current market value for motor vehicles.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

M. COMPENSATED ABSENCES

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

Vacation benefits are accrued as a liability based on the accumulated benefits earned at June 30. Sick leave benefits are accrued based on the sick leave accumulated as of June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The liability is calculated at the rate of pay in effect at June 30, 2016.

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

N. ACCRUED LIABILITIES AND LONG-TERM DEBT

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

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

O. PENSIONS

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

P. USE OF ESTIMATES

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. LEGAL DEBT MARGIN

The Town’s legal debt margin as set forth by State Statute is limited to three percent of total taxable assessed value, which approximates \$45,137,033. As of June 30, 2016, the Town’s debt subject to the legal debt margin is \$18,309,657 and the Town is under the debt limit by \$26,827,376. The debt subject to the debt limitation is based on the type of debt that is issued.

B. DEFICIT FUND BALANCES

The following nonmajor governmental funds have deficit fund balances as of June 30, 2016: School Building Fund \$(14,987).

NOTE 3 – CASH DEPOSITS

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

	<i>Carrying Amount</i>
Total Deposits	\$20,633,289
Add: Petty cash and cash on hand	33,477
Investments classified as cash and cash equivalents	<u>65,692</u>
<i>Total Cash and Cash Equivalents Reported in the Financial Statements</i>	<u><u>\$20,732,458</u></u>

CUSTODIAL CREDIT RISK – custodial credit risk is the risk that in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a formal deposit policy for custodial credit risk, but is governed by State laws as described below. As of June 30, 2016, \$20,646,654 of the Town’s bank balance of \$21,424,536 was exposed to custodial credit risk as follows:

	<i>Bank Balance</i>
Insured (Federal depository insurance funds)	\$777,882
Collateralized with securities held by pledging financial institution or its agent in the Town’s name	7,900,765
Collateralized with securities held by pledging financial institution or its agent, but not in the Town’s name	12,677,180
Uninsured and uncollateralized	<u>68,709</u>
<i>Total</i>	<u><u>\$21,424,536</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Under Rhode Island general laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, which are time deposits with maturities greater than sixty (60) days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent (100%) of the deposits, regardless of maturity. At June 30, 2016, the Town's uncollateralized deposits with institutions were \$68,709. These deposits are held by institutions that meet the minimum capital standards prescribed by the federal regulators.

NOTE 4 – INVESTMENTS

At June 30, 2016, the Town’s investments were as follows:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government Money Market	Average 46 days	\$ 65,692	S&P - AAAM
		<u>65,692</u>	
Less: Investment classified as cash equivalents		<u>(65,692)</u>	
<i>Total Investments Reported in the Financial Statements</i>		<u><u>\$ -</u></u>	

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

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

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

Custodial Credit Risk – Custodial credit risk for investments is the risk that in the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy governing custodial credit risk. The Town does not have any investments that are subject to custodial credit risk as of June 30, 2016.

Fair Value Measurements - The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

- The following investments are valued using quoted market prices (Level 1 inputs): money market funds \$65,692.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Nondepreciable assets:				
Land and land easements	\$ 8,720,242	\$ -	\$ -	\$ 8,720,242
Construction in progress	-	351,475	-	351,475
	<u>8,720,242</u>	<u>351,475</u>	<u>-</u>	<u>9,071,717</u>
Depreciable assets:				
Land improvements	3,298,969	91,349	19,786	3,370,532
Buildings and improvements	55,020,429	274,438	-	55,294,867
Infrastructure	23,959,615	62,169	-	24,021,784
Machinery, equipment and furniture	6,560,074	146,854	1,614,913	5,092,015
Vehicles	4,686,455	42,225	1,457,251	3,271,429
	<u>93,525,542</u>	<u>617,035</u>	<u>3,091,950</u>	<u>91,050,627</u>
Total capital assets	<u>102,245,784</u>	<u>968,510</u>	<u>3,091,950</u>	<u>100,122,344</u>
Less accumulated depreciation for:				
Land improvements	1,892,239	109,255	19,786	1,981,708
Buildings and improvements	16,996,688	1,387,614	-	18,384,302
Infrastructure	23,380,128	66,367	-	23,446,495
Machinery, equipment and furniture	5,263,730	244,193	1,607,271	3,900,652
Vehicles	3,741,613	233,865	1,425,578	2,549,900
	<u>51,274,398</u>	<u>2,041,294</u>	<u>3,052,635</u>	<u>50,263,057</u>
Governmental activities capital assets, net	<u>\$ 50,971,386</u>	<u>\$ (1,072,784)</u>	<u>\$ 39,315</u>	<u>\$ 49,859,287</u>
Business-Type Activities				
Nondepreciable assets:				
Land	\$ 16,141	\$ -	\$ -	\$ 16,141
	<u>16,141</u>	<u>-</u>	<u>-</u>	<u>16,141</u>
Depreciable assets:				
Land improvements	32,405	-	-	32,405
Buildings and improvements	2,346,289	-	-	2,346,289
Infrastructure	11,348,392	17,640	-	11,366,032
Machinery, equipment and furniture	19,021,332	12,444	-	19,033,776
Vehicles	139,110	-	-	139,110
	<u>32,887,528</u>	<u>30,084</u>	<u>-</u>	<u>32,917,612</u>
Total capital assets	<u>32,903,669</u>	<u>30,084</u>	<u>-</u>	<u>32,933,753</u>
Less accumulated depreciation for:				
Land improvements	15,243	863	-	16,106
Buildings and improvements	749,344	46,931	-	796,275
Infrastructure	5,613,068	151,792	-	5,764,860
Machinery, equipment and furniture	13,250,330	676,577	-	13,926,907
Vehicles	90,153	17,903	-	108,056
	<u>19,718,138</u>	<u>894,066</u>	<u>-</u>	<u>20,612,204</u>
Business-type activities capital assets, net	<u>\$ 13,185,531</u>	<u>\$ (863,982)</u>	<u>\$ -</u>	<u>\$ 12,321,549</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 69,437
Public safety	215,682
Public works	235,931
Education	1,520,244
Total depreciation expense, governmental activities	<u><u>\$ 2,041,294</u></u>
Business-type activities:	
Water fund	\$ 76,795
Sewer fund	817,271
Total depreciation expense, business-type activities	<u><u>\$ 894,066</u></u>

NOTE 6 – LONG-TERM LIABILITIES

A. LONG-TERM LIABILITIES:

Changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$ 29,855,000	\$ 8,791,624	\$3,339,000	\$ 35,307,624	\$2,645,000
Capital leases	693,252	-	214,884	478,368	218,449
	<u>30,548,252</u>	<u>8,791,624</u>	<u>3,553,884</u>	<u>35,785,992</u>	<u>2,863,449</u>
Plus amortized premium on bonds	-	699,664	-	699,664	-
Total bonds, loans and capital leases	<u>30,548,252</u>	<u>9,491,288</u>	<u>3,553,884</u>	<u>36,485,656</u>	<u>2,863,449</u>
Other liabilities:					
Accrued compensated absences	944,697	22,914	20,242	947,369	-
Settlements payable	195,100	-	95,000	100,100	14,300
Net other postemployment benefit obligation	1,941,068	298,615	-	2,239,683	-
Net pension liabilities	19,204,973	2,645,760	-	21,850,733	-
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$ 52,834,090</u></u>	<u><u>\$ 12,458,577</u></u>	<u><u>\$ 3,669,126</u></u>	<u><u>\$ 61,623,541</u></u>	<u><u>\$ 2,877,749</u></u>
Business-type activities:					
Bonds, loans and capital leases payable:					
Bonds and loans payable	\$ 6,108,696	\$ 558,376	\$2,055,039	\$ 4,612,033	\$ 354,116
Capital leases	105,268	-	25,659	79,609	26,093
	<u>6,213,964</u>	<u>558,376</u>	<u>2,080,698</u>	<u>4,691,642</u>	<u>380,209</u>
Plus amortized premium on bonds	-	48,683	-	48,683	-
Total bonds, loans and capital leases	<u>6,213,964</u>	<u>607,059</u>	<u>2,080,698</u>	<u>4,740,325</u>	<u>380,209</u>
Other liabilities:					
Settlements payable	79,524	70,790	39,762	110,552	110,552
Total Business-Type Activities					
Long-Term Liabilities	<u><u>\$ 6,293,488</u></u>	<u><u>\$ 677,849</u></u>	<u><u>\$ 2,120,460</u></u>	<u><u>\$ 4,850,877</u></u>	<u><u>\$ 490,761</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

B. GENERAL OBLIGATION BONDS AND LOANS DEBT SERVICE REQUIREMENTS

The debt service requirements at June 30, 2016 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities Bonds and Loans Payable</i>		<i>Business-Type Activities Bonds and Loans Payable</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2017	\$ 2,645,000	\$ 1,355,761	\$ 354,116	\$ 123,162
2018	2,743,208	1,289,411	364,273	127,719
2019	2,865,893	1,177,588	401,213	114,820
2020	2,956,767	1,067,869	384,312	101,373
2021	3,063,767	953,335	353,510	83,059
2022-2026	16,267,812	2,996,568	1,395,270	273,158
2027-2031	4,765,177	326,266	1,036,648	111,219
2032-2036	-	-	164,220	66,250
2037-2040	-	-	158,471	20,890
	<u>\$ 35,307,624</u>	<u>\$ 9,166,798</u>	<u>\$ 4,612,033</u>	<u>\$ 1,021,650</u>

C. CAPITAL LEASE COMMITMENTS

The Town acquired equipment and vehicles valued at \$1,137,553 that were financed with lease purchase agreements. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2016.

Obligations of Governmental and Business-Type Activities under capital leases as of June 30, 2016 were as follows:

<i>Fiscal Year Ended June 30,</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>
	<i>Lease Payment Requirements</i>	<i>Lease Payment Requirements</i>
2017	\$ 226,131	\$ 27,438
2018	174,808	27,438
2019	90,676	27,438
Total minimum lease payments	491,615	82,314
Less: Amount representing interest cost	(13,247)	(2,705)
Present value of minimum lease payments	<u>\$ 478,368</u>	<u>\$ 79,609</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Notes to Financial Statements

June 30, 2016

D. SCHEDULE OF BONDS AND LOANS PAYABLE

<i>Purpose</i>	<i>Date Issued</i>	<i>Interest Rate</i>	<i>Maturity Date</i>	<i>Authorized and Issued</i>	<i>Outstanding June 30, 2015</i>	<i>New Issues</i>	<i>Refundings/ Maturities During Year</i>	<i>Outstanding June 30, 2016</i>
Governmental Activities:								
School loan	9/2/2010	3.84%	4/1/2026	\$ 3,550,000	\$ 3,080,000	\$ -	\$ 175,000	\$ 2,905,000
School loan	5/14/2008	3.50-5.00%	4/1/2028	30,000,000	22,940,000	-	1,330,000	21,610,000
General obligation bond	7/1/2007	4.125-5.50%	7/1/2027	2,100,000	1,385,000	-	1,175,000	210,000
School general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	700,000	490,000	-	385,000	105,000
Refunding bond	6/12/2012	1.89%	10/15/2021	2,068,000	1,460,000	-	224,000	1,236,000
General obligation bond	12/30/2013	2.25%	12/15/2023	545,000	500,000	-	50,000	450,000
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	1,441,624	-	1,441,624	-	1,441,624
General obligation bond	6/30/2016	2.00-4.00%	6/15/2026	7,350,000	-	7,350,000	-	7,350,000
Total Governmental Activities				47,754,624	29,855,000	8,791,624	3,339,000	35,307,624
Business-Type Activities:								
Water Fund:								
Water bond	5/11/1982	5.00%	5/11/2022	50,000	16,729	-	2,071	14,658
Water bond	5/16/1995	6.00%	5/16/2020	500,000	163,345	-	29,233	134,112
Water bond	8/26/1999	5.00%	8/26/2039	790,900	649,250	-	13,615	635,635
Shell oil bond	9/16/1997	5.50%	9/16/2022	500,000	235,812	-	24,289	211,523
Refunding bond	6/12/2012	1.89%	10/15/2021	517,000	365,000	-	56,000	309,000
				<u>2,357,900</u>	<u>1,430,136</u>	<u>-</u>	<u>125,208</u>	<u>1,304,928</u>
Sewer Fund:								
Sewer general obligation bond	12/15/2008	3.125-5.00%	12/15/2028	1,000,000	750,000	-	600,000	150,000
Mendon road project #1 bond	12/18/1990	7.25%	12/18/2020	303,000	115,916	-	16,450	99,466
Mendon road project #2 bond	4/7/1992	6.625%	4/7/2021	60,000	22,436	-	3,210	19,226
Refunding bond	6/30/2016	2.00-4.00%	7/1/2028	558,376	-	558,376	-	558,376
Clean water revolving loan	10/6/2009	0.49-1.93%	9/1/2029	4,750,000	3,480,958	-	1,000,921	2,480,037
Clean water sewer project #2 loan	3/10/1993	3.11073%	9/1/2015	4,500,000	309,250	-	309,250	-
				<u>11,171,376</u>	<u>4,678,560</u>	<u>558,376</u>	<u>1,929,831</u>	<u>3,307,105</u>
Total Business-Type Activities				13,529,276	6,108,696	558,376	2,055,039	4,612,033
Total Bonds and Loans Payable				\$ 61,283,900	\$ 35,963,696	\$ 9,350,000	\$ 5,394,039	\$ 39,919,657

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

E. REFUNDINGS OF LONG-TERM DEBT

On June 30, 2016, the Town issued \$2,000,000 in general obligation bonds with an average interest rate of 2.78% to advance refund the following outstanding bonds: \$1,070,000 in 2007 series and \$350,000 in 2008 series Governmental Activities bonds with an average interest rate of 4.45% and 4%, respectively, and \$550,000 in 2008 series Business-Type Activities bonds with an average interest rate of 4%. The net proceeds of \$2,124,842 (after receipt of premium of \$174,376 and payment of \$49,534 in underwriter's fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 and 2008 series bonds. As a result, the 2007 and 2008 series bonds are considered defeased and the liability for those bonds have been removed from the respective Statements of Net Position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$111,612 for Governmental Activities and \$43,230 for Business-Type Activities. The differences, reported in the accompanying financial statements as deferred outflows of resources, are being changed to operations through fiscal year 2029 for Government Activities and Business-Type Activities using the straight-line method. The Town completed the advance refunding to reduce its total debt service payments over the next 13 years by \$271,268 and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$244,098.

NOTE 7 – INTERFUND BALANCES

The Town reports interfund balances between many of its funds. Interfund balances at June 30, 2016 were as follows:

	<i>Due From:</i>						<i>Total</i>
	<i>General Fund</i>	<i>School Unrestricted Fund</i>	<i>Town Building Bond</i>	<i>Road Bond</i>	<i>Nonmajor Governmental Funds</i>	<i>Sewer Fund</i>	
<i>Due To:</i>							
General Fund	\$ 188,871	\$ -	\$ 173,130	\$ 82,880	\$ 46,853	\$ -	\$ 491,734
School Unrestricted Fund	-	-	-	-	543,133	-	543,133
Nonmajor Governmental Funds	498,583	246,210	-	-	-	-	744,793
Water Fund	203,127	-	-	-	-	1,458	204,585
Sewer Fund	997,892	-	-	-	-	-	997,892
Agency Funds	66,434	-	-	-	-	-	66,434
Total	\$ 1,954,907	\$ 246,210	\$ 173,130	\$ 82,880	\$ 589,986	\$ 1,458	\$ 3,048,571

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 – INTERFUND TRANSFERS

	<i>Transfer From:</i>		
	<i>General Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total</i>
<i>Transfer To:</i>			
General Fund	\$ -	\$ 4,385	\$ 4,385
School Unrestricted Fund	18,642,223	-	18,642,223
Nonmajor Governmental Funds	3,723	2,415	6,138
Sewer Fund	23,724	-	23,724
Total	\$ 18,669,670	\$ 6,800	\$ 18,676,470

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

NOTE 9 – DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

A. ACCOUNTS RECEIVABLE

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

<u><i>Fund/Description</i></u>	<u><i>Allowance for Doubtful Accounts</i></u>
Governmental Activities/General Fund – Real estate and personal property tax receivable	\$490,056
Governmental Activities – Accrued interest receivable	\$242,275
Business-Type Activities/Water Fund – Use fees receivable	\$1,180
Business-Type Activities/Sewer Fund – Use fees receivable	\$2,015
Business-Type Activities/Sewer Fund – Sewer assessments receivable	\$2,103

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

B. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities at June 30, 2016, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 439,845	\$ 70,913	\$ 12,058	\$ 522,816
School Unrestricted Fund	141,357	1,037,571	-	1,178,928
Town Building Bond	60,708	-	-	60,708
Road Bond	21,659	-	-	21,659
Nonmajor Governmental Funds	57,506	597	-	58,103
Reconciliation of balances in fund financial statements to government- wide financial statements	-	-	66,434	66,434
Total Governmental Activities	<u><u>\$ 721,075</u></u>	<u><u>\$ 1,109,081</u></u>	<u><u>\$ 78,492</u></u>	<u><u>\$ 1,908,648</u></u>
Business-Type Activities:				
Water Fund	\$ 70,720	\$ 348	\$ 100,356	\$ 171,424
Sewer Fund	54,384	1,971	-	56,355
Total Business-Type Activities	<u><u>\$ 125,104</u></u>	<u><u>\$ 2,319</u></u>	<u><u>\$ 100,356</u></u>	<u><u>\$ 227,779</u></u>

NOTE 10 – NET POSITION/FUND BALANCES

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11 – DIFFERENCES BETWEEN GOVERNMENTAL FUNDS AND GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The total fund balances for Governmental Funds of \$16,468,264 differs from the total net position for Governmental Activities \$10,806,739 reported in the Statement of Net Position. The differences arise primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the Governmental Funds Balance Sheet. The effect of the differences is illustrated below.

Balance Sheet/Statement of Net Position:

	Total Governmental Funds	Long-Term Assets/ Liabilities (1)	Reclassifications and Eliminations	Statement Net Position Totals
Assets:				
Cash and cash equivalents	\$ 18,548,281	\$ -	\$ -	\$ 18,548,281
Real and personal property				
tax receivable, net	1,326,290	-	-	1,326,290
Due from federal and state governments	479,857	-	-	479,857
Accrued interest receivable, net	-	419,244	-	419,244
Other receivables	122,303	-	-	122,303
Internal balances	1,779,660	-	(2,980,679)	(1,201,019)
Prepaid expenditures	260,916	-	-	260,916
Inventory	11,450	-	-	11,450
Capital assets, net	-	49,859,287	-	49,859,287
Net pension assets	-	3,232,266	-	3,232,266
Total assets	\$ 22,528,757	\$ 53,510,797	\$ (2,980,679)	\$ 73,058,875
Total deferred outflows of resources	\$ -	\$ 2,910,184	\$ -	\$ 2,910,184
Liabilities:				
Accounts payable and accrued expenditures	\$ 1,842,214	\$ -	\$ 66,434	\$ 1,908,648
Accrued interest payable	-	290,164	-	290,164
Internal balances	3,047,113	-	(3,047,113)	-
Unearned revenue	1,910	-	-	1,910
Long-term liabilities:				
Due within one year	-	2,877,749	-	2,877,749
Due in more than one year	-	58,745,792	-	58,745,792
Total liabilities	\$ 4,891,237	\$ 61,913,705	\$ (2,980,679)	\$ 63,824,263
Total deferred inflows of resources	\$ 1,169,256	\$ 168,801	\$ -	\$ 1,338,057
Total fund balances/net position	\$ 16,468,264	\$ (5,661,525)	\$ -	\$ 10,806,739

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Cost of capital assets	\$ 100,122,344
Accumulated depreciation	(50,263,057)
	\$ 49,859,287

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

Adjustment of deferred revenue	\$ (1,169,256)
--------------------------------	----------------

Accrued interest receivable on property taxes is reported as revenue in the Government-Wide financial statements in the period earned and in the Governmental Funds when received.

	\$ 419,244
--	------------

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

Bonds and loans payable	\$ 36,007,288
Capital leases payable	478,368
Accrued compensated absences	947,369
Settlements payable	100,100
Net OPEB obligation	2,239,683
Net pension liabilities	21,850,733
Accrued interest payable	290,164
	\$ 61,913,705
Deferred outflows - refunding	\$ 111,612
Net pension assets	\$ 3,232,266
Deferred outflows - pension	\$ 2,798,572
Deferred inflows - pension	\$ 1,338,057

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

The net change in the fund balances for Governmental Funds of \$9,471,474 differs from the change in net position for Governmental Activities \$1,551,278 reported in the Statement of Activities. The differences arise primarily from the long-term economic focus of the Statement of Activities versus the current financial resources focus of the Governmental Funds. The effect of the differences is illustrated below.

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

	<u>Total Governmental Funds</u>	<u>Long-Term Revenues/ Expenses (1)</u>	<u>Capital- Related Items (2)</u>	<u>Long-Term Liability Transactions (3)</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues:						
Property taxes	\$ 31,704,085	\$ 73,987	\$ -	\$ -	\$ -	\$ 31,778,072
Motor vehicle excise in lieu of tax	177,990		-	-	(177,990)	-
Intergovernmental and grant revenue	9,624,006	503,595	7,500	-	265,976	10,401,077
Town clerk licenses and fees	354,909	-	-	-	-	354,909
Other departmental fines and fees	947,992	-	-	-	931,136	1,879,128
Investment and interest income	13,254	-	-	-	-	13,254
Other revenues	1,095,385	(8,744)	-	-	(1,019,122)	67,519
Total revenues	<u>43,917,621</u>	<u>568,838</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>44,493,959</u>
Expenditures:						
Current:						
General government	1,448,770	(9,055)	29,324	(258,301)	421,559	1,632,297
Financial administration	719,167	-	(3,750)	22,224	184,420	922,061
Public safety	5,320,830	-	215,682	740,369	890,061	7,166,942
Public works	2,233,213	-	181,127	3,730	247,707	2,665,777
Fixed charges	1,711,529	-	-	-	(1,711,529)	-
Grants and contributions	8,936	-	-	-	-	8,936
Settlements	95,000	-	-	(95,000)	-	-
Education	26,604,845	503,595	1,365,515	690,213	5,442	29,169,610
Other	20,235	-	-	-	(20,235)	-
Capital outlay	685,724	-	(668,299)	-	(17,425)	-
Debt service:						
Principal	2,133,884	-	-	(2,133,884)	-	-
Interest	1,399,966	(46,632)	-	-	-	1,353,334
Total expenditures	<u>42,382,099</u>	<u>447,908</u>	<u>1,119,599</u>	<u>(1,030,649)</u>	<u>-</u>	<u>42,918,957</u>
Other financing sources (uses):						
General obligation bonds issued	7,350,000	-	-	(7,350,000)	-	-
Refunding bonds issued	1,441,624	-	-	(1,441,624)	-	-
Premium on bonds issued	699,664	-	-	(699,664)	-	-
Payment to refunding bond escrow agent	(1,531,612)	-	-	1,531,612	-	-
Transfer from (to) other funds	(23,724)	-	-	-	-	(23,724)
Total other financing sources (uses)	<u>7,935,952</u>	<u>-</u>	<u>-</u>	<u>(7,959,676)</u>	<u>-</u>	<u>(23,724)</u>
Net change for the year	<u>\$ 9,471,474</u>	<u>\$ 120,930</u>	<u>\$ (1,112,099)</u>	<u>\$ (6,929,027)</u>	<u>\$ -</u>	<u>\$ 1,551,278</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Change in deferred property taxes	\$ 36,370
Change in accrued interest receivable	37,617
Change in other deferred revenues	311
	<u>\$ 74,298</u>

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

Change in accrued interest payable	\$ (46,632)
------------------------------------	-------------

Change in on-behalf pension payments made by the State related to recording the net pension liability in the Government-Wide Statement of Activities.

Change in intergovernmental and grant revenue	\$ 503,595
Change in education expense	\$ 503,595

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

Capital outlay	\$ (968,510)
Depreciation expense	2,041,294
Loss on disposal of capital assets	39,315
	<u>\$ 1,112,099</u>

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

Bond principal payments made	\$ (1,919,000)
Lease principal payments made	(214,884)
	<u>\$ (2,133,884)</u>

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

General obligation bonds issued	\$ (7,350,000)
Refunding bonds issued	(1,441,624)
Premium on bonds issued	(699,624)
Payment to refunding bond escrow agent	1,531,612
	<u>\$ (7,959,636)</u>

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

Net increase in compensated absences	\$ 2,672
Settlement payments made	(95,000)
Net increase in net OPEB obligation	298,615
Net change in net pension liabilities (assets) and related deferred outflows/inflows	896,948
	<u>\$ 1,103,235</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – LITIGATION AND CONTINGENCIES

A. LITIGATION

The Town is a party to various claims, legal actions and complaints. The potential liability to the Town, if any or an evaluation of the outcome of these matters cannot be made at the present time, except as disclosed in Note-17-B.

B. FEDERALLY FUNDED PROGRAMS

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

C. CONTINGENCIES

The Town is disputing invoices received from the Woonsocket Regional Wastewater Commission (WRWC) relating to host fees of \$202,280 for fiscal year 2016, \$201,065 for fiscal year 2015 and \$197,734 for fiscal year 2014. The fiscal year 2015 invoice was paid by the Town in error and has been reported in the Sewer Fund as a receivable due from WRWC as of June 30, 2016. The fiscal year 2016 and 2014 invoices have not been paid to date. Neither invoice has been reported as an expense in the Sewer Fund. The Town is currently in mediation for a new agreement with the Woonsocket Regional Wastewater Commission and may ultimately be required to pay all or part of the fiscal year 2016 and 2014 host fees and/or recognize the expense for the fiscal year 2015 host fees. As of November 1, 2016, the mediation has led to a stay against the WRWC in stopping wastewater treatment services until an agreement is made, or when the Town can make other arrangements for wastewater treatment service.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – RESTATEMENTS

The following corrections and reclassifications have been reported in the Governmental Activities, Business-Type Activities, General Fund and Sewer Fund:

	<i>Governmental Activities</i>	<i>Governmental Funds General Fund</i>
Net position/fund balance, June 30, 2015, as previously reported	\$ 9,183,512	\$ 3,916,013
Record prepaid expenditure not recorded in prior years	108,635	108,635
Correct for accounts payable not recorded in prior year	(5,999)	(5,999)
Correct capital assets for item not recorded in prior years	44,155	-
Correct capital assets for items included in error in prior years	(74,842)	-
 <i>Net position /fund balance June 30, 2015, as restated</i>	<i>\$ 9,255,461</i>	<i>\$ 4,018,649</i>
	<i>Business-Type Activities</i>	<i>Proprietary Funds Sewer Fund</i>
Net position, June 30, 2015, as previously reported	\$ 11,113,366	\$ 10,195,704
Correct sewer assessment receivable for prior year cash receipt	(7,800)	(7,800)
 <i>Net position June 30, 2015, as restated</i>	<i>\$ 11,105,566</i>	<i>\$ 10,187,904</i>

NOTE 15 – OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

Funding Policy

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of health care and dental benefits, less the amount of any applicable retiree share of premiums. For the year ended June 30, 2016, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2016, the Town contributed \$391,952 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$739,664
Interest on net OPEB obligation	74,005
Adjustment to annual required contribution	<u>(123,102)</u>
Annual OPEB cost	690,567
Contributions made	<u>391,952</u>
Increase in net OPEB obligation	298,615
Net OPEB obligation, beginning of year	<u>1,941,068</u>
Net OPEB obligation, end of year	<u><u>\$2,239,683</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

<i>Fiscal Year</i> <i>Ended</i>	<i>Annual</i> <i>OPEB Cost</i>	<i>Percentage of Annual</i> <i>OPEB Cost</i> <i>Contributed</i>	<i>Net OPEB</i> <i>Obligation</i>
6/30/14	\$756,422	71.8%	\$1,609,518
6/30/15	\$809,602	59.0%	\$1,941,068
6/30/16	\$690,567	56.8%	\$2,239,683

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

NOTE 16 – PENSION PLANS

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

Defined Benefit Plan

General Information about the Pension Plan

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

Contributions - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2016, North Smithfield School Department teachers were required to contribute 3.75% of their annual covered salary, except for teachers with twenty or more years of service as of June 30, 2012 must contribute 11% of their annual covered salary. The State and the North Smithfield School Department are required to contribute at an actuarially determined rate, 40% of which is to be paid by the State and the remaining 60% is to be paid by the North Smithfield School Department; the rates were 8.98% and 13.08% of annual covered payroll for the fiscal year ended June 30, 2016 for the State and the North Smithfield School Department, respectively. The North Smithfield School Department contributed \$1,575,393, \$1,492,336, and \$1,343,812 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year. The State's share of contributions totaling \$1,060,469 for fiscal year 2016 are reflected as on-behalf payments and are included as both revenue and expenditures in the Governmental Funds financial statements.

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

At June 30, 2016, the North Smithfield School Department reported a liability of \$18,854,306 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the State. The amount recognized by the North Smithfield School Department as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the North Smithfield School Department were as follows:

North Smithfield School Department's proportionate share of the net pension liability	\$18,854,306
State's proportionate share of the net pension liability associated with the North Smithfield School Department	<u>12,880,670</u>
Total net pension liability	<u>\$31,734,976</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 North Smithfield School Department's proportion of the net pension liability was based on a projection of the North Smithfield School Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State, actuarially determined. At June 30, 2015 the North Smithfield School Department's proportion was 0.68486334%.

For the year ended June 30, 2016, the North Smithfield School Department recognized in the Government-Wide financial statements gross pension expense of \$3,794,870 and revenue of \$1,564,064 for support provided by the State. At June 30, 2016, the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	<u>\$1,575,393</u>
Deferred inflows of resources:	
Change of assumptions	\$506,868
Differences between expected and actual experience	122,767
Changes in proportion and differences between employer contributions and proportionate share of contributions	415,463
Net difference between projected and actual earnings on pension plan investments	14,224
Total	<u><u>\$1,059,322</u></u>

\$1,575,393 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(260,067)
2018	\$(260,067)
2019	\$(260,067)
2020	\$98,790
2021	\$(166,797)
Thereafter	\$(211,114)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

1.00% Decrease	Current Discount Rate	1.00 Increase
<u>(6.5%)</u>	<u>(7.5%)</u>	<u>(8.5%)</u>
\$23,643,148	\$18,854,306	\$14,933,961

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

Defined Contribution Plan

Plan Description

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

Employees contribute 7% of their annual covered salary and employers contribute between 3% and 3.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. The employer contribution is split between the State and the school department. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

The North Smithfield School Department recognized pension expense of \$333,622 and employees contributed \$738,608 for the fiscal year ended June 30, 2016. For financial reporting purposes, the State's share of contributions totaling \$47,593 for fiscal year 2016 are reflected as on behalf-payments and are included as both revenue and expenditures in the accompanying financial statements.

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

B. TEACHERS' SURVIVOR BENEFIT PLAN

General Information about the Pension Plan

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

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

The North Smithfield School Department contributed \$16,224, \$16,354, and \$16,437, for the fiscal years ended June 30, 2016, 2015 and 2014, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2016 the North Smithfield School Department reported an asset of \$2,530,222 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2015, the measurement date, and the total pension liability used to

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

calculate the net pension asset was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015. The North Smithfield School Department's proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2015 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2015 the North Smithfield School Department's proportion was 2.71030550%

For the year ended June 30, 2016 the North Smithfield School Department recognized pension expense of (\$162,534) – an increase in the net pension asset. At June 30, 2016 the North Smithfield School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources:	
Contributions subsequent to the measurement date	\$16,224
Difference between expected and actual experience	584,985
Total	<u>\$601,209</u>
Deferred inflows of resources:	
Net difference between projected and actual earnings on pension plan investments	\$9,222
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,536
Total	<u>\$20,758</u>

\$16,224 reported as deferred outflows of resources related to pensions resulting from the North Smithfield School Department's contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as an addition to the net pension asset for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$39,971
2018	\$39,971
2019	\$39,971
2020	\$150,213
2021	\$69,836
Thereafter	\$224,265

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
\$1,964,911	\$2,530,222	\$2,992,851

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

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

Defined Benefit Plans

General Information about the Pension Plan

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

hired after June 30, 2012. The interpolation is based on service as of June 30, 2012 divided by projected service at the member's prior retirement date. The minimum retirement age is 59.

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

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

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 (a) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017. The Town of North Smithfield has elected the optional cost-of-living provision for general employees and police officers.

Employees Covered by Benefit Terms - At the June 30, 2014 valuation date, the following employees were covered by the benefit terms:

	General Employees Plan	Police Officers Plan
Retirees and Beneficiaries Inactive, Nonretired	66	19
Members	65	1
Active Members	89	25
Total	220	45

Contributions - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 2% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 9.25%. Police officers are required to contribute 10% of their salaries. The Town of North Smithfield contributes at a rate of covered employee payroll as determined by an independent actuary on an annual basis. The General Assembly can amend the amount of these contribution requirements. The Town of North Smithfield contributed the following amounts in the year ended June 30, 2016: general employees plan - \$228,258 and police officers plan - \$356,690. The Town's contributions represented the following percentages of annual covered payroll: general employees plan – 6.44%; police officers plan – 21.79%.

Net Pension Liability - 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.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Summary of Actuarial Assumptions Used in the Valuations to Determine the Net Pension Liability 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
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police Officers - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> • Male Employees, MERS General and MERS Police: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000. • Female Employees, MERS General and MERS Police: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
Cost of Living Adjustments	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.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

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

Discount Rate - The discount rate used to measure the total pension liability 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.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

General Employees Plan
Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
Balances as of June 30, 2014	\$12,795,154	\$14,118,088	\$(1,322,934)
Changes for the Year:			
Service cost	313,382	-	313,382
Interest on the total pension liability	940,220	-	940,220
Changes in benefits	248,558	-	248,558
Difference between expected and actual experience	(287,684)	-	(287,684)
Changes in assumptions	-	-	-
Employer contributions	-	202,160	(202,160)
Employee contributions	-	65,426	(65,426)
Net investment income	-	325,291	(325,291)
Benefit payments, including employee refunds	(831,170)	(831,170)	-
Administrative expense	-	(13,127)	13,127
Other changes	-	13,836	(13,836)
Net changes	383,306	(237,584)	620,890
Balances as of June 30, 2015	\$13,178,460	\$13,880,504	\$(702,044)

Police Officers Plan
Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2014	\$10,952,117	\$8,844,423	\$2,107,694
Changes for the Year:			
Service cost	257,868	-	257,868
Interest on the total pension liability	808,451	-	808,451
Changes in benefits	451,265	-	451,265
Difference between expected and actual experience	9,656	-	9,656
Changes in assumptions	-	-	-
Employer contributions	-	312,414	(312,414)
Employee contributions	-	126,484	(126,484)
Net investment income	-	208,093	(208,093)
Benefit payments, including employee refunds	(603,406)	(603,406)	-
Administrative expense	-	(8,485)	8,485
Other changes	-	1	(1)
Net changes	923,834	35,101	888,733
Balances as of June 30, 2015	\$11,875,951	\$8,879,524	\$2,996,427

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Plan	1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00 Increase (8.5%)
General Employees	\$703,266	\$(702,044)	\$(1,852,365)
Police Officers	\$4,246,904	\$2,996,427	\$1,972,971

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

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

For the year ended June 30, 2016, the Town recognized pension expense as follows: general employees plan - \$281,439; and police officers plan - \$709,094. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	General Employees Plan	Police Officers Plan
Deferred Outflows of Resources:		
Assumption changes	\$ 16,475	\$ -
Net difference between projected and actual investment earnings	6,442	5,648
Difference between expected and actual experience	-	8,457
Contributions subsequent to the measurement date	228,258	356,690
Total	\$ 251,175	\$ 370,795
Deferred Inflows of Resources:		
Assumption changes	\$ -	\$ 48,048
Difference between expected and actual experience	209,929	-
Total	\$209,929	\$ 48,048

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2016 subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows/(Inflows) of Resources	
	General Employees Plan	Police Officers Plan
2017	\$(116,837)	\$ (33,645)
2018	\$(116,837)	\$ (33,645)
2019	\$ (95,828)	\$ (33,644)
2020	\$ 142,490	\$ 84,142
2021	\$ -	\$ (5,610)
Thereafter	\$ -	\$ (11,541)

Defined Contribution Plan

Plan Description

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

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

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

The Town of North Smithfield recognized pension expense of \$35,345 and employees contributed \$161,785 for the fiscal year ended June 30, 2016.

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

D. AGGREGATE PENSION AMOUNTS REPORTED IN THE FINANCIAL STATEMENTS

	Deferred Outflows of Resources – Pension Amounts	Deferred Inflows of Resources – Pension Amounts	Net Pension Asset	Net Pension Liability	Pension Expense
Employees’ Retirement System Plan	\$1,575,393	\$1,059,322	\$ -	\$18,854,306	\$3,794,870
Teachers’ Survivor Benefits Plan	601,209	20,758	2,530,222	-	(162,534)
General Employees Plan	251,175	209,929	702,044	-	281,439
Police Officers Plan	370,795	48,048	-	2,996,427	709,094
Total	\$2,798,572	\$1,338,057	\$3,232,266	\$21,850,733	\$4,622,869

NOTE 17 – SUBSEQUENT EVENTS

A. On July 20, 2016 Rhode Island Health and Educational Building Corporation (RIHEBC) Public Schools Revenue Bond Financing Program issued \$86,430,000 of Revenue Bonds, Refunding Series 2016 A (Pooled Issue). The Bonds bear interest of 2% to 5% and mature May 15, 2029. A portion of the Refunding Series 2016 A Bonds in the amount of \$17,115,000 will be applied by the Town of North Smithfield to advance refund the Town’s portion of the RIHEBC Series 2008 A Bonds issued to finance capital improvements to school buildings.

B. On September 29, 2016, the Town entered into an agreement to settle litigation in the amount of \$180,000.

NOTE 18 – OPERATING LEASES

The Town leases certain equipment under noncancellable operating leases expiring in June 2020. At June 30, 2016, future minimum lease payments are as follows:

<i>Year Ending June 30,</i>	
2017	\$27,142
2018	27,142
2019	14,801
2020	14,801
	<u>\$83,886</u>

Rental expenditures for operating leases for the year ended June 30, 2016 totaled \$27,142.

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress – Other Postemployment Benefit Plan

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

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

Schedule of Town Contributions – Pension Plans

Budgetary Comparison Schedules - General Fund & School Unrestricted Fund

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

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

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

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

(2) Projected Unit Credit Actuarial Cost Method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Required Supplementary Information - Pension Plans

Schedule of Town Contributions (1)

"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<u>Employees' Retirement System Plan</u>		
Actuarially determined contribution	\$ 1,575,393	\$ 1,492,336
Contributions in relation to the actuarially determined contribution	1,575,393	1,492,336
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	13.18%	12.78%
<u>Teachers' Survivor Benefit Plan</u>		
Statutorily determined contribution	\$ 16,224	\$ 16,354
Contributions in relation to the statutorily determined contribution	16,224	16,354
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 11,951,207	\$ 11,674,039
Contributions as a percentage of covered employee payroll	0.14%	0.14%
<u>General Employees Plan</u>		
Actuarially determined contribution	\$ 228,258	\$ 202,160
Contributions in relation to the actuarially determined contribution	228,258	202,160
<i>Contribution deficiency (excess)</i>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 3,545,325	\$ 3,271,216
Contributions as a percentage of covered employee payroll	6.44%	6.18%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Required Supplementary Information - Pension Plans

Schedule of Town Contributions (1)

"Unaudited"

<i>Fiscal Year</i>	<u>2016</u>	<u>2015</u>
<u>Police Officers Plan</u>		
Actuarially determined contribution	\$ 356,690	\$ 312,414
Contributions in relation to the actuarially determined contribution	356,690	312,414
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 1,636,945	\$ 1,581,045
Contributions as a percentage of covered employee payroll	21.79%	19.76%

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 31,590,326	\$ 31,590,326	\$ 31,704,085	\$ 113,759
Motor vehicle excise in lieu of tax	181,773	181,773	177,990	(3,783)
Intergovernmental and grant revenue	7,589,067	7,589,067	7,483,998	(105,069)
Town clerk licenses and fees	324,150	324,150	354,909	30,759
Other departmental fines and fees	299,250	299,250	364,187	64,937
Investment and interest income	10,000	10,000	11,967	1,967
Other revenues	366,498	366,498	413,879	47,381
Total revenues	<u>40,361,064</u>	<u>40,361,064</u>	<u>40,511,015</u>	<u>149,951</u>
Expenditures				
General Government:				
Town council	10,650	10,650	10,032	618
Probate court	8,914	8,914	7,210	1,704
Town solicitor	195,514	195,514	139,702	55,812
Municipal court	32,190	32,190	32,379	(189)
Administrator's office	116,000	116,000	115,402	598
Town clerk's office	133,996	133,996	135,120	(1,124)
Planning division	129,143	125,793	116,669	9,124
Board of canvassers	19,975	19,975	7,943	12,032
Zoning board	6,330	6,330	7,274	(944)
Personnel board	1	1	-	1
Conservation commission	1,459	1,459	1,129	330
Historic district commission	250	250	230	20
Housing authority	1	1	-	1
Economic development	2,500	2,500	130	2,370
Public safety commission	1	1	-	1
Budget committee	2,000	2,000	1,035	965
Juvenile hearing board	2,275	3,291	3,021	270
Town hall	7,607	9,207	10,431	(1,224)
Plant operations	142,180	143,780	130,876	12,904
Printing and advertising	14,150	14,150	12,892	1,258
Contingency	394,500	389,500	306,523	82,977
Scouter's Hall	2,660	2,660	1,719	941
N.S. Library	409,133	409,133	409,133	-
	<u>1,631,429</u>	<u>1,627,295</u>	<u>1,448,850</u>	<u>178,445</u>
Financial Administration:				
Finance department	200,687	200,687	195,919	4,768
Tax assessor's office	107,281	107,431	104,783	2,648
Tax collector's office	86,226	86,226	103,857	(17,631)
Board of tax review	500	500	-	500
Audits and computer services	159,730	159,730	119,216	40,514
Insurance	175,934	175,934	191,153	(15,219)
	<u>730,358</u>	<u>730,508</u>	<u>714,928</u>	<u>15,580</u>
Public Safety:				
Police department	2,211,186	2,211,186	2,280,569	(69,383)
Animal control	60,690	60,690	55,796	4,894
EMA	19,110	19,110	17,225	1,885
N.S. Fire and Rescue Department	2,615,080	2,615,080	2,607,424	7,656
Hydrant rental	51,375	51,375	51,375	-
Inspection division	118,587	118,587	119,211	(624)
	<u>5,076,028</u>	<u>5,076,028</u>	<u>5,131,600</u>	<u>(55,572)</u>

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

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Continued)
General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Works:				
DPW administration	95,101	95,101	95,407	(306)
Highway division	1,165,193	1,165,193	1,136,659	28,534
Parks and recreation division	78,042	88,042	83,273	4,769
Tree warden	4,230	4,230	1,730	2,500
Street lights	255,000	255,000	287,667	(32,667)
Rubbish disposal	654,937	654,937	640,863	14,074
Sealer of weights and measures	1	1	-	1
	<u>2,252,504</u>	<u>2,262,504</u>	<u>2,245,599</u>	<u>16,905</u>
Fixed Charges	<u>1,842,625</u>	<u>1,842,625</u>	<u>1,880,730</u>	<u>(38,105)</u>
Debt Service:				
Principal	2,134,051	2,134,051	2,103,946	30,105
Interest	1,290,236	1,290,236	1,288,674	1,562
	<u>3,424,287</u>	<u>3,424,287</u>	<u>3,392,620</u>	<u>31,667</u>
Grants and contributions	<u>19,668</u>	<u>13,652</u>	<u>8,936</u>	<u>4,716</u>
Settlements	<u>95,000</u>	<u>95,000</u>	<u>95,000</u>	<u>-</u>
Capital Outlay:				
Town	499,866	499,866	485,061	14,805
School	99,731	99,731	95,519	4,212
	<u>599,597</u>	<u>599,597</u>	<u>580,580</u>	<u>19,017</u>
Total expenditures	<u>15,671,496</u>	<u>15,671,496</u>	<u>15,498,843</u>	<u>172,653</u>
Excess of revenues over expenditures before other financing uses	<u>24,689,568</u>	<u>24,689,568</u>	<u>25,012,172</u>	<u>322,604</u>
Other financing uses:				
Transfers to other funds				
School unrestricted fund	(24,661,844)	(24,661,844)	(24,465,264)	196,580
Substance abuse fund	(4,000)	(4,000)	(3,723)	277
Sewer fund	(23,724)	(23,724)	(23,724)	-
Total other financing uses	<u>(24,689,568)</u>	<u>(24,689,568)</u>	<u>(24,492,711)</u>	<u>196,857</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,461</u>	<u>\$ 519,461</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
School Unrestricted Fund
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Local appropriations	\$18,642,223	\$18,642,223	\$ 18,642,223	\$ -
State of Rhode Island - education aid	5,754,621	5,754,621	5,806,393	51,772
Medicaid	205,000	205,000	238,676	33,676
Rental Income - fields and buildings	60,000	60,000	67,265	7,265
Re-appropriation of fund balance	-	-	69,934	69,934
Other	-	-	113,057	113,057
Total revenues	<u>24,661,844</u>	<u>24,661,844</u>	<u>24,937,548</u>	<u>275,704</u>
Expenditures				
Salaries	14,372,434	14,372,434	14,216,370	156,064
Employee benefits	5,002,503	5,002,503	4,772,310	230,193
Purchased services	4,170,947	4,161,823	3,717,059	444,764
Supplies and materials	1,006,335	938,832	999,155	(60,323)
Property and equipment	74,140	147,942	591,762	(443,820)
Other costs	35,485	38,310	34,890	3,420
Total expenditures	<u>24,661,844</u>	<u>24,661,844</u>	<u>24,331,546</u>	<u>330,298</u>
Net change in fund balance, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606,002</u>	<u>\$ 606,002</u>

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Notes to Required Supplementary Information

June 30, 2016

"Unaudited"

NOTE 1 - SCHEDULE OF FUNDING PROGRESS

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

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

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016
“Unaudited”

NOTE 2 – PENSION PLANS

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

Changes in benefit provisions related to the final settlement of pension litigation and enactment of the pension settlement provisions by the General Assembly occurred during the year.

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

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

Actuarially Determined Contributions:

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

- Actuarial cost method – Entry Age Normal
- Amortization method - Level percentage of payroll, closed
- Remaining amortization period - 22 years
- Asset valuation method – 5-year smoothed market
- Inflation – 2.75%
- Investment return - 7.50%
- Salary increases – 4% to 12.75% for teachers; 4% to 8% for general employees; 4.25% to 14.25% for police and fire employees.
- Retirement age – Experienced-based table of rates that are specific to the type of eligibility condition.
- Mortality – Males, General, Police and Fire Employees – 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Females, General, Police and Fire Employees – 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
- Mortality – Males and Females, Teachers – 97% and 92%, respectively, of rates in GRS table based on male and female teacher experience, projected with Scale AA from 2000.

Employers participating in the Employees’ Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year. Employers participating in the Municipal Employees’ Retirement System are required by RI General Laws, Section 45-21-42, to contribute an actuarially determined contribution rate each year.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016
“Unaudited”

NOTE 3 - BUDGETARY DATA AND BUDGETARY COMPLIANCE

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

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

<u>Revenues and Other Financing Sources</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$40,511,015	\$24,937,548
Differences – budget to GAAP:		
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary revenues, but are revenues for financial reporting purposes.	-	1,108,062
Re-appropriated fund balance is a budgetary revenue, but is not a revenue for financial reporting purposes.	-	(69,934)
School State aid and other revenue are budgetary revenue, but are reported in the School Unrestricted Fund for financial reporting purposes.	(5,823,041)	-
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(69,201)	-
Refunding bond proceeds and premium are not reported for budgetary purposes, but are included for financial reporting purposes.	1,567,316	-
Unbudgeted revenues are not included for budgetary purposes, but are included for financial reporting purposes.	242,040	48,755
<i>Total revenues and other financing sources as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u><u>\$36,428,129</u></u>	<u><u>\$26,024,431</u></u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Notes to Required Supplementary Information
June 30, 2016
“Unaudited”

<u>Expenditures and Other Financing Uses</u>	<u>General Fund</u>	<u>School Unrestricted Fund</u>
Actual amounts (budgetary basis)	\$39,991,554	\$24,331,546
Differences – budget to GAAP:		
Increases and carryforwards of commitments and assignments of fund balance are expenditures for budgetary purposes, but are not expenditures for financial reporting purposes.	(603,167)	-
Unbudgeted expenditures are not included for budgetary purposes, but are included for financial reporting purposes.	259,395	38,481
Restoration of fund balance is a budgetary expenditure, but is not an expenditure for financial reporting purposes.	(100,000)	-
School State aid and other revenue expenditures are budgetary expenditures, but are not expenditures for financial reporting purposes.	(5,823,041)	-
Insurance co-pays are reported as revenues for budgetary purposes, but are a reduction of expenditures for financial reporting purposes.	(69,201)	-
Payment to the refunding bond escrow agent and bond issuance costs are not reported for budgetary purposes, but are included for financial reporting purposes.	1,566,901	-
The pension contributions made to the Employees Retirement System by the State on behalf of the Town of North Smithfield are not reported as budgetary expenditures, but are expenditures for financial reporting purposes.	-	1,108,062
<i>Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balances – governmental funds</i>	<u>\$35,222,441</u>	<u>\$25,478,089</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

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

	<i>Special Revenue Funds</i>				
	<i>School Restricted Fund</i>	<i>Governor's Justice Commission Fund</i>	<i>Substance Abuse Donations Fund</i>	<i>Substance Abuse Prevention Council Fund</i>	<i>Project D.A.R.E. Fund</i>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	393,075	2,240	-	10,046	-
Other receivables	-	-	-	-	-
Due from other funds	84,180	-	3,888	-	299
Total assets	\$ 477,255	\$ 2,240	\$ 3,888	\$ 10,046	\$ 299
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 46,088	\$ -	\$ -	\$ 262	\$ 234
Due to other funds	381,103	92	-	9,784	-
Total liabilities	427,191	92	-	10,046	234
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits)					
Restricted for:					
Education programs	50,064	-	-	-	-
Public safety programs	-	2,148	3,888	-	65
Historical records preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed for:					
Public safety programs	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	50,064	2,148	3,888	-	65
Total liabilities, deferred inflows of resources, and fund balances	\$ 477,255	\$ 2,240	\$ 3,888	\$ 10,046	\$ 299

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	<i>Special Revenue Funds</i>				
	<i>Business Revolving Loan Fund</i>	<i>CDBG Fund</i>	<i>Police Forfeiture Funds</i>	<i>Dattco Fund</i>	<i>EMS Fund</i>
ASSETS					
Cash and cash equivalents	\$ 54,131	\$ 11,716	\$ -	\$ -	\$ 919,696
Due from federal and state governments	-	-	-	-	-
Other receivables	-	26,797	-	750	-
Due from other funds	-	-	10,999	5,050	-
Total assets	\$ 54,131	\$ 38,513	\$ 10,999	\$ 5,800	\$ 919,696
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 7,928
Due to other funds	-	11,707	-	-	147,465
Total liabilities	-	11,707	-	-	155,393
Deferred Inflows of Resources:					
Other deferred revenues	-	26,797	-	-	-
Total deferred inflows of resources	-	26,797	-	-	-
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	10,999	-	764,303
Historical records preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Other programs	54,131	9	-	5,800	-
Committed for:					
Public safety programs	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	54,131	9	10,999	5,800	764,303
Total liabilities, deferred inflows of resources, and fund balances	\$ 54,131	\$ 38,513	\$ 10,999	\$ 5,800	\$ 919,696

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	<i>Special Revenue Funds</i>				
	<i>Trail Grant</i>	<i>Record Retention Fund</i>	<i>Police Cruiser Fees</i>	<i>Recycling Grant</i>	<i>Clean & Green Day</i>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from federal and state governments	7,348	-	-	-	-
Other receivables	-	-	-	-	-
Due from other funds	-	73,943	66,048	55,038	1,385
Total assets	\$ 7,348	\$ 73,943	\$ 66,048	\$ 55,038	\$ 1,385
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ 1,929	\$ 1,610	\$ -	\$ -
Due to other funds	7,348	-	-	-	-
Total liabilities	7,348	1,929	1,610	-	-
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	-
Public safety programs	-	-	-	-	-
Historical records preservation	-	72,014	-	-	-
Capital projects	-	-	-	-	-
Other programs	-	-	-	55,038	1,385
Committed for:					
Public safety programs	-	-	64,438	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	-	72,014	64,438	55,038	1,385
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,348	\$ 73,943	\$ 66,048	\$ 55,038	\$ 1,385

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	<i>Special Revenue Funds</i>				<i>Total Special Revenue Funds</i>
	<i>Pumpkin Festival</i>	<i>Renewable Energy Grant</i>	<i>EMA Grants</i>	<i>Adopt- A-Spot Fund</i>	
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 985,543
Due from federal and state governments	-	17,500	1,500	-	431,709
Other receivables	-	-	-	-	27,547
Due from other funds	9,440	-	19,968	3,441	333,679
Total assets	\$ 9,440	\$ 17,500	\$ 21,468	\$ 3,441	\$ 1,778,478
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ 52	\$ -	\$ -	\$ -	\$ 58,103
Due to other funds	-	17,500	-	-	574,999
Total liabilities	52	17,500	-	-	633,102
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	26,797
Total deferred inflows of resources	-	-	-	-	26,797
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	50,064
Public safety programs	-	-	21,468	-	802,871
Historical records preservation	-	-	-	-	72,014
Capital projects	-	-	-	-	-
Other programs	9,388	-	-	3,441	129,192
Committed for:					
Public safety programs	-	-	-	-	64,438
Unassigned	-	-	-	-	-
Total fund balances (deficits)	9,388	-	21,468	3,441	1,118,579
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,440	\$ 17,500	\$ 21,468	\$ 3,441	\$ 1,778,478

(Continued)

TOWN OF NORTH SMITHFIELD RHODE ISLAND
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2016

	<u>Capital Project Funds</u>			<u>Total Capital Project Funds</u>	<u>Total All Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>Middle School Construction</u>	<u>School Building</u>		
ASSETS					
Cash and cash equivalents	\$ 65,692	\$ -	\$ -	\$ 65,692	\$ 1,051,235
Due from federal and state governments	-	-	-	-	431,709
Other receivables	-	-	-	-	27,547
Due from other funds	22,944	388,170	-	411,114	744,793
Total assets	<u>\$ 88,636</u>	<u>\$ 388,170</u>	<u>\$ -</u>	<u>\$ 476,806</u>	<u>\$ 2,255,284</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenditures	\$ -	\$ -	\$ -	\$ -	\$ 58,103
Due to other funds	-	-	14,987	14,987	589,986
Total liabilities	<u>-</u>	<u>-</u>	<u>14,987</u>	<u>14,987</u>	<u>648,089</u>
Deferred Inflows of Resources:					
Other deferred revenues	-	-	-	-	26,797
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,797</u>
Fund balances (deficits)					
Restricted for:					
Education programs	-	-	-	-	50,064
Public safety programs	-	-	-	-	802,871
Historical records preservation	-	-	-	-	72,014
Capital projects	88,636	388,170	-	476,806	476,806
Other programs	-	-	-	-	129,192
Committed for:					
Public safety programs	-	-	-	-	64,438
Unassigned	-	-	(14,987)	(14,987)	(14,987)
Total fund balances (deficits)	<u>88,636</u>	<u>388,170</u>	<u>(14,987)</u>	<u>461,819</u>	<u>1,580,398</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 88,636</u>	<u>\$ 388,170</u>	<u>\$ -</u>	<u>\$ 476,806</u>	<u>\$ 2,255,284</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Special Revenue Funds</i>				
	<i>School Restricted Fund</i>	<i>Governor's Justice Commission Fund</i>	<i>Substance Abuse Donations Fund</i>	<i>Substance Abuse Prevention Council Fund</i>	<i>Project D.A.R.E. Fund</i>
Revenues					
Intergovernmental and grant revenue	\$ 813,407	\$ 19,262	\$ -	\$ 18,613	\$ -
Other departmental fees	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Other revenue	310,984	485	-	165	1,125
Total revenues	<u>1,124,391</u>	<u>19,747</u>	<u>-</u>	<u>18,778</u>	<u>1,125</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	19,187	60	25,200	1,490
Public works	-	-	-	-	-
Education	1,126,756	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>1,126,756</u>	<u>19,187</u>	<u>60</u>	<u>25,200</u>	<u>1,490</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(2,365)</u>	<u>560</u>	<u>(60)</u>	<u>(6,422)</u>	<u>(365)</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	6,138	-
Transfers to other funds	-	-	(2,415)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,415)</u>	<u>6,138</u>	<u>-</u>
Net change in fund balances	(2,365)	560	(2,475)	(284)	(365)
Fund balances (deficits) - beginning of year	<u>52,429</u>	<u>1,588</u>	<u>6,363</u>	<u>284</u>	<u>430</u>
Fund balances (deficits) - end of year	<u>\$ 50,064</u>	<u>\$ 2,148</u>	<u>\$ 3,888</u>	<u>\$ -</u>	<u>\$ 65</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Special Revenue Funds</i>				
	<i>Business Revolving Loan Fund</i>	<i>CDBG Fund</i>	<i>Police Forfeiture Funds</i>	<i>Dattco Fund</i>	<i>EMS Fund</i>
Revenues					
Intergovernmental and grant revenue	\$ -	\$ 2,624	\$ 8,745	\$ -	\$ -
Other departmental fees	-	-	-	3,000	-
Investment and interest income	73	20	-	-	1,137
Other revenue	-	9,561	-	-	284,246
Total revenues	<u>73</u>	<u>12,205</u>	<u>8,745</u>	<u>3,000</u>	<u>285,383</u>
Expenditures					
Current:					
General government	-	-	-	-	-
Public safety	-	-	499	-	83,820
Public works	-	-	-	-	-
Education	-	-	-	-	-
Other	-	13,133	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>-</u>	<u>13,133</u>	<u>499</u>	<u>-</u>	<u>83,820</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>73</u>	<u>(928)</u>	<u>8,246</u>	<u>3,000</u>	<u>201,563</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	(4,385)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,385)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	73	(928)	3,861	3,000	201,563
Fund balances (deficits) - beginning of year	<u>54,058</u>	<u>937</u>	<u>7,138</u>	<u>2,800</u>	<u>562,740</u>
Fund balances (deficits) - end of year	<u>\$ 54,131</u>	<u>\$ 9</u>	<u>\$ 10,999</u>	<u>\$ 5,800</u>	<u>\$ 764,303</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Special Revenue Funds</i>				
	<i>Trail Grant</i>	<i>Record Retention Fund</i>	<i>Police Cruiser Fees</i>	<i>Recycling Grant</i>	<i>Clean & Green Day</i>
Revenues					
Intergovernmental and grant revenue	\$ 7,348	\$ -	\$ -	\$ 7,046	\$ -
Other departmental fees	-	26,374	98,520	6,724	-
Investment and interest income	-	-	-	-	-
Other revenue	-	-	-	-	2,150
Total revenues	<u>7,348</u>	<u>26,374</u>	<u>98,520</u>	<u>13,770</u>	<u>2,150</u>
Expenditures					
Current:					
General government	-	27,232	-	-	-
Public safety	-	-	18,143	-	-
Public works	3,654	-	-	15,071	2,274
Education	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	74,020	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>3,654</u>	<u>27,232</u>	<u>92,163</u>	<u>15,071</u>	<u>2,274</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>3,694</u>	<u>(858)</u>	<u>6,357</u>	<u>(1,301)</u>	<u>(124)</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,694	(858)	6,357	(1,301)	(124)
Fund balances (deficits) - beginning of year	<u>(3,694)</u>	<u>72,872</u>	<u>58,081</u>	<u>56,339</u>	<u>1,509</u>
Fund balances (deficits) - end of year	<u>\$ -</u>	<u>\$ 72,014</u>	<u>\$ 64,438</u>	<u>\$ 55,038</u>	<u>\$ 1,385</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<i>Special Revenue Funds</i>				<i>Total Special Revenue Funds</i>
	<i>Pumpkin Festival</i>	<i>Renewable Energy Grant</i>	<i>EMA Grants</i>	<i>Adopt- A-Spot Fund</i>	
Revenues					
Intergovernmental and grant revenue	\$ -	\$ 17,500	\$ 22,384	\$ -	\$ 916,929
Other departmental fees	-	-	-	-	134,618
Investment and interest income	-	-	-	-	1,230
Other revenue	11,785	-	-	5,450	625,951
Total revenues	<u>11,785</u>	<u>17,500</u>	<u>22,384</u>	<u>5,450</u>	<u>1,678,728</u>
Expenditures					
Current:					
General government	-	-	-	-	27,232
Public safety	-	-	14,346	-	162,745
Public works	-	17,500	-	5,694	44,193
Education	-	-	-	-	1,126,756
Other	7,102	-	-	-	20,235
Capital outlay	-	-	-	-	74,020
Debt service	-	-	-	-	-
Total expenditures	<u>7,102</u>	<u>17,500</u>	<u>14,346</u>	<u>5,694</u>	<u>1,455,181</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>4,683</u>	<u>-</u>	<u>8,038</u>	<u>(244)</u>	<u>223,547</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	6,138
Transfers to other funds	-	-	-	-	(6,800)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662)</u>
Net change in fund balances	4,683	-	8,038	(244)	222,885
Fund balances (deficits) - beginning of year	<u>4,705</u>	<u>-</u>	<u>13,430</u>	<u>3,685</u>	<u>895,694</u>
Fund balances (deficits) - end of year	<u>\$ 9,388</u>	<u>\$ -</u>	<u>\$ 21,468</u>	<u>\$ 3,441</u>	<u>\$ 1,118,579</u>

(Continued)

TOWN OF NORTH SMITHFIELD RHODE ISLAND
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2016

	<u>Capital Project Funds</u>			<u>Total Capital Project Funds</u>	<u>Total All Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>Middle School Construction</u>	<u>School Building</u>		
Revenues					
Intergovernmental and grant revenue	\$ -	\$ -	\$ -	\$ -	\$ 916,929
Other departmental fees	-	-	-	-	134,618
Investment and interest income	7	14	-	21	1,251
Other revenue	-	-	-	-	625,951
Total revenues	<u>7</u>	<u>14</u>	<u>-</u>	<u>21</u>	<u>1,678,749</u>
Expenditures					
Current:					
General government	-	-	-	-	27,232
Public safety	-	-	-	-	162,745
Public works	-	-	-	-	44,193
Education	-	-	-	-	1,126,756
Other	-	-	-	-	20,235
Capital outlay	-	-	14,987	14,987	89,007
Debt service	31,109	-	-	31,109	31,109
Total expenditures	<u>31,109</u>	<u>-</u>	<u>14,987</u>	<u>46,096</u>	<u>1,501,277</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(31,102)</u>	<u>14</u>	<u>(14,987)</u>	<u>(46,075)</u>	<u>177,472</u>
Other financing sources (uses)					
Transfers from other funds	-	-	-	-	6,138
Transfers to other funds	-	-	-	-	(6,800)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(662)</u>
Net change in fund balances	<u>(31,102)</u>	<u>14</u>	<u>(14,987)</u>	<u>(46,075)</u>	<u>176,810</u>
Fund balances (deficits) - beginning of year	<u>119,738</u>	<u>388,156</u>	<u>-</u>	<u>507,894</u>	<u>1,403,588</u>
Fund balances (deficits) - end of year	<u>\$ 88,636</u>	<u>\$ 388,170</u>	<u>\$ (14,987)</u>	<u>\$ 461,819</u>	<u>\$ 1,580,398</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

	<u>Subdivision Bond</u>	<u>Planning Escrow</u>	<u>Soup Kitchen</u>	<u>Student Activities - Senior High School</u>	<u>Student Activities - Middle School</u>	<u>Student Activities - Halliwell Elementary</u>	<u>Student Activities - North Smithfield Elementary</u>	<u>Athletic Fund</u>	<u>Total Agency Funds</u>
Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 139,293	\$ 31,452	\$ 24,870	\$ 35,627	\$ 262	\$ 231,504
Accounts receivable	-	-	-	11,018	-	-	-	-	11,018
Due from other funds	15,412	38,501	12,521	-	-	-	-	-	66,434
Total assets	<u>\$ 15,412</u>	<u>\$ 38,501</u>	<u>\$ 12,521</u>	<u>\$ 150,311</u>	<u>\$ 31,452</u>	<u>\$ 24,870</u>	<u>\$ 35,627</u>	<u>\$ 262</u>	<u>\$ 308,956</u>
Liabilities									
Deposits held in custody for others	<u>\$ 15,412</u>	<u>\$ 38,501</u>	<u>\$ 12,521</u>	<u>\$ 150,311</u>	<u>\$ 31,452</u>	<u>\$ 24,870</u>	<u>\$ 35,627</u>	<u>\$ 262</u>	<u>\$ 308,956</u>
Total liabilities	<u>\$ 15,412</u>	<u>\$ 38,501</u>	<u>\$ 12,521</u>	<u>\$ 150,311</u>	<u>\$ 31,452</u>	<u>\$ 24,870</u>	<u>\$ 35,627</u>	<u>\$ 262</u>	<u>\$ 308,956</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2016

	<i>Balance</i> <i>June 30, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2016</i>
SUBDIVISION BOND				
Assets				
Cash and cash equivalents	\$ 15,412	\$ -	\$ 15,412	\$ -
Due from other funds	-	15,412	-	15,412
Total assets	<u>\$ 15,412</u>	<u>\$ 15,412</u>	<u>\$ 15,412</u>	<u>\$ 15,412</u>
Liabilities				
Deposits held in custody for others	\$ 15,412	\$ -	\$ -	\$ 15,412
Total liabilities	<u>\$ 15,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,412</u>
PLANNING ESCROW				
Assets				
Cash and cash equivalents	\$ 38,501	\$ -	\$ 38,501	\$ -
Due from other funds	-	42,001	3,500	38,501
Total assets	<u>\$ 38,501</u>	<u>\$ 42,001</u>	<u>\$ 42,001</u>	<u>\$ 38,501</u>
Liabilities				
Deposits held in custody for others	\$ 38,501	\$ 3,500	\$ 3,500	\$ 38,501
Total liabilities	<u>\$ 38,501</u>	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 38,501</u>
SOUP KITCHEN				
Assets				
Due from other funds	\$ 5,552	\$ 15,878	\$ 8,909	\$ 12,521
Total assets	<u>\$ 5,552</u>	<u>\$ 15,878</u>	<u>\$ 8,909</u>	<u>\$ 12,521</u>
Liabilities				
Deposits held in custody for others	\$ 5,552	\$ 15,878	\$ 8,909	\$ 12,521
Total liabilities	<u>\$ 5,552</u>	<u>\$ 15,878</u>	<u>\$ 8,909</u>	<u>\$ 12,521</u>
STUDENT ACTIVITIES - SENIOR HIGH SCHOOL				
Assets				
Cash and cash equivalents	\$ 129,904	\$ 210,497	\$ 201,108	\$ 139,293
Accounts receivable	11,038	11,018	11,038	11,018
Total assets	<u>\$ 140,942</u>	<u>\$ 221,515</u>	<u>\$ 212,146</u>	<u>\$ 150,311</u>
Liabilities				
Deposits held in custody for others	\$ 140,942	\$ 221,515	\$ 212,146	\$ 150,311
Total liabilities	<u>\$ 140,942</u>	<u>\$ 221,515</u>	<u>\$ 212,146</u>	<u>\$ 150,311</u>
STUDENT ACTIVITIES - MIDDLE SCHOOL				
Assets				
Cash and cash equivalents	\$ 38,615	\$ 56,522	\$ 63,685	\$ 31,452
Total assets	<u>\$ 38,615</u>	<u>\$ 56,522</u>	<u>\$ 63,685</u>	<u>\$ 31,452</u>
Liabilities				
Deposits held in custody for others	\$ 38,615	\$ 56,522	\$ 63,685	\$ 31,452
Total liabilities	<u>\$ 38,615</u>	<u>\$ 56,522</u>	<u>\$ 63,685</u>	<u>\$ 31,452</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Combining Statement of Changes in Fiduciary Assets and Liabilities (Continued)
Agency Funds
For the Fiscal Year Ended June 30, 2016

	<i>Balance</i> <i>June 30, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2016</i>
STUDENT ACTIVITIES -HALLIWELL ELEMENTARY				
<i>Assets</i>				
Cash and cash equivalents	\$ 22,995	\$ 41,968	\$ 40,093	\$ 24,870
Total assets	\$ 22,995	\$ 41,968	\$ 40,093	\$ 24,870
<i>Liabilities</i>				
Deposits held in custody for others	\$ 22,995	\$ 41,968	\$ 40,093	\$ 24,870
Total liabilities	\$ 22,995	\$ 41,968	\$ 40,093	\$ 24,870
STUDENT ACTIVITIES -NORTH SMITHFIELD ELEMENTARY				
<i>Assets</i>				
Cash and cash equivalents	\$ 32,509	\$ 30,894	\$ 27,776	\$ 35,627
Total assets	\$ 32,509	\$ 30,894	\$ 27,776	\$ 35,627
<i>Liabilities</i>				
Deposits held in custody for others	\$ 32,509	\$ 30,894	\$ 27,776	\$ 35,627
Total liabilities	\$ 32,509	\$ 30,894	\$ 27,776	\$ 35,627
ATHLETIC FUND				
<i>Assets</i>				
Cash and cash equivalents	\$ 11	\$ 11,253	\$ 11,002	\$ 262
Total assets	\$ 11	\$ 11,253	\$ 11,002	\$ 262
<i>Liabilities</i>				
Deposits held in custody for others	\$ 11	\$ 11,253	\$ 11,002	\$ 262
Total liabilities	\$ 11	\$ 11,253	\$ 11,002	\$ 262
TOTAL AGENCY FUNDS				
<i>Assets</i>				
Cash and cash equivalents	\$ 277,947	\$ 351,134	\$ 397,577	\$ 231,504
Accounts receivable	11,038	11,018	11,038	11,018
Due from other funds	5,552	73,291	12,409	66,434
Total assets	\$ 294,537	\$ 435,443	\$ 421,024	\$ 308,956
<i>Liabilities</i>				
Deposits held in custody for others	\$ 294,537	\$ 381,530	\$ 367,111	\$ 308,956
Total liabilities	\$ 294,537	\$ 381,530	\$ 367,111	\$ 308,956

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Tax Collector's Annual Report
For the Fiscal Year Ending June 30, 2016

Real Estate and Personal Property Taxes

<i>Year</i>	<i>Balance June 30, 2015</i>	<i>Levy</i>	<i>Additions</i>	<i>Abatements, Refunds and Adjustments</i>	<i>Amount to be Collected</i>	<i>Current Year Collections</i>	<i>Balance June 30, 2016</i>
2017	\$ -	\$ -	\$ 2,306	\$ -	\$ 2,306	\$ 946	\$ 1,360
2016	1,197	31,592,635	101,381	(88,565)	31,606,648	31,120,313	486,335
2015	576,306	-	9,602	36,105	622,013	375,850	246,163
2014	279,394	-	8,521	11,871	299,786	72,463	227,323
2013	205,985	-	9,296	1,853	217,134	30,551	186,583
2012	160,535	-	355	2,401	163,291	5,358	157,933
2011	138,824	-	2,486	(543)	140,767	2,213	138,554
2010	90,395	-	1,214	(6,681)	84,928	1,110	83,818
2009	80,697	-	1,464	-	82,161	1,022	81,139
2008	61,988	-	487	(364)	62,111	664	61,447
2007	37,294	-	-	-	37,294	477	36,817
2006	36,850	-	-	-	36,850	685	36,165
2005	32,420	-	-	-	32,420	526	31,894
2004	34,479	-	-	-	34,479	718	33,761
2003	7,195	-	-	-	7,195	-	7,195
2002	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2000 and prior	413	-	209	(228)	394	535	(141)
	<u>\$ 1,743,972</u>	<u>\$ 31,592,635</u>	<u>\$ 137,321</u>	<u>\$ (44,151)</u>	<u>\$ 33,429,777</u>	<u>\$ 31,613,431</u>	<u>1,816,346</u>
						<i>Allowance for Uncollectible Accounts</i>	<u>(490,056)</u>
						<i>Net Property Tax Receivable</i>	<u>\$ 1,326,290</u>

Schedule of Most Recent Net Assessed Property Value by Category

<i>Description of Property</i>	<i>Valuation</i>	<i>Levy</i>
Real property - residential	\$ 1,041,049,030	\$ 17,360,534
Real property - commercial	241,928,800	4,476,651
Real property - FFOS	2,768,130	46,161
Real property - frozen	6,043,400	87,580
Motor vehicles	124,562,579	4,686,044
Tangible personal property	138,540,600	6,173,923
Total	<u>1,554,892,539</u>	<u>32,830,893</u>
Exemptions	50,324,772	1,238,258
Net assessed value	<u>\$ 1,504,567,767</u>	<u>\$ 31,592,635</u>

SINGLE AUDIT SECTION



CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of North Smithfield, Rhode Island as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of North Smithfield, Rhode Island's basic financial statements, and have issued our report thereon dated January 3, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a significant deficiency.

Compliance and Other Matters

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

Town of North Smithfield, Rhode Island's Response to Findings

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

Purpose of this Report

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



Warwick, Rhode Island
January 3, 2017



CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of North Smithfield, 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 Smithfield, Rhode Island's major federal programs for the year ended June 30, 2016. The Town of North Smithfield, 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of North Smithfield, 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 Smithfield, 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 Smithfield, Rhode Island's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of North Smithfield, 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 Smithfield, 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 Smithfield, 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 Smithfield, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Warwick, Rhode Island
January 3, 2017

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
84.367A	Title II – Professional Development
84.027A	Special Education Cluster – PL 94-142 – Project IDEA
84.173A	Special Education Cluster – Preschool Section 619

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

- Auditee qualified as low-risk auditee? _____ yes X no

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2016-001 Water Billing

Criteria: An entity's system of internal controls should be designed and operate to ensure transactions are accurate and be designed to prevent, detect and correct misstatements in a timely manner.

Condition: During our testing of quarterly water bills, we noted a \$559 billing error because the meter multiplier recorded for the account was incorrect.

Context: Of the 1,566 bills issued in fiscal year 2016, we examined 25 and noted one error.

Effect: The customer was overbilled.

Cause: Incorrect multiplier used in billing data file.

Identification of a Repeat Finding: This is a repeat finding from previous audits – 2015-002.

Recommendation – We recommend that the Town review its water customer billing files to ensure the meter size and multiplier information for all accounts are correct. Once the customer files have been reviewed, any new customers or changes made to existing customer information should be reviewed and approved by an individual independent of bill preparation.

Views of Responsible Officials and Planned Corrective Action: A new process check has been implemented to ensure that multiplier inconsistencies are identified and corrected prior to quarterly water user fees being billed. Previously, exception reports were not identifying all multiplier issues, but new exception criteria allow for identification and adjustment before bill processing. For any new connections or account changes, a formal process of review and sign off by the Utilities Superintendent will be performed. This will include reviewing meter size, cost multiplier calculations, and require this information to be provided to the Finance Department for independent verification prior to any customer accounts being adjusted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

Finding: 2015-001

Status – Corrected

Finding: 2015-002

Status –The Town properly billed and remitted the State water quality protection surcharge during fiscal year 2016. Also, the Town obtained documentation for customers exempt from the State water quality protection charge. However, there continued to be some issues with the meter multiplier that resulted in water billing errors.

Corrective Action: A new process check has been implemented to ensure that multiplier inconsistencies are identified and corrected prior to quarterly water user fees being billed. Previously, exception reports were not identifying all multiplier issues, but new exception criteria allow for identification and adjustment before bill processing. For any new connections or account changes, a formal process of review and sign off by the Utilities Superintendent will be performed. This will include reviewing meter size, cost multiplier calculations, and require this information to be provided to the Finance Department for independent verification prior to any customer accounts being adjusted.

Finding: 2015-003

Status – Corrected

Finding: 2015-004

Status – Corrected

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
US Department of Education			
Pass-through RI Department of Education:			
<i>Special Education Cluster (IDEA):</i>			
PL-94-142 - Project IDEA	84.027A	2725-13202-601	\$ 368,189
Preschool Section 619	84.173A	2725-13502-601	12,688
<i>Total Special Education Cluster</i>			<u>380,877</u>
Title I	84.010A	2725-11702-601	174,487
Title II - Professional Development	84.367A	2725-16402-601	31,017
Total US Department of Education			<u>586,381</u>
US Department of Agriculture			
Pass-through RI Department of Education:			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program			
Cash assistance	10.555	N/A	152,151
Non-cash assistance (commodities)	10.555	N/A	45,784
School Breakfast Program	10.553	N/A	23,504
<i>Total Child Nutrition Cluster</i>			<u>221,439</u>
Total US Department of Agriculture			<u>221,439</u>
US Department of Health and Human Services			
Pass through RI Department of Behavioral Healthcare, Developmental Disabilities and Hospitals:			
Substance Abuse Block Grant - Substance Abuse Task Force	93.959	N/A	18,613
Synar Tobacco	93.000	N/A	747
Total US Department of Health and Human Services			<u>19,360</u>
US Department of Transportation			
Pass-through RI Department of Transportation:			
<i>Highway Safety Cluster:</i>			
State and Community Highway Safety Grant	20.600	N/A	338
National Priority Safety Programs	20.616	N/A	4,237
<i>Total Highway Safety Cluster</i>			<u>4,575</u>
Pass-through RI Emergency Management Agency:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	28-04-2013 SHSP/CERT	9,189
Pass-through RI Department of Environmental Management:			
<i>Highway Planning and Construction Cluster:</i>			
Recreation Trails Program	20.219	3393301	3,654
<i>Total Highway Planning and Construction Cluster</i>			<u>3,654</u>
Total US Department of Transportation			<u>17,418</u>

(Continued)

TOWN OF NORTH SMITHFIELD, RHODE ISLAND
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
US Department of Homeland Security			
Pass-through RI Emergency Management Agency:			
Emergency Management Performance Grant	97.042	28-04-2014 EMPG	1,782
State Homeland Security Grant	97.067	28-04-2014 SHSP	2,760
Disaster Grants	97.036	N/A	108,157
Total US Department of Homeland Security			<u>112,699</u>
US Department of Housing and Urban Development			
Pass-through RI Division of Planning, Office of Housing and Community Development:			
Community Development Block Grant	14.228	N/A	13,133
Total US Department Housing and Urban Development			<u>13,133</u>
US Department of Justice			
Direct Program:			
Sex Offender Task Force	16.000	N/A	2,463
Equitable Sharing Program	16.922	N/A	4,885
Pass-through RI Public Safety Grant Administration Office:			
Byrne/JAG Program	16.738	N/A	11,477
Total US Department of Justice			<u>18,825</u>
US Department of Interior			
Pass-through RI Historical Preservation and Heritage Commission:			
Historic Preservation Fund Grant-in-Aid	15.904	15-CLG-5	250
Total US Department of Interior			<u>250</u>
Total Expenditures of Federal Awards			<u>\$ 989,505</u>

TOWN OF NORTH SMITHFIELD, RHODE ISLAND

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Town of North Smithfield, 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of North Smithfield, Rhode Island, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Town of North Smithfield, Rhode Island.

NOTE 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, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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