

**TOWN OF LINCOLN, RHODE ISLAND**

**ANNUAL FINANCIAL STATEMENTS**

*YEAR ENDED JUNE 30, 2017*

Town of Lincoln, Rhode Island  
ANNUAL FINANCIAL STATEMENTS

*June 30, 2017*

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## *Independent Auditors' Report*

The Honorable Members of the  
Town Council  
Town of Lincoln, 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 Lincoln, Rhode Island as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Town'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.

### **Auditors' 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 American 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 auditors' 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.

(Continued)

## **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 Lincoln, Rhode Island, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress, Schedule of Employer Contributions, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Investment Returns, and Employer's Net Pension Liability as listed in the table of contents, 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 Lincoln, Rhode Island's financial statements. The annual supplemental transparency report and the supplementary tax collector's annual report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The annual supplemental transparency portal (MTP2) and the supplementary tax collector's annual report are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the annual supplemental transparency report (MTP2) and the supplementary tax collector's annual report is fairly stated in all material respects in relation to the basic financial statements as a whole.

*(Continued)*

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, on our consideration of the Town of Lincoln, 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 Lincoln, Rhode Island's internal control over financial reporting and compliance.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
January 23, 2018

# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

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Management of the Town of Lincoln (the Town) 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 is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and supplementary information which follow.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

### **FINANCIAL HIGHLIGHTS**

At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$7,011,039, or 10.4% of fiscal year 2017 budgeted expenditures and transfers to other funds. This is an increase of \$830,864 over the prior year unassigned General Fund balance.

The Town's General Fund had an operating surplus of \$858,173. The School Department operations resulted in an operating surplus of \$132,711.

The Town's General Fund ended fiscal year 2017 with a budgetary operating surplus of \$774,239. The School Unrestricted fund ended the year with a budgetary operating surplus of \$59,463.

The Town's budgetary surplus of \$776,066 resulted mainly from a positive variance of \$541,854 in the municipal resolution expenditures.

The School Unrestricted fund budgetary surplus of \$59,463 resulted in part from savings related to salaries and employee benefits.

The Town's total governmental long-term obligations increased by \$598,245. The Town made bond payments of \$2,470,000 and incurred a net increase in pension liability of \$3,716,568.

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

This discussion and analysis is intended to serve as an introduction to the Town of Lincoln's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The government-wide financial statements provide both long-term and short-term information about the Town as a whole. The fund financial statements focus the individual components of the Town's government, reporting the Town's operations in more detail than the government-wide statements. Both presentations (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison and enhance the Town's accountability. An additional part of the basic financial statements are the notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

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# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2017

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### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

#### 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, 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, additional non-financial factors should be considered, such as changes in the Town's property tax base and the condition of the Town's roads.

The government-wide financial statements of the Town, which can be found on pages 14 through 17 of this report, are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as education, police, library, public works 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's water system, sewer system, police special detail and school lunch activity is included here.

#### 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.

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# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2017

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### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains many governmental funds. Three governmental funds are considered major funds for presentation purposes; that is, each major fund is presented in a separate column in the governmental funds financial statements. The Town's three major governmental funds are the General Fund, the Public Building Bond Fund and the School Department Funds.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

**Proprietary funds** – The Town maintains one type of proprietary fund (Enterprise Fund). *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water operation, school lunch program, sewer operations and police special details.

The basic proprietary funds financial statements can be found on pages 22-25 of this report.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial 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 26-27 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.

The notes can be found on pages 28 – 83 of this report.

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**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Such information includes budgetary comparison schedules and reconciliations of the statutory fund balance for budgetary purposes and the fund balances for the General Fund and School Unrestricted Funds as presented in the governmental fund financial statements. Also included in required supplementary information are schedules concerning the Town's progress in funding its obligations to provide pension and other postemployment benefits to its enrolled employees. Required supplementary information follows the notes to the financial statements. In addition, State law requires the presentation of the Tax Collector's Annual Report, which follows the required supplementary information.

**Relationship of Statements and Schedules included in this Report**

Table 1 shows how the required parts of this annual report are arranged and how they relate to one another. In addition to these required elements, the Town has included a section with combining statements that provide details about the Town's non-major governmental funds and fiduciary funds, which are added together and presented in a single column in the basic financial statements.

Basic Financial Statements & RSI	Financial Section	MD&A
		Government-wide Statements
		(Major) Fund Financial Statements
		Notes to Financial Statements
		RSI other than MD&A
		Info. on nonmajor funds & other supplementary info. not required

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

**Relationship of Statements and Schedules included in this Report (Continued)**

Table 2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire town government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as police, rescue and DPW.	Activities the Town operates similar to private businesses such as the water system.	Instances in which the Town is the trustee or the agent for someone else's resources.
Required financial statements	Statement of net position Statement of activities	Balance sheet, statement of revenues, expenditures and changes in fund balances.	Statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows	Statement of fiduciary, net position, statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of assets/ liability information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Town's funds do not currently contain capital assets, although they can.
Type of inflow/ outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of year, expenditures when goods or services have been received and payment is due.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$30,512,129 at June 30, 2017.

Net investment in capital assets, comprises \$80,207,409. This represents the Town's investment in capital assets (e.g., land, buildings, machinery and equipment, vehicles and vessels), less any related debt used to acquire those assets that is 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 capital assets is report

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

### Government-Wide Financial Analysis (Continued)

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.

A portion of the Town's net position totaling \$8,125,683, represents resources that are subject to external restrictions on how they may be used. Of these restricted net position, \$323,653 is permanently restricted and is nonexpendable. Total net position, totaling \$30,512,129, may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current assets	\$ 35,910,613	\$ 33,147,180	\$ 8,177,532	\$ 8,643,842	\$ 44,088,145	\$ 41,791,022
Non current assets	81,230,921	81,546,646	32,743,868	32,065,982	113,974,789	113,612,628
Total assets	<u>117,141,534</u>	<u>114,693,826</u>	<u>40,921,400</u>	<u>40,709,824</u>	<u>158,062,934</u>	<u>155,403,650</u>
<b>Deferred outflows of resources</b>						
Net pension activity	13,758,568	5,266,373	44,789	-	13,803,357	5,266,373
OPEB related activity	1,908,092	-	-	-	1,908,092	-
Other deferred outflows	1,106,368	1,312,726	-	-	1,106,368	1,312,726
Total deferred outflows of resources	<u>16,773,028</u>	<u>6,579,099</u>	<u>44,789</u>	<u>-</u>	<u>16,817,817</u>	<u>6,579,099</u>
<b>Liabilities</b>						
Current liabilities	21,042,271	21,166,744	1,358,264	1,439,853	22,400,535	22,606,597
Long-term liabilities	105,796,763	95,191,680	5,715,898	5,838,650	111,512,661	101,030,330
Total liabilities	<u>126,839,034</u>	<u>116,358,424</u>	<u>7,074,162</u>	<u>7,278,503</u>	<u>133,913,196</u>	<u>123,636,927</u>
<b>Deferred inflows of resources</b>						
Net pension activity	8,503,119	527,758	17,247	-	8,520,366	527,758
OPEB related activity	1,677,431	-	-	-	1,677,431	-
Other deferred inflows	185,344	230,961	72,285	70,732	257,629	301,693
Total deferred inflows of resources	<u>10,365,894</u>	<u>758,719</u>	<u>89,532</u>	<u>70,732</u>	<u>10,455,426</u>	<u>829,451</u>
<b>Net Position</b>						
Investment in capital assets, net of related debt	50,293,067	48,320,906	29,914,342	25,890,313	80,207,409	74,211,219
Restricted	8,125,683	3,248,817	-	-	8,125,683	3,248,817
Unrestricted	<u>(61,709,116)</u>	<u>(47,413,941)</u>	<u>3,888,153</u>	<u>7,470,276</u>	<u>(57,820,963)</u>	<u>(39,943,665)</u>
Total net position	<u>\$ (3,290,366)</u>	<u>\$ 4,155,782</u>	<u>\$ 33,802,495</u>	<u>\$ 33,360,589</u>	<u>\$ 30,512,129</u>	<u>\$ 37,516,371</u>

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 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. At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole and for its separate governmental and business-type activities.

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**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

**Changes in Net Position**

The government's total net position increased by \$2,653,144 during the current fiscal year.

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues:						
Charges for service	\$ 2,879,479	\$ 2,584,147	\$ 5,643,629	\$ 5,663,733	\$ 8,523,108	\$ 8,247,880
Operating grants & contributions	5,168,066	5,192,818	1,202,920	1,656,878	6,370,986	6,849,696
Capital grants & contributions	20,141	469,515	-	-	20,141	469,515
General Revenues:						
Property taxes	53,962,253	53,364,861	-	-	53,962,253	53,364,861
State aid to town	2,083,183	1,755,619	-	-	2,083,183	1,755,619
State aid to education	12,455,776	11,357,523	-	-	12,455,776	11,357,523
Other revenue	8,195,170	8,181,678	-	7,208	8,195,170	8,188,886
Earnings on investments	433,786	489,022	17,597	16,256	451,383	505,278
Total revenue	<u>85,197,854</u>	<u>83,395,183</u>	<u>6,793,575</u>	<u>7,344,075</u>	<u>91,991,429</u>	<u>90,739,258</u>
<b>Expenses</b>						
General government	1,071,908	344,829	-	-	1,071,908	344,829
Financial administration	1,088,784	1,136,990	-	-	1,088,784	1,136,990
Public library	2,028,392	584,948	-	-	2,028,392	584,948
Public safety	9,962,428	8,618,889	-	-	9,962,428	8,618,889
Public services	7,456,490	9,674,121	-	-	7,456,490	9,674,121
Education	60,658,132	58,770,012	-	-	60,658,132	58,770,012
Interest on debt	1,078,627	729,978	-	-	1,078,627	729,978
Water	-	-	3,828,375	3,279,334	3,828,375	3,279,334
Sewer	-	-	1,146,886	1,191,802	1,146,886	1,191,802
School lunch	-	-	-	861,232	-	861,232
Police detail	-	-	1,018,263	829,329	2,096,890	1,559,307
Total expenses	<u>83,344,761</u>	<u>79,859,767</u>	<u>5,993,524</u>	<u>6,161,697</u>	<u>90,416,912</u>	<u>86,751,442</u>
<b>Increase(decrease) in net assets</b>						
<b>before transfers</b>	1,853,093	3,535,416	800,051	1,182,378	2,653,144	4,717,794
Transfers in	23,505	22,974	-	-	23,505	22,974
Transfers out	-	-	(23,505)	(22,974)	(23,505)	(22,974)
Increase(decrease) in net position	1,876,598	3,558,390	776,546	1,159,404	2,653,144	4,717,794
Net position, July 1, restated	<u>(5,166,964)</u>	<u>597,392</u>	<u>33,025,949</u>	<u>32,201,185</u>	<u>27,858,985</u>	<u>32,798,577</u>
Net position, June 30	<u>\$ (3,290,366)</u>	<u>\$ 4,155,782</u>	<u>\$ 33,802,495</u>	<u>\$ 33,360,589</u>	<u>\$ 30,512,129</u>	<u>\$ 37,516,371</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$1,876,598.

**Business-type activities.** Business-type activities increased the Town's net position by \$776,546.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

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### **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 June 30, 2017, the Town's governmental funds reported combined ending fund balances of \$14,871,603, an increase of \$2,502,117 in comparison with the prior year. The unassigned fund balance of \$3,750,535 or 25.22% of the total fund balance is available for spending at the Town's discretion. The remainder of the fund balance is committed, restricted, assigned or non-spendable to indicate that it is not available for new spending.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,011,039. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 7.6% of total General Fund budgeted expenditures.

The Town's General Fund balance increased by \$858,173 during the current fiscal year as a result of expenditure exceeding revenues, including transfers to the School Department of \$40,705,942.

### ***Proprietary Funds:***

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

The unrestricted net position of the proprietary funds at June 30, 2017 totaled \$3,888,153, with the Water Fund making up \$5,720,314 of the total. The Water Fund, Sewer Fund, and Police Detail Fund had changes in net position of \$938,486, (\$146,292), and (\$15,648) respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2017*

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**General Fund Budgetary Highlights**

The Financial Town meeting held in May 2016 approved an operating budget of \$64,567,312, including other financing sources of \$1,214,133.

Revenue items materially over (under) budget included: General Property Taxes, \$139,013; Medicaid reimbursement, \$226,313; Video Lottery and Table Game Commissions, \$2,491,403 (Town ordinance requires the transfer of this revenue in excess of budget into a Town Capital Projects Fund at year end); rescue billing, \$151,412; and Meals and hotel tax, (\$103,325).

There were no material expenditures items (over) under budget in the current year.

**Capital Assets and Debt Administration**

**Capital Assets:** The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to \$109,210,586 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery & equipment, infrastructure and construction in progress. The net increase in the Town's investment in capital assets for the current year was \$177,029.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 15,268,174	\$ 15,268,174	\$ 177,452	\$ 177,452	\$ 15,445,626	\$ 15,445,626
Construction in progress	2,183,722	2,088,677	2,263,533	2,503,329	4,447,255	4,592,006
Infrastructure and land improvements, net	11,907,611	11,574,144	28,380,304	28,256,278	40,287,915	39,830,422
Building & improvements, net	44,280,965	45,469,227	520,440	543,737	44,801,405	46,012,964
Machinery and equipment, net	907,667	936,998	1,292,224	411,976	2,199,891	1,348,974
Vehicles, net	1,918,579	1,630,355	109,915	173,210	2,028,494	1,803,565
Total	\$ 76,466,718	\$ 76,967,575	\$ 32,743,868	\$ 32,065,982	\$ 109,210,586	\$ 109,033,557

Additional information on the Town's capital assets can be found in Note 5 to the basic financial statements.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

## Management's Discussion and Analysis (MD&A)

Year Ended June 30, 2017

### Capital Assets and Debt Administration (Continued)

**Long-term debt:** At the end of the fiscal year, the Town had total bonded debt outstanding of \$30,471,650. 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. All general obligation debt currently outstanding was approved by a vote of the citizens.

The Town has an Aa2 rating from Moody's Investors Service and an AA rating from Fitch Investors Service.

State statute limits the amount of bonds a governmental entity can issue to 3% of its total assessed valuation. The current debt limitation for the Town is \$88,766,279.

	Governmental Activities		Business-Type Activities		Total		
	2017	2016	2017	2016	2017	2016	
Bonds and notes	\$ 24,640,000	\$ -	\$ 27,110,000	\$ 5,831,650	\$ 6,113,650	\$ 30,471,650	\$ 33,223,650
Capital leases	<u>243,139</u>	<u>123,122</u>	<u>-</u>	<u>-</u>	<u>243,139</u>	<u>123,122</u>	
Total	<u>\$ 24,883,139</u>	<u>\$ 27,233,122</u>	<u>\$ 5,831,650</u>	<u>\$ 6,113,650</u>	<u>\$ 30,714,789</u>	<u>\$ 33,346,772</u>	

Additional information on the Town's long-term debt can be found in Note 6 to the basic financial statements.

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

The latest published unemployment rate as of November 2017 for the Town is 3.6 percent. This compares favorably to the State's average unemployment rate of 4.3 percent and is higher than the national rate of 4.1 percent. Per capita and median family incomes remain some of the highest in the State.

At the Annual Town Financial Meeting in May 2017, the voters approved a budget for fiscal year 2018 of \$80,164,791. This budget is 3.0 % higher than the fiscal year 2017 budget. The Town's municipal departments increase was 6.1%; the School Department increase was 1.85% and Debt Service and the Resolutions funded through capital reserve funds net increase was 2.82%.

### 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 Town's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Finance Director, 100 Old River Road, Lincoln, Rhode Island 02865.

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Net Position

*June 30, 2017*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and investments	\$ 18,857,009	\$ 6,880,283	\$ 25,737,292
Receivables, net			
Personal property taxes	3,343,163	-	3,343,163
User charges	-	899,934	899,934
Intergovernmental	1,229,553	-	1,229,553
Departmental and other	781,399	-	781,399
Due from other funds	11,370,586	212,925	11,583,511
Other assets	328,903	184,390	513,293
Net pension asset	4,764,203	-	4,764,203
Capital assets:			
Nondepreciable assets	17,451,896	2,440,986	19,892,882
Depreciable assets, net	59,014,822	30,302,882	89,317,704
Total capital assets	76,466,718	32,743,868	109,210,586
Total assets	117,141,534	40,921,400	158,062,934
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related outflows	13,758,568	44,789	13,803,357
OPEB related outflows	1,908,092	-	1,908,092
Loss on refunding	1,106,368	-	1,106,368
Total assets and deferred outflows of resources	\$ 133,914,562	\$ 40,966,189	\$ 174,880,751

*The accompanying notes are an integral part of this statement*

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Net Position

*June 30, 2017*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 6,864,928	\$ 680,915	\$ 7,545,843
Other liabilities	376	-	376
Accrued interest	425,989	64,376	490,365
Due to other funds	11,389,563	285,973	11,675,536
Current portion of capital leases	120,035	-	120,035
Current portion of bonds and loans payable	2,045,000	327,000	2,372,000
Current portion of bond premium	144,969	-	144,969
Current portion of compensated absences	51,411	-	51,411
Portion due or payable in more than one year:			
Capital leases	123,104	-	123,104
Other commitments	135,600	-	135,600
Bonds and loans payable	22,595,000	5,504,650	28,099,650
Bond premium	1,825,922	-	1,825,922
Compensated absences	4,535,803	-	4,535,803
Other post-employment benefit obligation	14,830,510	-	14,830,510
Net pension liability	<u>61,750,824</u>	<u>211,248</u>	<u>61,962,072</u>
Total liabilities	<u>126,839,034</u>	<u>7,074,162</u>	<u>133,913,196</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related inflows	8,503,119	17,247	8,520,366
OPEB related inflows	1,677,431	-	1,677,431
Other deferred revenue	185,344	-	185,344
Bond premium	<u>-</u>	<u>72,285</u>	<u>72,285</u>
Total deferred inflows of resources	<u>10,365,894</u>	<u>89,532</u>	<u>10,455,426</u>
<b>NET POSITION</b>			
Net investment in capital assets	50,293,067	29,914,342	80,207,409
Restricted	8,125,683	-	8,125,683
Unrestricted	<u>(61,709,116)</u>	<u>3,888,153</u>	<u>(57,820,963)</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 133,914,562</u>	<u>\$ 40,966,189</u>	<u>\$ 174,880,751</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Activities

*For the Year Ended June 30, 2017*

	<u>Net (Expense) Revenue and Changes in Net Position</u>						
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>		<u>Total</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>	
<b>Governmental Activities</b>							
General government	\$ 1,071,908	\$ 453,483	\$ 24,428	\$ -	\$ (593,997)	\$ -	\$ (593,997)
Financial administration	1,088,784	-	-	-	(1,088,784)	-	(1,088,784)
Public library	2,028,392	12,433	-	-	(2,015,959)	-	(2,015,959)
Public safety	9,962,428	1,133,519	225,919	-	(8,602,990)	-	(8,602,990)
Public services	7,456,490	890,737	97,717	-	(6,468,036)	-	(6,468,036)
Education	58,045,818	389,307	2,207,688	20,141	(55,428,682)	-	(55,428,682)
State contribution to teachers pension plan	2,612,314	-	2,612,314	-	-	-	-
Interest on debt	<u>1,078,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,078,627)</u>	<u>-</u>	<u>(1,078,627)</u>
Total governmental activities	<u>83,344,761</u>	<u>2,879,479</u>	<u>5,168,066</u>	<u>20,141</u>	<u>(75,277,075)</u>	<u>-</u>	<u>(75,277,075)</u>
<b>Business-Type Activities</b>							
Water fund	3,828,375	3,637,183	1,200,249	-	-	1,009,057	1,009,057
Sewer fund	1,146,886	980,326	2,671	-	-	(163,889)	(163,889)
Police detail fund	<u>1,018,263</u>	<u>1,026,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,857</u>	<u>7,857</u>
Total business-type activities	<u>5,993,524</u>	<u>5,643,629</u>	<u>1,202,920</u>	<u>-</u>	<u>-</u>	<u>853,025</u>	<u>853,025</u>
Total Town of Lincoln	<u>\$ 89,338,285</u>	<u>\$ 8,523,108</u>	<u>\$ 6,370,986</u>	<u>\$ 20,141</u>	<u>\$ (75,277,075)</u>	<u>\$ 853,025</u>	<u>\$ (74,424,050)</u>

*The accompanying notes are an integral part of this statement*

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Activities

*For the Year Ended June 30, 2017*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General revenues</b>			
Real estate and personal property, net of reserve for abatements	\$ 53,962,253	\$ -	\$ 53,962,253
Meals and hotel tax	897,826	-	897,826
Video lottery	6,313,100	-	6,313,100
Table game commissions	1,378,303	-	1,378,303
School housing aid	1,264,262	-	1,264,262
Interest received	433,786	(70,571)	363,215
Incentive aid	2,844	-	2,844
State aid to education	11,191,514	-	11,191,514
Motor vehicle phase out	206,201	-	206,201
Library aid	210,541	-	210,541
Medicaid	976,312	-	976,312
Miscellaneous	291,872	17,597	309,469
Recycling aid	1,354	-	1,354
Total general revenues	77,130,168	(52,974)	77,077,194
Transfers in	23,505	-	23,505
Transfers out	-	(23,505)	(23,505)
Total general revenues, special items, and transfers	77,153,673	(76,479)	77,077,194
Changes in net position	1,876,598	776,546	2,653,144
Net position - July 1, 2016, restated	(5,166,964)	33,025,949	27,858,985
Net position - June 30, 2017	\$ (3,290,366)	\$ 33,802,495	\$ 30,512,129

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

*Governmental Funds*  
Balance Sheet

*June 30, 2017*

	Major Fund		Non-Major	Total
	General Fund	School Department	Governmental Funds	Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 18,348,483	\$ 360,361	\$ 148,165	\$ 18,857,009
Receivables:				
Property taxes, net	3,167,430	-	-	3,167,430
Intergovernmental	373,273	844,781	11,499	1,229,553
Other	542,599	234,590	4,210	781,399
Due from other funds	65,497	6,459,503	4,845,586	11,370,586
Prepaid expenses	66,977	261,926	-	328,903
	<u>22,564,259</u>	<u>8,161,161</u>	<u>5,009,460</u>	<u>35,734,880</u>
<b>Deferred outflows of resources</b>				
None	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 22,564,259</u>	<u>\$ 8,161,161</u>	<u>\$ 5,009,460</u>	<u>\$ 35,734,880</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,320,055	\$ 5,505,872	\$ 39,001	\$ 6,864,928
Other liabilities	-	-	376	376
Due to other funds	10,424,929	964,634	-	11,389,563
	<u>11,744,984</u>	<u>6,470,506</u>	<u>39,377</u>	<u>18,254,867</u>
<b>Deferred inflows of resources</b>				
Deferred property taxes	2,423,066	-	-	2,423,066
Other deferred revenue	175,733	-	9,611	185,344
	<u>2,598,799</u>	<u>-</u>	<u>9,611</u>	<u>2,608,410</u>
<b>Fund balance</b>				
Nonspendable	66,977	256,676	-	323,653
Restricted	-	379,663	7,746,020	8,125,683
Committed	642,460	1,101,331	427,941	2,171,732
Assigned	500,000	-	-	500,000
Unassigned	7,011,039	(47,015)	(3,213,489)	3,750,535
	<u>8,220,476</u>	<u>1,690,655</u>	<u>4,960,472</u>	<u>14,871,603</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 22,564,259</u>	<u>\$ 8,161,161</u>	<u>\$ 5,009,460</u>	<u>\$ 35,734,880</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

*Governmental Funds*  
Statement of Revenues, Expenditures and Changes in Fund Balances

*For the Year Ended June 30, 2017*

	Major Fund		Non-Major	Total
	General Fund	School Department	Governmental Funds	Governmental Funds
<b>Revenues</b>				
General property taxes and interest	\$ 54,057,149	\$ -	\$ -	\$ 54,057,149
Other local and departmental revenue	2,490,172	406,872	-	2,897,044
Intergovernmental	10,548,649	13,317,979	208,067	24,074,695
Interest received	431,191	1,590	1,005	433,786
State contribution to pension plan	-	2,266,450	-	2,266,450
Medicaid	-	976,312	-	976,312
Other revenue	-	81,312	160,138	241,450
Total revenue	<u>67,527,161</u>	<u>17,050,515</u>	<u>369,210</u>	<u>84,946,886</u>
<b>Expenditures</b>				
General government	769,793	-	40,453	810,246
Financial administration	768,752	-	-	768,752
Public library	1,125,454	-	-	1,125,454
Public safety	6,347,230	-	95,343	6,442,573
Public services	6,091,280	-	618,508	6,709,788
Grants and contributions	60,500	-	-	60,500
Other expenditures	4,768,628	-	-	4,768,628
Education	-	55,357,296	574,263	55,931,559
State contribution to pension plan	-	2,266,450	-	2,266,450
Capital outlay	-	-	4,636	4,636
Debt service				
Principal	2,470,000	-	-	2,470,000
Interest	<u>1,109,688</u>	<u>-</u>	<u>-</u>	<u>1,109,688</u>
Total expenditures	<u>23,511,325</u>	<u>57,623,746</u>	<u>1,333,203</u>	<u>82,468,274</u>
Excess (deficiency) of revenues over expenditures	44,015,836	(40,573,231)	(963,993)	2,478,612
<b>Other financing sources (uses)</b>				
Transfers in	722,430	40,705,942	3,174,151	44,602,523
Transfers out	<u>(43,880,093)</u>	<u>-</u>	<u>(698,925)</u>	<u>(44,579,018)</u>
Other financing sources (uses)	<u>(43,157,663)</u>	<u>40,705,942</u>	<u>2,475,226</u>	<u>23,505</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>				
	858,173	132,711	1,511,233	2,502,117
Fund balance, July 1, 2016, restated	<u>7,362,303</u>	<u>1,557,944</u>	<u>3,449,239</u>	<u>12,369,486</u>
Fund balance, June 30, 2017	<u>\$ 8,220,476</u>	<u>\$ 1,690,655</u>	<u>\$ 4,960,472</u>	<u>\$ 14,871,603</u>

*The accompanying notes are an integral part of this statement*

# TOWN OF LINCOLN, RHODE ISLAND

## Reconciliation of Governmental Fund Balances to Statement of Net Position

June 30, 2017

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Total governmental fund balances	\$ 14,871,603
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	76,466,718
TSB net pension asset	4,764,203
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	2,598,799
Other long-term assets related to net pension and OPEB activity and therefore, are deferred inflows of resources in the funds.	(10,180,550)
Other long-term liabilities related to net pension and OPEB activity and therefore, are deferred outflows of resources in the funds.	15,666,660
Long term liabilities relating to bond premiums amortized over the life of the bond	(1,970,891)
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(425,989)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds	
Bonds and notes payable	(23,533,632)
Capital leases	(243,139)
Compensated absences	(4,587,214)
Other postemployment benefits	(14,830,510)
Town net pension liability	(13,909,779)
ERS net pension liability	(45,568,936)
MERS net pension liability	(2,272,109)
Other commitments	<u>(135,600)</u>
Net position of governmental activities	<u>\$ (3,290,366)</u>

*The accompanying notes are an integral part of this statement*

## TOWN OF LINCOLN, RHODE ISLAND

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities

*For the Year Ended June 30, 2017*

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Net change in fund balances - total governmental funds	\$ 2,502,117
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(528,735)
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources.	(94,896)
The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,143,625
Bond premiums for long term debt are amortized over the course of the payable but are not reported as an expenditure on governmental fund statements	298,332
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	31,061
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(237,680)
The other postemployment benefit expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	(37,163)
The net pension liability expense reported in the Statement of Activities requires the use of current financial resources and is not reported as an expenditure in the governmental funds	<u>(2,200,063)</u>
Change in net position of governmental activities	<u>\$ 1,876,598</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

Proprietary Funds  
Statement of Net Position

*June 30, 2017*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 5,573,843	\$ 1,306,440	\$ -	\$ 6,880,283
Due from other funds	133,152	-	79,773	212,925
Receivables, net:				
User fees, less allowance for doubtful accounts	720,225	120,359	59,350	899,934
Other assets	151,677	32,713	-	184,390
Total current assets	<u>6,578,897</u>	<u>1,459,512</u>	<u>139,123</u>	<u>8,177,532</u>
Non-current assets				
Nondepreciable	177,452	2,263,534	-	2,440,986
Depreciable, net	20,734,061	9,533,038	35,783	30,302,882
Total non-current assets	<u>20,911,513</u>	<u>11,796,572</u>	<u>35,783</u>	<u>32,743,868</u>
Total assets	<u>27,490,410</u>	<u>13,256,084</u>	<u>174,906</u>	<u>40,921,400</u>
<b>Deferred outflows of resources</b>				
Pension related outflows	44,789	-	-	44,789
Total assets and deferred outflows of resources	<u>\$ 27,535,199</u>	<u>\$ 13,256,084</u>	<u>\$ 174,906</u>	<u>\$ 40,966,189</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 612,564	\$ 68,351	\$ -	\$ 680,915
Accrued interest payable	27,435	36,941	-	64,376
Current portion of bonds & notes payable	173,000	154,000	-	327,000
Due to other funds	-	285,973	-	285,973
Total current liabilities	<u>812,999</u>	<u>545,265</u>	<u>-</u>	<u>1,358,264</u>
Non-current liabilities:				
Bonds and loans payable	2,438,150	3,066,500	-	5,504,650
Net pension liability	211,248	-	-	211,248
Total non-current liabilities	<u>2,649,398</u>	<u>3,066,500</u>	<u>-</u>	<u>5,715,898</u>
Total liabilities	<u>3,462,397</u>	<u>3,611,765</u>	<u>-</u>	<u>7,074,162</u>
<b>Deferred inflows of resources</b>				
Pension related inflows	17,247	-	-	17,247
Unearned revenue	62,313	9,972	-	72,285
<b>Net position</b>				
Net investment in capital assets	18,272,928	11,605,631	35,783	29,914,342
Restricted	-	-	-	-
Unrestricted	5,720,314	(1,971,284)	139,123	3,888,153
Total net position	<u>\$ 23,993,242</u>	<u>\$ 9,634,347</u>	<u>\$ 174,906</u>	<u>\$ 33,802,495</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

*Proprietary Funds*  
Statement of Revenues, Expenses and Changes in Net Position

*For the Year Ended June 30, 2017*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
<b>Operating revenues</b>				
User fees and charges	\$ 3,637,183	\$ 980,326	\$ 1,026,120	\$ 5,643,629
Intergovernmental	-	-	-	-
Other revenues	1,200,249	2,671	-	1,202,920
Interest and penalties	-	17,597	-	17,597
	<u>4,837,432</u>	<u>1,000,594</u>	<u>1,026,120</u>	<u>6,864,146</u>
<b>Operating expenses</b>				
Administrative	1,173,179	265,284	962,641	2,401,104
Maintenance and servicing	2,214,789	-	43,808	2,258,597
Operating supplies	-	182,499	-	182,499
Fixed and general charges	-	315,715	-	315,715
Depreciation and amortization	432,662	297,043	11,814	741,519
	<u>3,820,630</u>	<u>1,060,541</u>	<u>1,018,263</u>	<u>5,899,434</u>
Operating income (loss)	<u>1,016,802</u>	<u>(59,947)</u>	<u>7,857</u>	<u>964,712</u>
<b>Nonoperating revenues (expenses)</b>				
Interest expense	(7,745)	(86,345)	-	(94,090)
Investment income	(70,571)	-	-	(70,571)
Total nonoperating revenue (expenses)	<u>(78,316)</u>	<u>(86,345)</u>	<u>-</u>	<u>(164,661)</u>
Income (loss) before transfers	<u>938,486</u>	<u>(146,292)</u>	<u>7,857</u>	<u>800,051</u>
<b>Transfers</b>				
Transfers out - operating	-	-	(23,505)	(23,505)
Total Transfers	<u>-</u>	<u>-</u>	<u>(23,505)</u>	<u>(23,505)</u>
Change in net position	938,486	(146,292)	(15,648)	776,546
Net position, July 1, 2016, restated	<u>23,054,756</u>	<u>9,780,639</u>	<u>190,554</u>	<u>33,025,949</u>
Net position, June 30, 2017	<u>\$ 23,993,242</u>	<u>\$ 9,634,347</u>	<u>\$ 174,906</u>	<u>\$ 33,802,495</u>

*The accompanying notes are an integral part of this statement*

**TOWN OF LINCOLN, RHODE ISLAND**

*Proprietary Funds*  
Statement of Cash Flows

*For the Year Ended June 30, 2017*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 4,876,936	\$ 1,000,594	\$ 1,049,249	\$ 6,926,779
Cash received from government	-	-	-	-
Cash received from (to) other funds	118,819	827,597	(19,295)	927,121
Payments to suppliers and employees	<u>(3,510,708)</u>	<u>(921,231)</u>	<u>(1,029,954)</u>	<u>(5,461,893)</u>
Net cash provided (used) by operating activities	<u>1,485,047</u>	<u>906,960</u>	<u>-</u>	<u>2,392,007</u>
<b>activities:</b>				
Acquisition of capital assets	(728,528)	(718,755)	-	(1,447,283)
Principal paid on capital debt	(169,000)	(108,000)	-	(277,000)
Acquisition of capital debt	-	(5,000)	-	(5,000)
Interest paid on capital debt	<u>(72,213)</u>	<u>(82,346)</u>	<u>-</u>	<u>(154,559)</u>
Net cash used by capital and related financing activities	<u>(969,741)</u>	<u>(914,101)</u>	<u>-</u>	<u>(1,883,842)</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends	<u>(7,745)</u>	<u>-</u>	<u>-</u>	<u>(7,745)</u>
Net cash used by investing activities	<u>(7,745)</u>	<u>-</u>	<u>-</u>	<u>(7,745)</u>
Net increase in cash and cash equivalents	507,561	(7,141)	-	500,420
Balances-beginning of the year	<u>5,066,282</u>	<u>1,313,581</u>	<u>-</u>	<u>6,379,863</u>
Balances-end of the year	<u>5,573,843</u>	<u>1,306,440</u>	<u>-</u>	<u>6,880,283</u>
Displayed as:				
Cash and cash equivalents	<u>\$ 5,573,843</u>	<u>\$ 1,306,440</u>	<u>\$ -</u>	<u>\$ 6,880,283</u>

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

*Proprietary Funds*  
Statement of Cash Flows

*For the Year Ended June 30, 2017*

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<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Police Detail Fund</b>	<b>Total</b>
Operating income (loss)	\$ 1,016,802	\$ (59,947)	\$ 7,857	\$ 964,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	432,662	297,043	11,814	741,519
Change in assets and liabilities:				
(Increase) decrease in user charges receivables, net	39,504	(1,553)	23,129	61,080
(Increase) decrease in other receivables	70,403	-	(19,295)	51,108
(Increase) decrease in other assets	(38,392)	-	-	(38,392)
(Increase) decrease in due from other funds	118,819	827,597	(23,505)	922,911
Increase (decrease) accounts payable and accrued expenses	(181,568)	(157,733)	-	(339,301)
Increase (decrease) in net pension liability	26,817	-	-	26,817
Increase (decrease) in deferred revenue	-	1,553	-	1,553
	-	1,553	-	1,553
Net cash provided (used) by operating activities	<u>\$ 1,485,047</u>	<u>\$ 906,960</u>	<u>\$ -</u>	<u>\$ 2,392,007</u>

**TOWN OF LINCOLN, RHODE ISLAND**

*Fiduciary Funds*  
Statement of Net Position

*June 30, 2017*

	<b>Pension Trust Fund</b>	<b>OPEB Trust</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 10,861	\$ -	\$ 33,869	\$ 531,195	\$ 575,925
Investments	23,068,766	4,071,710	-	-	27,140,476
Due from other funds	-	-	-	198,118	198,118
<b>Total assets</b>	<u>23,079,627</u>	<u>4,071,710</u>	<u>33,869</u>	<u>729,313</u>	<u>27,914,519</u>
<b>Deferred outflows of resources</b>					
None	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<u>\$ 23,079,627</u>	<u>\$ 4,071,710</u>	<u>\$ 33,869</u>	<u>\$ 729,313</u>	<u>\$ 27,914,519</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,209	\$ 6,209
Due to other funds	2,715	-	-	103,378	106,093
Deposits held	-	-	-	723,104	723,104
<b>Total liabilities</b>	<u>2,715</u>	<u>-</u>	<u>-</u>	<u>832,691</u>	<u>835,406</u>
<b>Deferred inflows of resources</b>					
None	-	-	-	-	-
<b>Net Position</b>					
Restricted	<u>23,076,912</u>	<u>4,071,710</u>	<u>33,869</u>	<u>(103,378)</u>	<u>27,079,113</u>
<b>Total net position</b>	<u>23,076,912</u>	<u>4,071,710</u>	<u>33,869</u>	<u>(103,378)</u>	<u>27,079,113</u>
<b>Total liabilities and net position</b>	<u>\$ 23,079,627</u>	<u>\$ 4,071,710</u>	<u>\$ 33,869</u>	<u>\$ 729,313</u>	<u>\$ 27,914,519</u>

**TOWN OF LINCOLN, RHODE ISLAND**

*Fiduciary Funds*  
Statement of Changes in Net Position

*For the Year Ended June 30, 2017*

	<u>Police Pension Trust</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
<b>Additions</b>				
Employer contributions	\$ 1,522,833	\$ 1,534,402	\$ -	\$ 3,057,235
Plan member contributions	312,264	-	-	312,264
Investment income (net of related fees)	<u>2,248,866</u>	<u>362,250</u>	<u>63</u>	<u>2,611,179</u>
Total additions	<u>4,083,963</u>	<u>1,896,652</u>	<u>63</u>	<u>5,980,678</u>
<b>Deductions</b>				
Benefits paid	1,595,046	727,240	-	2,322,286
Administrative expenses	<u>-</u>	<u>9,932</u>	<u>-</u>	<u>9,932</u>
Total deductions	<u>1,595,046</u>	<u>737,172</u>	<u>-</u>	<u>2,332,218</u>
Changes in fund equity held in trust for individuals, organizations, and other governments	2,488,917	1,159,480	63	3,648,460
Net position, July 1, 2016, restated	<u>20,587,995</u>	<u>2,912,230</u>	<u>33,806</u>	<u>23,534,031</u>
Net position, June 30, 2017	<u>\$ 23,076,912</u>	<u>\$ 4,071,710</u>	<u>\$ 33,869</u>	<u>\$ 27,182,491</u>

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies:

The basic financial statements of the Town of Lincoln, Rhode Island (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental entities. In certain instances, summaries of the Town's significant accounting policies have been presented throughout the notes to the financial statements in conjunction with other disclosures to which they relate.

#### *Financial reporting entity:*

The Town was founded in 1871. The Town is governed largely under the 1958 Home Rule Charter, which provides for a Council-Administrator form of government. The Town provides various services including education, water, libraries, public safety (police and rescue), public works, (engineering, highway, recycling, sewer, public buildings, parks and recreation), social services and general government services.

The elected Town Administrator serves as chief administrative agent over all municipal services including public safety (police and rescue), public works (highway, maintenance, and sanitation), social services, parks and recreation, planning, zoning and inspection, and general administrative services. The Superintendent of Schools, appointed by the School Committee, serves as the chief administrative agent for the School Department, which provides elementary and secondary education to Town residents. The Superintendent of the Water Commission, appointed by the Board of Water Commissioners, serves as the Chief Administrative Agent for the Water Commission, a quasi-municipal agency/department of the Town.

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

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

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Financial reporting entity (continued)*

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

The Town has identified no component units through the application of GASB Statement No. 61.

#### ***Recently Issued Accounting Standards:***

For the year ending June 30, 2017, the Authority implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Fair Value and Measurement Application*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*
- GASB Statement No. 77, *Tax Abatement Disclosures*

The implementation of GASB Statements No. 74 and 75 had a significant effect on both the disclosure of information related to the Town's OPEB plan as well as removing the Town's OPEB obligation and replacing it with the net OPEB liability. See note 17 for the implementation of GASB Statement No. 77.

#### *Basis of presentation:*

Government-wide financial statements:

The statement of net position and statement of activities display information about the Town as a whole. They include all funds of the Town except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between expenses and program revenue 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 the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Fund financial statements:*

Fund financial statements of the Town are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Fund types used by the Town and a description of the funds comprising each are as follows:

#### *Governmental funds:*

Governmental funds are used to account for operations that supply basic government services. The Town uses the following governmental funds:

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

*Special Revenue funds* - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specific purposes other than debt service or capital projects. The activity of the Lincoln Public School Department has been aggregated and presented as a major fund for fiscal 2017.

*Capital Projects funds* - Capital projects funds are used to account for and report resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Basis of presentation (continued):*

#### *Proprietary funds:*

Proprietary funds are used to account for business-like activities provided to the general public (enterprise funds) or within the government (internal service funds). These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The Town considers all enterprise funds to be major funds for financial statement purposes even though they may not qualify under the GASB guidelines. The Town's proprietary funds consist of the Water Fund, Sewer Fund, and the Police Detail Fund. The Town has no internal service funds.

#### *Fiduciary funds (not included in government wide financial statements):*

Fiduciary funds are used to report assets held by the Town in a trustee or agency capacity and, therefore, cannot be used to support the Town's own programs. The following fiduciary funds are used by the Town:

*Pension trusts* - Pension trust funds account for contributions made by the Town and its participating employees to provide retirement benefits to the participating employees.

*OPEB trust fund* - OPEB trust fund is used to account for funds to be used to provide postretirement benefits.

*Private purpose trust* - The Town's private purpose trust accounts for resources legally held in trust for use by an outside committee to provide awards and scholarships in accordance with a donor's instructions. All resources of the fund, including any earnings on investments, may be used. There is no requirement that any portion of these resources be preserved as capital.

*Agency* - Agency funds are established when the Town holds assets in custody for others in an agency capacity.

#### *Measurement focus and basis of accounting:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

*Basis of presentation (continued):*

*Measurement focus and basis of accounting (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual. Susceptibility occurs when revenues are both measurable and available for liquidating liabilities of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (sixty days). Revenues not considered to be available are recorded as unavailable revenues (deferred inflows of resources). Expenditures, including capital outlays, are recognized when a liability has been incurred, except for those involving debt service and other long-term obligations that are recognized when paid.

Those revenues susceptible to accrual are property taxes, special assessments, intergovernmental revenues, interest and charges for services. Fines, licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash and thus are recognized when received. Rescue service fees receivable, net of an allowance for doubtful accounts, are reported as deferred inflows of resources and considered unavailable in the fund statements.

Recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or estimated to be collected in the following fiscal year. Prior to expenditure, proceeds received in advance are recorded as unearned revenues.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds consist of charges to customers for sales and services. Operating expenses of the enterprise funds include the cost of sales and services, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Use of estimates:*

The preparation of basic 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### *Property taxes:*

Property taxes are recognized as revenue in the year they are levied and become available. Taxes are levied on July 1 on (a) one hundred percent of the full and fair value of real and tangible personal property owned within the Town the previous December 31; and, (b) the value, as determined by the Rhode Island Vehicle Valuation Commission, of vehicles registered within the Town the previous calendar year, prorated for the actual number of days so registered. Taxes levied on July 1 are payable July 31 or may be paid quarterly on July 31, October 31, January 31, and April 30. Failure to make payments by March 10 will result in a lien on the taxpayer's property.

#### *Intergovernmental revenues:*

State aid and other intergovernmental revenue is recognized in the year in which the funds are appropriated by the Rhode Island General Assembly, provided they are collected during the fiscal year.

#### *Cash and cash equivalents:*

Cash and cash equivalents consist of cash on hand, time and demand deposits and short-term investments maturing within three months from the date of acquisition.

Under Rhode Island general laws, depository institutions must insure deposits of municipalities or pledge eligible collateral equal to 100% of deposits maturing in greater than 60 days. Any institution not meeting certain federally prescribed minimum capital standards must insure deposits or provide collateral regardless of date of maturity. The Town complied with these requirements. The Town does not have a deposit policy for custodial credit risk or other risks.

#### *Investments:*

Investments are reported at fair value, based on quotations from applicable national securities exchanges. Unrealized gains and losses from changes in fair value are recognized as investment income. The Town does not have an investment policy for custodial credit risk or other risks other than those relating to its pension trust fund. The Town's investment commission is responsible for the supervision of the investment of the Town's Pension Trust Fund investments, with the objective of preserving capital and investing with care to minimize the risk of large losses.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Inter-fund transactions:*

Transactions between funds have been eliminated in the government-wide financial statements but fully presented within the governmental fund financial statements with no elimination made between or within funds. Reimbursements are accounted for as expenditures in the reimbursing fund and reductions to expenditures in the reimbursed fund. All other inter-fund transactions in the governmental fund financial statements are operating transfers on the operating statements of the funds involved.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due from/to other funds" (current portion) or "advances from/to other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

#### *Capital assets:*

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

Capital 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by of asset are as follows:

(Continued)

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 1. Summary of Significant Accounting Policies (Continued)**

*Capital assets (continued):*

	<u>Years</u>
Land improvements	20
Building improvements	20-60
Furniture and equipment	2-30
Motor vehicles	5-10
Water mains, valves, tanks, hydrants and services	10-100
	20-60

Capital assets acquired by governmental funds may be accounted for as capital outlay expenditures.

*Bond issuance costs:*

Bond issuance costs are expensed when incurred.

*Compensated absences:*

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

In the governmental fund financial statements, vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as expenditures and a fund liability of the governmental fund that will pay it.

*Long-term obligations:*

In the government-wide and enterprise fund financial statements, long-term debt and other long-term obligations (including compensated absences and accrued claims and judgments) are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the term of the related debt using the effective interest method.

In the governmental fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Bond premiums are reported as other financing sources while discounts are reported as other financing uses.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 1. Summary of Significant Accounting Policies (Continued)**

*Fund equity:*

*Government-wide and enterprise fund financial statements:*

*Net position:*

The Town's net position has been segregated into the following three components:

Net investment in capital assets - represents the net book value of all capital assets less the outstanding balances of bonds and other debt used to acquire, construct or improve these assets.

Restricted - those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law.

Unrestricted -a residual category for the balance of net position.

The Town's fund balance is reported in the following categories:

Non-spendable – amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – amounts that have been restricted to specific purposes either by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts constrained to specific purposes by the Town, using its highest level of decision-making authority.

Commitments will only be used for specific purposes pursuant to a formal action of the Town Council. Town Council Resolution is required to approve, modify, or rescind a fund balance commitment. At June 30, 2017, committed fund balance of the General Fund consisted of encumbrances totaling \$642,460.

Assigned -amounts that are intended by the Town to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. At June 30, 2017, assigned fund balance of the General Fund consisted of a health care reserve of \$500,000.

The Town Council delegates to the Town Administrator or designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund.

Unassigned -amounts available for any purpose.

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### *Fund Equity (Continued):*

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

#### *Pensions*

##### Employees; Retirement System Plan (ERS)

For purposes of measuring the net pension liability, 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 plan (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. 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.

##### Municipal Employees' Retirement System (MERS)

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Rhode Island and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

##### Teachers' Survivors Benefit Plan (TSB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Survivors Benefit plan (TSB) and the additions to/deductions from TSB fiduciary net position have been determined on the same basis as they are reported by TSB. 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.

##### Town Private Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Private plan (TPP) and the additions to/deductions from TPP fiduciary net position have been determined on the same basis as they are reported by TPP. 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.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 2. Fund Deficits**

The following individual funds had unassigned fund deficits as of June 30, 2017:

**Non Major Governmental Funds:**

IBM	\$	418
NE food and dairy		1,523
Substance abuse		1,018
Partnership for Success		2,638
Lincoln days		6,605
Police vest and forfeitures		7,496
Rescue		1,000
Small business energy		52,292
Operation riptide		4,831
Senior center		12,825
Impact fees		5,092
Byrne JAG 2009		281
<b>Total Non Major Governmental Funds</b>	<b>\$</b>	<b>96,019</b>

These deficits will be funded through bond proceeds, sales of property, or transfers from other funds.

**Note 3. Deposits and Investments**

The Town maintains deposits in various financial institutions that are carried at market value except for those amounts which are carried as petty cash. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents".

Cash and cash equivalents (deposits):

At June 30, 2017, the carrying amount of the Town's deposits and cash held by fiduciary funds was \$25,737,292 while the bank balance was approximately \$28,328,569. Of the bank balance approximately \$20,156,765 was insured and / or collateralized with securities held by pledging financial institution in the Town's name.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 3. Deposits and Investments (Continued)**

*Cash and cash equivalents (deposits) (continued):*

At June 30, 2017, deposits are categorized as follows:

	Insured/ Collateralized in Town's Name	Total Bank Balance	Carrying Amount
Deposits:			
Demand deposits	\$ 19,105,128	\$ 23,596,785	\$ 21,005,508
CD's	749,802	1,249,497	1,249,497
Money market	301,835	1,052,920	1,052,920
Investment	-	889,414	889,414
RICWFA	-	1,539,953	1,539,953
	<u>\$ 20,156,765</u>	<u>\$ 28,328,569</u>	<u>\$ 25,737,292</u>

***Custodial Credit Risk:***

Custodial credit risk for deposits 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.

***Investments:***

Investment of all idle funds is made through national banks or trust companies, providing that the financial conditions and integrity of these institution or institutions are verifiable and can be monitored. The investment of funds is in direct obligations of the United States Government and "money market instruments" rated "A" or better. Investments in any one institution cannot exceed five (5) percent of that institutions capital and surplus as set forth in the institutions most recent audited financial statements. All investments are made as would be done by prudent men of discretion and intelligence in such matters who are seeking a reasonable income and preservation of their capital. The Town follows the guidance of the fair value measurement and disclosures in accordance with GASB Statement No. 72, "Fair Value Measurement and Application". The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 3. Deposits and Investments (Continued)

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. The Town's formal investment policy for its Pension Trust Fund states that no security can be purchased that is rated below B by Moody's Investor Services or Standard & Poor's Ratings Group. The pension investment policy also states that no more than 10% of the portfolio's fixed income allocation may be invested in securities rated below investment grade. The pension portfolio may not invest in or use synthetic securities or derivatives of any kind. The Town does not have a formal policy that limits investment choices for its other funds.

#### *Concentration of credit risk:*

Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The Town's formal investment policy for its Pension Trust Fund states that no more than 5% of the portfolio's value may be invested in the securities of any one issuer except for securities of the U.S. Government, its agencies or instrumentalities. The Town does not have a formal policy that limits the amount that the Town may invest in one issuer for its other funds.

#### *Custodial credit risk:*

Custodial credit risk for investments is the risk that, in the event of 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 believe that it has significant custodial credit risk with regard to its investments as substantially all investment securities are registered and held in the name of the Town.

#### *Foreign currency risk:*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Town does not have a formal policy for foreign currency risk. There was no foreign currency risk noted at June 30, 2017.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Town are open-ended mutual funds that are registered with the Securities and Exchange Commission.

*Fixed income securities:* Valued using market quotations or prices obtained from independent pricing sources which may employ various pricing methods to value the investments, including matrix pricing based on quoted prices for securities with similar coupons, ratings and maturities.

The following table summarizes the assets of the Town for which fair values are determined on a recurring basis as of June 30, 2017.

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 3. Deposits and Investments (Continued)**

<b>Investment at Fair Value</b>	<b>June 30, 2017</b>	<b>Fair Value Measurement</b>		
		<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
<b>Mutual Funds</b>				
Black Rock Equity Fund	\$ 10,338,548	\$ 10,338,548	\$ -	\$ -
International Growth	1,761,547	1,761,547	-	-
International Value	1,674,209	1,674,209	-	-
Multi-Manager Core Fixed Income	1,240,407	1,240,407	-	-
Multi-Manager Small Cap Growthh	666,785	666,785	-	-
Multi-Manager Small Cap Value	647,742	647,742	-	-
REIT Fund	1,491,366	1,491,366	-	-
Vanguard	4,071,709	4,071,709	-	-
U.S. Government Securities	565,066	565,066	-	-
Fixed Income Securities	<u>5,259,023</u>	<u>5,259,023</u>	<u>-</u>	<u>-</u>
	<u>\$ 27,716,402</u>	<u>\$ 27,716,402</u>	<u>\$ -</u>	<u>\$ -</u>

Pension Trust Fund and OPEB Trust Fund investments:

	<u>Carrying Amount</u>
Mutual Funds	\$ 17,820,604
Fixed Income	<u>9,895,798</u>
Total investments:	<u>\$ 27,716,402</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 4. Interfund Transactions**

Inter-fund receivables and payables at June 30, 2017 are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Other Financing Sources</u>	<u>Other Financing Uses</u>
<b><u>Major Governmental Funds</u></b>				
General fund	\$ 65,497	\$ 10,424,929	\$ 722,430	\$ 43,880,093
School unrestricted fund	6,459,503	964,634	40,705,942	-
<b><u>Non-Major Governmental Funds</u></b>				
Town special revenue	246,215	-	-	-
Capital projects	4,599,371	-	3,174,151	698,925
<b><u>Proprietary Funds</u></b>				
Water fund	133,152	-	-	-
Sewer fund	-	285,973	-	-
Police detail fund	79,773	-	-	23,505
<b><u>Fiduciary Funds</u></b>				
Police pension trust	-	2,715	-	-
Agency funds	<u>198,118</u>	<u>103,378</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 11,781,629</u>	<u>\$ 11,781,629</u>	<u>\$ 44,602,523</u>	<u>\$ 44,602,523</u>

The principal purpose of interfund transfers is to provide a financing source to various funds that may not have the ability to cover all operating costs or capital expenditures with revenue generated by the fund.

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 5. Capital Assets**

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

<b>Governmental Activities:</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets not being depreciated:				
Land	\$ 15,268,174	\$ -	\$ -	\$ 15,268,174
Construction in progress	<u>2,088,677</u>	<u>97,803</u>	<u>(2,758)</u>	<u>2,183,722</u>
Total capital assets not being depreciated:	<u>17,356,851</u>	<u>97,803</u>	<u>(2,758)</u>	<u>17,451,896</u>
Capital assets being depreciated:				
Land improvements and infrastructure	18,739,835	1,030,922	-	19,770,757
Buildings & improvements	63,494,211	323,083	-	63,817,294
Machinery & equipment	4,672,744	152,288	-	4,825,032
Motor Vehicles	<u>4,386,940</u>	<u>624,836</u>	<u>(429,699)</u>	<u>4,582,077</u>
Total capital assets, being depreciated:	<u>91,293,730</u>	<u>2,131,129</u>	<u>(429,699)</u>	<u>92,995,160</u>
Less accumulated depreciation:				
Land improvements and infrastructure	7,165,691	697,455	-	7,863,146
Buildings & improvements	18,024,984	1,511,345	-	19,536,329
Machinery & equipment	3,735,746	181,619	-	3,917,365
Motor Vehicles	<u>2,728,707</u>	<u>297,209</u>	<u>(362,418)</u>	<u>2,663,498</u>
Total accumulated depreciation:	<u>31,655,128</u>	<u>2,687,628</u>	<u>(362,418)</u>	<u>33,980,338</u>
Total capital assets being depreciated, net	<u>59,638,602</u>	<u>(556,499)</u>	<u>(67,281)</u>	<u>59,014,822</u>
Governmental activities capital assets, net	<u>\$ 76,995,453</u>	<u>\$ (458,696)</u>	<u>\$ (70,039)</u>	<u>\$ 76,466,718</u>

For the year ended June 30, 2017, depreciation was charged to the following functions:

Governmental activities:	
General government	\$ 132,407
Public safety	324,454
Public service	232,175
Library	397,637
Education	<u>1,238,537</u>
 Total governmental activities depreciation expense	 <u>\$ 2,325,210</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 5. Capital Assets (Continued)**

<b>Business-type Activities:</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets not being depreciated:				
Land	\$ 177,452	\$ -	\$ -	\$ 177,452
Construction in progress	<u>2,503,329</u>	<u>644,850</u>	<u>(884,645)</u>	<u>2,263,534</u>
Total capital assets not being depreciated:	<u>2,680,781</u>	<u>644,850</u>	<u>(884,645)</u>	<u>2,440,986</u>
Capital assets being depreciated:				
Buildings & improvements	1,193,950	10,752	-	1,204,702
Infrastructure	43,447,650	697,927	-	44,145,577
Machinery & equipment	834,493	965,393	-	1,799,886
Motor Vehicles	<u>855,548</u>	<u>13,006</u>	<u>(18,319)</u>	<u>850,235</u>
Total capital assets, being depreciated:	<u>46,331,641</u>	<u>1,687,078</u>	<u>(18,319)</u>	<u>48,000,400</u>
Less accumulated depreciation:				
Buildings & improvements	650,213	34,049	-	684,262
Infrastructure	15,191,372	573,901	-	15,765,273
Machinery & equipment	422,516	85,145	-	507,661
Motor Vehicles	<u>710,216</u>	<u>48,423</u>	<u>(18,319)</u>	<u>740,320</u>
Total accumulated depreciation:	<u>16,974,317</u>	<u>741,518</u>	<u>(18,319)</u>	<u>17,697,516</u>
Total capital assets being depreciated, net	<u>29,357,324</u>	<u>945,560</u>	<u>-</u>	<u>30,302,884</u>
Business-type activities capital assets, net	<u>\$ 32,038,105</u>	<u>\$ 1,590,410</u>	<u>\$ (884,645)</u>	<u>\$ 32,743,870</u>

For the year ended June 30, 2017, depreciation was charged to the following functions:

Business-type activities	
Water Fund	\$ 414,342
Sewer Fund	297,043
Police Detail	<u>11,814</u>
Total business-type activities depreciation expense	<u>\$ 723,199</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 6. Long-Term Obligation**

*General obligation bonds, notes and loans payable:*

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. In addition, general obligation bonds have been issued to refund previously outstanding general obligation bonds.

Rhode Island general laws cap the amount of each municipality's general obligation bonds that may be outstanding to 3% of its assessed property values. Exceptions apply to bonds financed from nontax revenues and special exemptions are granted for other purposes as well. The assessed value of the Town's properties at December 31, 2016 was \$2,958,875,950, limiting the amount of non-excepted general obligation bonds outstanding to \$88,766,279. At June 30, 2017, bonds outstanding totaled \$24,640,000.

*Defeasance of debt:*

On July 1, 2003, the Town issued \$18,770,000 in general obligation bonds with an average interest rate of 3.83% to refund in advance \$6,980,000 in 1996 bonds and \$11,360,000 in 1993 bonds. The note proceeds were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1996 bonds and the redemption of the 1993 bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the Town's financial statements. On June 30, 2017, the outstanding balance of defeased bonds is \$1,500,000.

A summary of long-term obligations at June 30, 2017 is as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
General obligation bonds	\$ 24,640,000	\$ -	\$ 24,640,000
Premium on bond issuance	1,970,891		1,970,891
Bonds payable	26,610,891	-	26,610,891
Loans payable	-	5,831,650	5,831,650
Capital leases	243,139	-	243,139
MERS Pension	2,272,109	-	2,272,109
ERSRI Pension	45,568,936	-	45,568,936
Police Pension	13,909,779	-	13,909,779
OPEB obligation	14,830,510	-	14,830,510
Accrued compensated absences	4,587,214	-	4,587,214
	108,022,578	5,831,650	113,854,228
Less portion due within one year	2,421,470	327,000	2,748,470
	\$ 105,601,108	\$ 5,504,650	\$ 111,105,758

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 6. Long-Term Obligation (Continued)**

*Governmental Activities:*

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2016	New Issues	Retired	Balance, June 30, 2017	Amounts Due Within One Year
<b>General obligation bonds:</b>									
Refunding	\$ 18,770,000	07/01/03	2.00-5.00%	08/01/16	\$ 480,000	\$ -	\$ 480,000	\$ -	\$ -
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	1,650,000	-	150,000	1,500,000	150,000
Improvements to municipal buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	3,250,000	-	250,000	3,000,000	250,000
Refunding - School construction & renovation	<u>22,055,000</u>	06/25/15	3.00-5.00%	08/01/26	<u>21,730,000</u>	-	<u>1,590,000</u>	<u>20,140,000</u>	<u>1,645,000</u>
Total general obligation bonds	<u>\$ 48,825,000</u>				27,110,000	-	2,470,000	24,640,000	2,045,000
Premium on bond issuance					<u>2,273,307</u>	-	<u>302,416</u>	<u>1,970,891</u>	<u>218,988</u>
Total bonds payable					<u>29,383,307</u>	-	<u>2,772,416</u>	<u>26,610,891</u>	<u>2,263,988</u>
<b>Capital leases:</b>									
Type 1 Ambulance Ford F-550	235,420	06/05/17	3.07%	06/05/19	-	235,420	75,000	160,420	78,997
Trash Truck	<u>202,123</u>	06/30/14	1.57%	06/18/19	<u>123,122</u>	-	<u>40,403</u>	<u>82,719</u>	<u>41,037</u>
Total capital leases	<u>\$ 437,543</u>				<u>123,122</u>	<u>235,420</u>	<u>115,403</u>	<u>243,139</u>	<u>120,034</u>
<b>Others:</b>									
MERS Pension					2,005,067	267,042	-	2,272,109	-
ERS Pension					42,119,410	3,449,526	-	45,568,936	-
Town Pension					14,881,207	-	971,428	13,909,779	-
OPEB					14,562,686	267,824	-	14,830,510	-
Accrued compensated absences					<u>4,349,534</u>	<u>440,462</u>	<u>202,782</u>	<u>4,587,214</u>	<u>37,448</u>
Total long-term obligations					<u>\$ 107,424,333</u>	<u>\$ 4,660,274</u>	<u>\$ 4,062,029</u>	<u>\$ 108,022,578</u>	<u>\$ 2,421,470</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 6. Long-Term Obligation (Continued)**

*Business-type activities:*

<u>Purpose</u>	<u>Amount of Original Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance, July 1, 2016</u>	<u>New Issues</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>	<u>Amounts Due Within One Year</u>
<b>Loans payable:</b>									
Enterprise fund, Sewer:									
Rhode Island Clean Water									
Finance Agency:									
Sewer system improvements	\$ 2,902,500	03/29/11	1.45-4.35%	09/01/31	\$ 2,485,500	\$ -	\$ 112,000	\$ 2,373,500	\$ 116,000
Sewer system improvements	849,000	07/30/15	1.33-2.96%	09/01/34	848,000	-	1,000	847,000	38,000
Enterprise fund, Water:									
Rhode Island Clean Water									
Finance Agency:									
Water system improvements	300,000	04/19/04	3.50%	09/01/24	60,583	-	6,000	\$ 54,583	6,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,234,000	-	83,000	\$ 1,151,000	86,000
Water system improvements	1,500,000	11/06/09	0.55-4.15%	09/01/29	1,199,000	-	64,000	\$ 1,135,000	65,000
Water system improvements	<u>362,568</u>	02/12/10	0.36-4.09%	09/01/30	<u>286,567</u>	<u>-</u>	<u>16,000</u>	<u>\$ 270,567</u>	<u>16,000</u>
Total long-term obligations	<u>\$ 7,714,068</u>				<u>\$ 6,113,650</u>	<u>\$ -</u>	<u>\$ 282,000</u>	<u>\$ 5,831,650</u>	<u>\$ 327,000</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 6. Long-Term Obligation (Continued)**

At June 30, 2017, annual debt service requirements to maturity for general obligation bonds, loans payable and capital leases are as follows:

*General obligation bonds:*

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	2,045,000	1,026,213	3,071,213
2019	2,115,000	940,638	3,055,638
2020	2,180,000	859,913	3,039,913
2021	2,255,000	768,000	3,023,000
2022	2,350,000	656,688	
2023-2027	13,195,000	1,574,144	14,769,144
2028-2029	<u>500,000</u>	<u>21,719</u>	<u>521,719</u>
	<u>\$ 24,640,000</u>	<u>\$ 5,847,315</u>	<u>\$ 30,487,315</u>

*Loans payable:*

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	327,000	184,828	511,828
2019	336,000	175,908	511,908
2020	349,000	166,246	515,246
2021	362,000	155,837	517,837
2022	375,000	144,574	519,574
2023-2027	2,082,582	528,615	2,611,197
2028-2032	1,827,068	179,857	2,006,925
2033-2035	<u>173,000</u>	<u>7,709</u>	<u>180,709</u>
	<u>\$ 5,831,650</u>	<u>\$ 1,543,574</u>	<u>\$ 7,375,224</u>

*Capital leases:*

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	120,034	6,225	126,259
2019	<u>123,105</u>	<u>3,155</u>	<u>126,260</u>
	<u>\$ 243,139</u>	<u>\$ 9,380</u>	<u>\$ 252,519</u>

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 7. Pension Plans

All eligible employees of the Town are covered by one of four pension plans: the Town of Lincoln Retirement Plan (Town Plan), the Laborers' International Union of North America Pension Fund (Union Plan), the Employees' Retirement System of the State of Rhode Island (Teachers' Plan), and the Municipal Employees' Retirement System (Municipal Plan).

#### Employees' Retirement System Defined Benefit Pension Plan

##### General Information about the Pension Plan

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

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

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

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

Cost of living adjustments are provided but are currently suspended until the collective plans administered by ERSRI reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments is 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.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 7. Pension Plans (Continued)**

Employees' Retirement System Defined Benefit Pension Plan

General Information about the Pension Plan

**Contributions** - The funding policy, as set forth in the General Laws, Section 16-16-22, provides for actuarially determined periodic contributions to the plan. For fiscal 2017, Town 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 Town are required to contribute at an actuarially determined rate, 40% of which is to be paid by the state and the remaining 60% is to be paid by Town; the rates were 9.27% and 13.49% of annual covered payroll for the fiscal year ended June 30, 2017 for the state and Town, respectively. The Town contributed \$2,266,450, \$3,445,181 and \$3,286,406 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2017, the Town reported a liability of \$45,568,936 for its proportionate share of the net pension liability that reflected a reduction for contributions made by the state. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the Town were as follows:

Town proportionate share of the net pension liability	\$ 45,568,936
State's proportionate share of the net pension liability associated with the Town	<u>31,208,030</u>
Total net pension liability	<u>\$ 76,776,966</u>

The net pension liability was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. The Town proportion of the net pension liability was based on a projection of the Town long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the state, actuarially determined. At June 30, 2016 the Town proportion was 1.52732535%.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 7. Pension Plans (Continued)**

For the year ended June 30, 2017 the Town recognized gross pension expense of \$6,043,433 and revenue of \$3,449,526 for support provided by the State. At June 30, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 899,100
Changes of assumptions	-	943,937
Net difference between projected and actual earnings on pension plan investments	5,156,576	1,600,587
Changes in proportion and differences between System contributions and proportionate share contributions	-	2,222,303
System contributions subsequent to the measurement date	2,266,450	-
	<u>\$ 7,423,026</u>	<u>\$ 5,665,927</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ (509,351)</u>

A total of \$2,266,450 was reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (105,797)
2019	(105,797)
2020	694,497
2021	102,207
2022	(742,719)
Thereafter	(351,742)
	<u>\$ (509,351)</u>

**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%

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 7. Pension Plans (Continued)**

Employees' Retirement System Defined Benefit Pension Plan

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

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

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

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

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.

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

### Note 7. Pension Plans (Continued)

#### Employees' Retirement System Defined Benefit Pension Plan

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

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

<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
\$ 56,273,649	\$ 45,568,936	\$ 36,805,524

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

### Note 8. Defined Contribution Pension Plan

#### **Defined Contribution 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 5% of their annual covered salary and employers contribute between 1% and 1.5% of annual covered salary depending on the employee's total years of service as of June 30, 2012. Employee contributions are immediately vested while employer contributions and any investment earnings thereon are vested after three years of contributory service. Benefit terms and contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

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

Continued

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### **Note 8. Defined Contribution Pension Plan (Continued)**

The Town of Lincoln, Rhode Island recognized pension expense of \$562,277, for the fiscal year ended June 30, 2017.

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

### **Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan**

#### 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 [www.ersri.org](http://www.ersri.org).

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

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

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

**Final Average Compensation (FAC):** Prior to July 1, 2012 and for general employee members eligible to retire as of June 30, 2012, the average was based on the member's highest three consecutive annual salaries. Effective July 1, 2012, the average was based on the member's highest five consecutive annual salaries.

*Continued*

## TOWN OF LINCOLN, RHODE ISLAND

### Note to the Financial Statements

June 30, 2017

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#### **Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

Once a member retires or is terminated, the applicable FAC will be the greater of the member's highest three year FAC as of July 1, 2012 or the five year FAC as of the retirement/termination date. Monthly benefits are based on one-twelfth of this amount.

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

#### ***General employees***

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

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

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

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

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

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

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

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### **Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

#### ***Police and Fire employees***

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

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

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

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

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

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

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

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

#### ***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.

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)

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

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

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

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

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 every fourth-year provision described in (i) above will be limited to the first \$30,000. These limits will be indexed annually to increase in the same manner as COLAs, with the known values of \$25,000 for 2013, \$25,000 for 2014, \$25,168 for 2015, \$25,855 for 2016, and \$26,098 for 2017.

#### Employees covered by benefit terms.

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

Retirees and Beneficiaries	13
Inactive, Non-retired Members	12
Active Members	<u>32</u>
Total	<u>57</u>

*Contributions* - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees are required to contribute 1% of their salaries. Public safety employees are required to contribute 9% of their salaries. The Town 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 contributed \$235,883 to their general employee MERS plan in the year ended June 30, 2017 which was 23.44% of annual covered payroll and contributed \$171,801 to their rescue employee MERS plan in the year ended June 30, 2017 which was 18.04% of annual covered payroll.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

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

<b>Summary of Actuarial Assumptions Used in the Valuations to determine the Net Pension Liability at the June 30, 2016 measurement date (June 30, 2015 valuation rolled forward to June 30, 2016)</b>	
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.
Amortization Method	Level Percent of Payroll – Closed
Actuarial Assumptions	
Investment Rate of Return	7.50%
Projected Salary Increases	General Employees - 3.50% to 7.50%; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.75%
Mortality	<ul style="list-style-type: none"> <li>• Male Employees, MERS General and MERS P&amp;F: 115% of RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.</li> <li>• Female Employees, MERS General and MERS P&amp;F: 95% of RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.</li> </ul>
Cost of Living Adjustments	A 2% COLA is assumed after January 1, 2014.

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

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

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

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

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

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

**Changes in the Net Pension Liability (Asset) - General Employees**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 2,468,548	\$ 1,933,815	\$ 534,733
Changes for the Year			
Service cost	92,977	-	92,977
Interest on the total pension liability	184,662	-	184,662
Changes in benefits	-	-	-
Difference between expected and actual experience	1,134	-	1,134
Changes in assumptions	-	-	-
Employer contributions	-	128,161	(128,161)
Employee contributions	-	10,092	(10,092)
Net investment income	-	(386)	386
Benefit payments, including employee refunds	(105,764)	(105,764)	-
Administrative expense	-	(2,070)	2,070
Other changes	-	(46,510)	46,510
Net changes	<u>173,009</u>	<u>(16,477)</u>	<u>189,486</u>
Balances as of June 30, 2016	<u>\$ 2,641,557</u>	<u>\$ 1,917,338</u>	<u>\$ 724,219</u>

**Changes in the Net Pension Liability (Asset) - Rescue Employees**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of June 30, 2015	\$ 4,775,253	\$ 3,304,919	\$ 1,470,334
Changes for the Year			
Service cost	168,655	-	168,655
Interest on the total pension liability	358,289	-	358,289
Changes in benefits	-	-	-
Difference between expected and actual experience	(187,182)	-	(187,182)
Changes in assumptions	-	-	-
Employer contributions	-	172,028	(172,028)
Employee contributions	-	94,536	(94,536)
Net investment income	-	(1,181)	1,181
Benefit payments, including employee refunds	(164,793)	(164,793)	-
Administrative expense	-	(3,177)	3,177
Other changes	-	-	-
Net changes	<u>174,969</u>	<u>97,413</u>	<u>77,556</u>
Balances as of June 30, 2016	<u>\$ 4,950,222</u>	<u>\$ 3,402,332</u>	<u>\$ 1,547,890</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

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

<b>1% Decrease (6.5%)</b>	<b><u>General Employees Plan</u> Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
\$ 999,460	\$ 724,219	\$ 498,971
<b>1% Decrease (6.5%)</b>	<b><u>Rescue Employees Plan</u> Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
\$ 2,060,036	\$ 1,547,890	\$ 1,128,795

*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***

**General Employees Plan**

For the year ended June 30, 2017 the employer recognized pension expense of \$225,486. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Assumption changes	\$ -	\$ 14,621
Difference between expected and actual experience	110,229	-
Net difference between projected and actual earnings on pension plan investments		
Returns	<u>172,887</u>	<u>53,866</u>
	<u>\$ 283,116</u>	<u>\$ 68,487</u>
Total		

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2018	\$ 53,792
2019	53,790
2020	77,946
2021	29,101
2022	-
Thereafter	\$ _____
<b>Total</b>	<b><u>\$ 214,629</u></b>

**Rescue Employees Plan**

For the year ended June 30, 2017 the employer recognized pension expense of \$189,622. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Assumption changes	\$ -	\$ 23,570
Difference between expected and actual experience	-	186,664
Net difference between projected and actual earnings on pension plan investments		
Returns	<u>298,917</u>	<u>86,481</u>
<b>Total</b>	<b><u>\$ 298,917</u></b>	<b><u>\$ 296,715</u></b>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 9. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

Year Ending June 30	Net Deferred Outflows of Resources
2018	\$ 5,603
2019	5,604
2020	48,843
2021	16,606
2022	(30,615)
Thereafter	<u>(43,839)</u>
<b>Total</b>	<u><b>\$ 2,202</b></u>

**Note 10. Defined Contribution Pension Plan**

*Defined Contribution Plan Description:*

Certain employees participating in the defined benefit plan, as described above, may 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 1 to 1.5% of their annual covered salary and employers contribute 5% of annual covered salary. 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 Lincoln recognized pension expense of \$101,254, for the fiscal year ended June 30, 2017.

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

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 11. Teacher Survivors (TSB) Benefit Plan

#### General Information about the Pension Plan

**Plan description** - Certain employees of the Town of Lincoln (Town) participate in a cost-sharing multiple-employer defined benefit pension plan - the Teachers' Survivors Benefit 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. 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 is subject to the provisions of Chapter 16-16 of the Rhode Island General Laws which are subject to amendment by the General Assembly. Spouse, parents, family and children's benefits are payable following the death of a member. A spouse shall be entitled to benefits upon attaining the age of sixty (60) years. Children's benefits are payable to the child, including a stepchild or adopted child of a deceased member if the child is unmarried and under the age of eighteen (18) years or twenty-three (23) years and a full time student, and was dependent upon the member at the time of the member's death. Family benefits are provided if at the time of the member's death the surviving spouse has in his or her care a child of the deceased member entitled to child benefits. Parents benefits are payable to the parent or parents of a deceased member if the member did not leave a widow, widower, or child who could ever qualify for monthly benefits on the member's wages and the parent has reached the age of 60 years, has not remarried, and received support from the member.

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

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

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

Highest Annual Salary	Basic Monthly Spouses' 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

Continued

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 11. Teacher Survivors (TSB) Benefit Plan (Continued)**

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 Town contributed \$27,900, \$30,731 and \$28,406 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2017 the Town reported an asset of \$4,764,203 for its proportionate share of the net pension asset related to its participation in TSB. The net pension asset was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The Town proportion of the net pension asset was based on its share of contributions to the TSB for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017 the Town proportion was 4.78468663%.

For the year ended June 30, 2017 the Town recognized pension expense of \$(283,142) – an increase in the net pension asset. At June 30, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

A total of \$27,900 reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2017 subsequent to the measurement date will be recognized as an addition to the net pension asset 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:

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 11. Teacher Survivors (TSB) Benefit Plan (Continued)**

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 906,947	\$ 947,113
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,260,667	389,235
Changes in proportion and differences between System contributions and proportionate share contributions	183,890	-
System contributions subsequent to the measurement date	27,900	-
	<u>\$ 2,379,404</u>	<u>\$ 1,336,348</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ 1,015,156</u>

Year ended June 30:

2018	\$ 189,873
2019	189,873
2020	384,490
2021	242,597
2022	33,850
Thereafter	(25,527)
	<u>\$ 1,015,156</u>

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

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

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

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 11. Teacher Survivors (TSB) Benefit Plan (Continued)**

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

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

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 35 sources. The June 30, 2016 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

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

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

**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.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 11. Teacher Survivors (TSB) Benefit Plan (Continued)**

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

<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
(\$ 3,780,449)	(\$ 4,764,203)	(\$ 5,569,091)

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

**Note 12. Town Pension Plan**

***Plan description:***

The Town Plan is a cost-sharing multiple employer defined benefit pension plan that covers substantially all Town and School Department employees not covered by other plans, as well as eligible firefighters employed by two fire districts: Lonsdale Fire and Saylesville Fire. Employees who work twenty hours or more per week for more than five months are eligible to participate. The Town Plan is reported as a Pension Trust Fund in the Town's financial statements.

***Plan membership:***

At June 30, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	98
Inactive plan members entitled to but not yet receiving benefits	22
Active plan members	114
Subtotal	234

***Benefit provisions:***

The Town Plan provides retirement and survivor benefits. The following benefit provisions were established and may be amended by Town ordinance or union contract:

- Any participant, who has attained his or her normal retirement date, as defined in the Town Plan, is eligible for a normal retirement benefit. The monthly benefit payable upon normal retirement is based on average monthly salary multiplied by credited service as follows:

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 12. Town Pension Plan (Continued)

Police and Lonsdale Firefighters	2 ½ % of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to five additional years of credited service.
Saylesville Firefighters	2 ½ % of average monthly salary multiplied by credited service up to 20 years, plus 2% of average monthly salary multiplied by up to ten additional years of credited service.
All other employees	1 ½ % of average monthly salary multiplied by credited service, with maximum benefit of 60% of average monthly salary.

Average monthly salary equals the average compensation during the highest three consecutive years out of the final ten years of employment. Salary includes base compensation plus holiday and longevity pay, but not overtime. Payments commence on the first day of the month following the date of an employee's retirement.

- Participants who terminate employment before completing ten years of service are refunded their employee contributions with annual interest credited at 5% after 1997 and 3 /1 2% before 1998. Participants who terminate employment after completing ten years of service have the option of either a refund of their employee contribution or a monthly benefit, as described above, at the normal retirement date.
- The beneficiary of a participant who dies prior to retirement receives the participant's accumulated contributions. In lieu of this benefit, the surviving spouse can elect to receive a benefit equal to 50% of the participant's benefit accrued to the date of death, payable at the participant's normal retirement date.
- For participants other than police and firefighters, the normal form of benefit is a monthly life annuity. For the police and firefighters, the normal form of benefit is a monthly joint and 67/1 2% survivor annuity. Optional forms of monthly benefits are available and are determined to be actuarially equivalent to the normal form of benefit.
- Police department employees who retire after June 30, 2004 receive an automatic 3% annual compounded Cost-of-Living Adjustment (COLA) to their monthly pension benefit.

#### ***Funding policy and contributions:***

Contribution requirements are established and may be amended by Town Council ordinance or union contract.

Employees are required to contribute 4% of their salary; police and firefighters must contribute 8% and 6%, respectively.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 12. Town Pension Plan (Continued)**

The Town is required to contribute an amount determined in accordance with the actuarial valuation. Administrative costs are paid from plan assets. Contributions to the pension plan from the Town were \$1,522,833.

***Actuarial method and significant assumptions:***

The annual required contribution (ARC) was determined as part of the June 30, 2017 actuarial valuation using the Entry Age Actuarial Cost Method. Under this method, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20-year closed period as a level % of pay. The actuarial accrued liability, which is re-determined for each active participant as of each valuation date, represents the theoretical accumulation of all prior years' normal costs for the present participants as if the Town Plan had always been in effect. The unfunded actuarial accrued liability represents the excess of the actuarial accrued liability over the Plan's assets, which are valued using the actuarial value of the assets using a five-year smoothing of appreciation and/or depreciation.

Inflation	2.50 percent
Salary increases	3.00-6.00 percent, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 blue collar mortality with social security generational improvement scale from 2006.

***Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:***

At June 30, 2017, the Town reported liability \$14,121,027 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities. At June 30, 2017, the Town's proportion was 94.67%, which is an increase of .07% from the its proportion measured as of June 30, 2016.

For the year ended, June 30, 2017, the Town recognized pension expense of \$2,547,983. At June 30, 2017, the Town reported deferred outflows of resources and inflows of resources related to pensions from the following sources:

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 12. Town Pension Plan (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 134,060	\$ (407,928)
Changes in assumptions	2,029,965	(105,626)
Difference between projected and actual earnings on plan investments	829,988	(639,335)
Total deferred outflows / (inflows)	\$ 2,994,013	\$ (1,152,889)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$	1,049,201
2019		1,049,203
2020		(107,154)
2021		(150,126)
2022		-
Thereafter		-
	\$	1,841,124

***Investment Policy:***

Investments shall be made solely in the interest of the Plan with an emphasis on long-term growth of principal while avoiding excessive risk, primarily through asset diversification. Investments of the Plan shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. The Plan shall be diversified by maturity, issuer and class of security in order to eliminate the risk of loss resulting from over-concentration of assets. Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

***Rate of Return:***

For the year ended June 30, 2017 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 10.92%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 12. Town Pension Plan (Continued)**

*Long-term expected rate of return:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic fixed income	0.34%
Domestic equities	5.07%
International equities	6.00%
Real estate	5.85%
Group annuity contract	1.18%

*Long-term expected rate of return (continued):*

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic fixed income	5%
Domestic equities	47%
International equities	12%
Real estate	6%
Group annuity contract	30%
Total	<u>100%</u>

*Discount Rate:*

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 12. Town Pension Plan (Continued)**

***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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Plan's Net Pension Liability	\$ 18,992,622	\$ 14,121,027	\$ 9,813,513

***Net Pension Liability:***

The components of the net pension liability of the participating entities at June 30, 2017 were as follows:

Total pension liability	\$ 39,293,043
Plan fiduciary net position	<u>(24,377,767)</u>
NBC's net pension liability	<u>\$ 14,915,276</u>
 Plan fiduciary net position as a percentage of the total pension liability	  62.04%

**Note 13. Union Plan**

***Plan description:***

The Town of Lincoln Town Hall, Public Works, Library and Water union employees participate in the Laborer's International Union of North America Pension Fund, a cost-sharing multiple employer defined benefit plan. Financial statements for the Union Plan are issued separately and may be obtained from the Laborers National (Industrial) Pension Fund, 905 165th Street, NW., Washington, D.C. 20006-1765 or by calling (202) 737-1664.

Employees can retire on a regular pension if they have attained at least age 62, earned at least five years of Pension Credit, and earned at least one year of Pension Credit during the period that their employer is contributing to the Pension Fund. The amount of regular pension benefits payable to eligible participants is determined by the highest contribution rate at which they earned Pension Credit and they years of Pension Credits they earned (up to a maximum of 30 years of Pension Credits). Vesting of benefits is attained for participants who have five or more years of vesting credit (without a permanent break in service). The fund also provides death and disability benefits.

***Contributions required and contributions made:***

The Town's required contribution is negotiated with the local union. The Town's contribution was based upon \$1.61 per hour for Town Hall employees, \$1.51 per hour for Library employees, \$1.90 for hour for Public

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 13. Union Plan (Continued)**

Works employees, and \$14.75 per day for Water employees participating in the Union plan for the period of July 1, 2016 to June 30, 2017. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2017 was \$220,465 as follows: Public Works (including sewer dept.) \$174,847, and Library \$45,618.

**Note 14. Other Postemployment Benefits**

*Plan Description*

The Town of Lincoln administers a single-employer, defined benefit post-employment health insurance plan. 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 the union contracts through negotiations between the Town and the respective unions. The plan is reported as a Trust Fund in the Town's financial statements. The plan does not issue a publicly available financial report. The Town implemented GASB Statement No. 75 in fiscal year 2017 on a retroactive basis.

The plan provides the following benefits based on employee group:

- Police - Officers are eligible for lifetime retiree health benefit at 20 years of service with mandatory retirement at 25 years of service. There is no age requirements to get retiree health benefits.
- All Other Town Employees - COBRA coverage at retirement.
- For All School Employees – Certified Teachers and certain Administrators positions are eligible for retiree health benefits until Medicare eligibility once they meet the retirement eligibility requirements of Rhode Island Employees Retirement System (RI ERS).

The above benefit provisions reflect changes implemented since the last valuation.

As of June 30, 2017, the plan membership data is as follows:

<b>Description</b>	<b>Active Employees</b>	<b>Inactive or Beneficiaries Receiving Benefits</b>	<b>Total</b>
Number	443	60	503

*Funding Policy*

Contribution requirements are negotiated between the Town and the respective unions. The Town is required to contribute the cost of medical and dental benefits, less the amount of any applicable employee share of medical or dental premiums. For the fiscal year ended June 30, 2017, the Town contributed \$1,534,402 to the plan, which is 4.8% of the annual required contribution.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 14. Other Postemployment Benefits (Continued)**

*Summary of Significant Accounting Policies*

**Basis of Accounting** - The Other Post-Employment Benefits Trust Fund's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments** - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates.

*Investment policy*

The Town's policy in regard to the allocation of invested assets is established and may be amended by the committee by a majority vote of its members. It is the policy of the Town to pursue an investment strategy that reduced risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Town's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	37.10%
Non-U.S. Equity	15.90%
U.S. Aggregate Bonds	12.00%
Intermediate-Term Credit	7.20%
Short-Term Credit	4.80%
Intermediate-Term TIPS	15.00%
REITs	8.00%
Total	<u>100.00%</u>

*Concentrations:*

There were no concentrations noted as of June 30, 2017.

*Rate of Return:*

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense was 12.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 14. Other Postemployment Benefits (Continued)**

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2017 were as follows:

Total OPEB liability	\$18,902,220
Plans fiduciary net position	<u>4,071,710</u>
Town's net OPEB liability	<u>\$14,830,510</u>
Plan net position as a percentage of the total OPEB liability	21.54%

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 total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 14. Other Postemployment Benefits (Continued)**

*Actuarial Methods and Assumptions (continued)*

**Notes to Required Supplementary Information:**

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2017.  
Actuarial Cost Method: Entry Age Normal Actuarial Cost Method  
Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2017.

**Actuarial Assumptions:**

Investment Rate of Return: 6.75%, net of OPEB plan investment expense  
Medical inflation: 9.00% decreasing 0.5% per year, to an ultimate rate of 5.00%  
Inflation: 3.50% as of June 30, 2017 and for future periods  
Salary Increases: 3.50% annually as of June 30, 2017 and for future periods

Pre-Retirement Mortality:

**Healthy retirees:**

Police: RP-2014 Blue Collar Mortality Table with 2016 Social Security generational improvement scale from 2006  
School: RP-2014 Total Dataset Mortality Table with 2016 Social Security generational improvement scale from 2006

**Disabled retirees:**

Police only: RP-2014 Disabled Mortality Table with 2016 Social Security generational improvement scale from 2006

Assumed rate of retirement:

**School support staff**

Retirement rates are based on the assumptions used in the RI MERS actuarial valuation report as of June 30, 2014, which is a flat 25% per year retirement probability for members eligible for unreduced retirement. A 50% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

**School teachers and administration**

Retirement rates are based on the assumptions used in the RI ERS actuarial valuation report as of June 30, 2014, which is a flat 25% per year retirement probability for members eligible for unreduced retirement. A 60% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

**Town police officers**

Retirement rates are based on Town of Lincoln Police pension actuarial valuation as of January 1, 2017.

Marriage assumptions

Spousal coverage and age for current retirees is based on actual data. Active employees who currently elect spousal coverage are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 14. Other Postemployment Benefits (Continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. Equity	5.90%
Non-U.S. Equity	6.20%
U.S. Aggregate Bonds	3.60%
Intermediate-Term Credit	2.20%
Short-Term Credit	1.90%
Intermediate-Term TIPS	70.00%
REITs	<u>4.70%</u>

*Changes in the Net OPEB Liability*

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance at June 30, 2016	\$17,474,916	\$ 2,912,230	\$14,562,686
Service cost	494,754	-	494,754
Interest on net OPEB liability and service cost	1,283,840	-	1,283,840
Differences between actual and expected experience	(1,850,157)	-	(1,850,157)
Changes in assumptions	2,226,107	-	2,226,107
Benefit payments, including refunds	(727,240)	(727,240)	-
Administrative expenses	-	(9,932)	9,932
Contributions - employer	-	1,534,402	(1,534,402)
Net investment income	-	<u>362,250</u>	<u>(362,250)</u>
Net changes	<u>1,427,304</u>	<u>1,159,480</u>	<u>267,824</u>
Balances at June 30, 2017	<u>\$18,902,220</u>	<u>\$ 4,071,710</u>	<u>\$14,830,510</u>

*Discount rate*

The discount rate used to measure the total OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

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**Note 14. Other Postemployment Benefits (Continued)**

*Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current discount rate:

	<b>Impact of 1% Change in Discount Rate</b>		
	<b>1% Decrease (5.75%)</b>	<b>Current discount rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
Total OPEB liability	17,448,047	14,830,510	12,690,817

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates*

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 4.0 percent) or 1-percentage-point higher (10.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	<b>Impact of 1% Change in Healthcare Trend Rate</b>		
	<b>1% Decrease (8.00% decreasing to 4.00%)</b>	<b>Current trend rate (9.00% decreasing to 5.00%)</b>	<b>1% Increase (10.00% decreasing to 6.00%)</b>
Total OPEB liability	12,530,437	14,830,510	17,664,237

*OPEB expense and deferred outflows and inflows of resources related to OPEB*

For the year ended June 30, 2017 the Town recognized OPEB expense of \$1,571,565. At June 30, 2017, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

<b>Deferred outflows of resources</b>	
Changes in Assumptions	\$ 1,908,092
<b>Deferred inflows of resources</b>	
Differences between actual and expected experience	1,585,849
Net difference between projected and actual earnings on OPEB plan investments	<u>91,582</u>
<b>Total</b>	<u>\$ 230,661</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2017

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**Note 14. Other Postemployment Benefits (Continued)**

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$ 30,812
2019	30,812
2020	30,812
2021	30,812
2022	53,707
Thereafter	53,706

**Note 15. Risk Management**

*Rhode Island Interlocal Risk Management Trust, Inc.:*

The Town 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 nonprofit, public entity risk pool (Rhode Island Interlocal Risk Management Trust, Inc.) (Trust) which provides coverage for property/liability 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. Under the participation agreement, the Town is insured for a maximum of \$2,000,000 per occurrence. Settled claims resulting from these risks have not exceeded the Trust coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during the year ended June 30, 2017.

**Note 16. Commitment and Contingencies:**

*Rhode Island Municipal Insurance Corporations:*

The Town is a member of the Rhode Island Municipal Insurance Corporation (RIMIC), a not-for-profit organization formed to jointly administer healthcare related matters for Rhode Island cities, towns, and other governmental units that elect to participate. RIMIC negotiates with qualified healthcare companies/third-party administrators to provide healthcare related administrative services and to provide healthcare benefits and claims services directly to members for the members' employees and retirees. RIMIC is governed by a Board of Directors (Board) that consists of one Board position from each municipality or other governmental unit that is a member.

Upon joining RIMIC, members execute member and adoption agreements. This document, pursuant to which RIMIC was established and operates, outlines the rights and responsibilities of both the members and RIMIC. Members of RIMIC participate in a health insurance plan administered through Blue Cross Blue Shield of Rhode Island (BCBSRI).

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2017

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### Note 16. Commitment and Contingencies (Continued):

Each member is solely responsible for separately and directly contracting with the qualified healthcare provider/third party administrator chosen by RIMIC and for paying any and all healthcare-related claims directly to the provider. In addition, each member is responsible for determining the types and levels of self-insured healthcare benefits offered, as well as the amount of stop-loss insurance deemed appropriate. The Town purchases stop-loss insurance to cover claims in excess of \$160,000. At June 30, 2017, the incurred but not reported claims, as determined by RJMIC's health benefit advisors based on prior history, were estimated to approximate \$405,814 (\$126,299 Town and \$279,515 School) and are included in accrued expenses of the governmental activities. The RIMIC agreement provides for an annual independent audit of its financial statements. A copy of the latest audit report can be obtained by contacting RIMIC, c/o Rodio & Ursillo, 86 Weybosset St., Providence, RI 02903.

RIMIC members can withdraw from the program effective June 30th of any year provided they give a 90-day written notice of their intention to withdraw prior to June 30th. Failure to provide such notice automatically results in a member's participation and membership in RIMIC for an additional year.

#### *Claims and judgments:*

The following matters have been asserted and are outstanding:

The Town is a party to various claims, legal actions and complaints. It is not presently possible to determine the outcome of these cases; therefore, no liability has been recorded in the accompanying financial statements. In the opinion of the Town's management and Town Solicitor, these matters cannot be estimated nor can the likelihood of a favorable outcome be made at this time.

#### *Other contingencies:*

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

### Note 17. Tax abatements

The Town has tax incentive financing agreements in place at year end.

<u>Owner</u>	<u>Authority</u>	<u>Parcel ID</u>	<u>True Assessment</u>	<u>Address</u>	<u>TSA Payment</u>	<u>True Tax 12/31/16</u>	<u>Difference</u>
Fleet National Bank	RIGL 42-64-1	Lot 49, Plat 30	\$ 4,812,400	670 George Washington Highway	\$ 25,398	\$ 192,579	\$(167,181)

This agreement was signed on December 31, 2016 and terminates on December 31, 2017. This agreement provides for the annual tax liability to be calculate at a mil rate of \$22.88 and an assessed value of \$4,812,400 for the initial five years period and increases each five years by 15%.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 18. Restatement**

The net position of the Governmental Activities and Business-Type Activities have been restated as of June 30, 2017 to reflect the reclassification of liabilities not belonging to the Town:

	<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Water Fund</b>	<b>School Department</b>	<b>Pension Trust Fund</b>
Beginning balance, July 1, 2016	\$ 4,155,783	\$ 33,360,588	\$ 23,211,645	\$ 1,408,071	\$ 21,777,985
To restate net position for Lonsdale and Saylsville portion of plan assets	-	-	-	-	(1,189,990)
To remove net OPEB obligation due to the implementation of GASB statement 75	4,905,300	-	-	-	-
To include net OPEB liability due to the implementation of GASB statement 75	(14,562,686)	-	-	-	-
To reclassify school lunch fund balance out of business activities and into governmental activities	177,750	(177,750)	-	149,873	-
To reclassify town pension outflows that actually belongs to Water fund	(58,774)	58,774	58,774	-	-
To reclassify town pension inflows that actually belongs to Water fund	8,025	(8,025)	(8,025)	-	-
To reclassify town pension liability that actually belongs to Water fund	<u>207,638</u>	<u>(207,638)</u>	<u>(207,638)</u>	<u>-</u>	<u>-</u>
Beginning balance, July 1, 2016, restated	<u>\$ (5,166,964)</u>	<u>\$ 33,025,949</u>	<u>\$ 23,054,756</u>	<u>\$ 1,557,944</u>	<u>\$ 20,587,995</u>

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2017*

**Note 19. Fund Balance Classification**

	Major Funds			Non-Major Funds		Total
	General Fund	School Department	Public Building Fund	Town Special Revenue	Capital Projects	
<b>Fund Balances</b>						
<b>Nonspendable</b>						
In Form	\$ 66,977	\$ 256,676	\$ -	\$ -	\$ -	\$ 323,653
<b>Restricted for</b>						
Grants	-	-	-	427,941	-	427,941
Educational purposes	-	379,663	-	-	-	379,663
Capital projects	-	-	-	-	7,746,020	7,746,020
<b>Committed to</b>						
Encumbrances	642,460	-	-	-	-	642,460
School field project	-	300,000	-	-	-	300,000
Educational purposes	-	801,331	-	-	-	801,331
<b>Assigned to</b>						
General government	500,000	-	-	-	-	500,000
<b>Unassigned</b>	<u>7,011,039</u>	<u>(47,015)</u>	<u>-</u>	<u>(39,338)</u>	<u>(3,174,151)</u>	<u>3,750,535</u>
	<u>\$ 8,220,476</u>	<u>\$ 1,690,655</u>	<u>\$ -</u>	<u>\$ 388,603</u>	<u>\$ 4,571,869</u>	<u>\$ 14,871,603</u>

**Note 20. Subsequent Events**

Management has evaluated subsequent events through the date of the financial statements, January 23, 2018 and has noted that no material events have occurred that should be included in these financial statements.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Other Post-Employment Benefits – Schedule of Changes in Net OPEB Liability

*For the Year Ended June 30, 2017*

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	<b><u>June 30, 2017</u></b>
<b>Total OPEB liability</b>	
Service cost	\$ 494,754
Interest on net OPEB liability and service cost	1,283,840
Differences between actual and expected experience	(1,850,157)
Changes of assumptions	2,226,107
Benefit payments, including refunds	<u>(727,240)</u>
Net change in total OPEB liability	1,427,304
Total OPEB liability - beginning	<u>17,474,916</u>
Total OPEB liability - ending	<u><u>\$ 18,902,220</u></u>
<b>OPEB fiduciary net position</b>	
Benefit payments, including refunds	\$ (727,240)
Administrative expenses	\$ (9,932)
Contributions - employer	1,534,402
Net investment income	<u>362,250</u>
Net change in plan fiduciary net position	1,159,480
Plan fiduciary net position - beginning	<u>2,912,230</u>
Plan fiduciary net position - ending	<u><u>\$ 4,071,710</u></u>
Plan's net pension liability - ending	<u><u>\$ 14,830,510</u></u>

\* First year of implementation of GASB 74, therefore only one year of the ten required data is available.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Other Post-Employment Benefits - Schedule of Contributions

*For the Year Ended June 30, 2017*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Actuarial determined contribution	\$ 1,352,133	\$ 1,322,413	\$ 1,343,607	\$ 1,384,923	\$ 1,430,251	\$ 2,170,685	\$ 2,181,418	\$ 1,992,852	\$ 1,907,362
Contributions in relation to the actuarially determined contribution	<u>1,534,402</u>	<u>1,170,316</u>	<u>1,349,652</u>	<u>1,407,376</u>	<u>1,647,621</u>	<u>1,408,068</u>	<u>1,007,394</u>	<u>885,332</u>	<u>907,904</u>
Contribution deficiency (excess)	<u>\$ (182,269)</u>	<u>\$ 152,097</u>	<u>\$ (6,045)</u>	<u>\$ (22,453)</u>	<u>\$ (217,370)</u>	<u>\$ 762,617</u>	<u>\$ 1,174,024</u>	<u>\$ 1,107,520</u>	<u>\$ 999,458</u>
Covered-employee payroll	\$ 31,814,119	\$ 31,685,123	\$ 30,610,535	\$ 30,793,333	\$ 29,752,013	unavailable	\$ 26,745,543	\$ 24,943,572	\$ 22,286,201
Contributions as a percentage of covered-employee payroll	4.82%	3.69%	4.41%	4.57%	5.54%	unavailable	3.77%	3.55%	4.07%

\* First year of implementation of GASB 74, therefore only nine years of the ten required data is available.

<b>Actuarial Valuation Date</b>	<b>Fiduciary Net Position</b>	<b>Total OPEB Liability (TOL)</b>	<b>Net OPEB Liability (NOL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>NOL as a % of Covered Payroll</b>
6/30/2017	4,071,710	18,902,220	14,830,510	21.54%	31,814,119	46.62%

\* First year of implementation of GASB 74, only one year of the ten required data is available.

*See independent auditors' report and notes to required supplementary information*

# TOWN OF LINCOLN, RHODE ISLAND

## Required Supplementary Information

### Other Post-Employment Benefits - Schedule of Investment Returns and Notes to Required Supplementary Information

For the Year Ended June 30, 2017

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June 30, 2017

Annual money-weighted rate of return,  
net of investment expense 12.43%

\* First year of implementation of GASB 74, therefore only one year of the ten required data is available.

#### Notes to Required Supplementary Information:

Valuation Date: Actuarially Determined Contribution was calculated as of June 30, 2017.  
Actuarial Cost Method: Entry Age Normal Actuarial Cost Method  
Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2017.

#### Actuarial Assumptions:

Investment Rate of Return: 6.75%, net of OPEB plan investment expense  
Medical inflation: 9.00% decreasing 0.5% per year, to an ultimate rate of 5.00%  
Inflation: 3.50% as of June 30, 2017 and for future periods  
Salary Increases: 3.50% annually as of June 30, 2017 and for future periods

Pre-Retirement Mortality:

#### Healthy retirees:

Police: RP-2014 Blue Collar Mortality Table with 2016 Social Security generational improvement scale from 2006  
School: RP-2014 Total Dataset Mortality Table with 2016 Social Security generational improvement scale from 2006

#### Disabled retirees:

Police only: RP-2014 Disabled Mortality Table with 2016 Social Security generational improvement scale from 2006

Assumed rate of retirement:

#### School support staff

Retirement rates are based on the assumptions used in the RI MERS actuarial valuation report as of June 30, 2014, which is a flat 25% per year retirement probability for members eligible for unreduced retirement. A 50% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

#### School teachers and administration

Retirement rates are based on the assumptions used in the RI ERS actuarial valuation report as of June 30, 2014, which is a flat 25% per year retirement probability for members eligible for unreduced retirement. A 60% retirement probability at first eligibility will be applied if they have reached age 65 or with at least 25 years of service.

#### Town police officers

Retirement rates are based on Town of Lincoln Police pension actuarial valuation as of January 1, 2017.

Marriage assumptions

Spousal coverage and age for current retirees is based on actual data.

Active employees who currently elect spousal coverage are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*

Schedule of the Town's Proportionate Share of the Net Pension Liability - Employees' Retirement System

*For the Year Ended June 30, 2017*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	1.52732535%	1.52994437%	1.63791472%
Employer's proportionate share of the net pension liability	\$ 45,568,936	\$ 42,119,410	\$ 39,866,851
State's proportionate share of the net pension liability associated with the school district	<u>31,208,030</u>	<u>28,774,659</u>	<u>27,338,536</u>
Total	<u>\$ 76,776,966</u>	<u>\$ 70,894,069</u>	<u>\$ 67,205,387</u>
Employer's covered employee payroll	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	314.03%	173.27%	165.68%
Plan fiduciary net position as a percentage of the total pension liability	54.06%	57.55%	61.40%

**Notes:**

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

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Schedule of the Town's Contributions - Employees' Retirement System

*For the Year Ended June 30, 2017*

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,266,450	\$ 3,445,181	\$ 3,286,406
Contributions in relation to the actuarially determined contribution	<u>2,266,450</u>	<u>3,445,181</u>	<u>3,286,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Contributions as a percentage of covered- employee payroll	9.27%	14.17%	13.66%

**Notes:**

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

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Schedule of Changes in Net Pension Liability and Related Ratios -  
 Municipal Employees' Retirement System - General Employee Plan

*For the Year Ended June 30, 2017*

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
<b>A. Total pension liability</b>			
1. Service Cost	\$ 92,977	\$ 90,123	\$ 84,067
2. Interest on the total pension liability	184,662	159,472	151,700
3. Changes of benefit terms	-	2,927	-
4. Difference between expected and actual experience of the Total Pension Liability	1,134	186,180	-
5. Changes of assumptions	-	-	(32,372)
6. Benefit payments, including refunds of employee contributions	<u>(105,764)</u>	<u>(102,767)</u>	<u>(102,825)</u>
7. Net change in total pension liability	173,009	335,935	100,570
8. Total pension liability – beginning	<u>2,468,548</u>	<u>2,132,613</u>	<u>2,032,043</u>
9. Total pension liability – ending (a)	<u>\$ 2,641,557</u>	<u>\$ 2,468,548</u>	<u>\$ 2,132,613</u>
<b>B. Plan fiduciary net position</b>			
1. Contributions – employer	\$ 128,161	\$ 128,464	\$ 102,118
2. Contributions – employee	10,092	9,882	9,159
3. Net investment income	(386)	45,319	247,030
4. Benefit payments, including refunds of employee contributions	(105,764)	(102,767)	(102,825)
5. Pension Plan Administrative Expense	(2,070)	(1,817)	(1,547)
6. Other	<u>(46,510)</u>	<u>1</u>	<u>212,009</u>
7. Net change in plan fiduciary net position	(16,477)	79,082	465,944
8. Plan fiduciary net position – beginning	<u>1,933,815</u>	<u>1,854,733</u>	<u>1,388,789</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 1,917,338</u>	<u>\$ 1,933,815</u>	<u>\$ 1,854,733</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 724,219</u>	<u>\$ 534,733</u>	<u>\$ 277,880</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	72.58%	78.34%	86.97%
<b>E. Covered employee payroll</b>	\$ 1,006,242	\$ 988,187	\$ 927,888
<b>F. Net pension liability as a percentage of covered payroll</b>	71.97%	54.11%	29.95%

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Schedule of Contributions  
Municipal Employees' Retirement System General Employee Plan

*For the Year Ended June 30, 2017*

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	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 235,883	\$ 252,853	\$ 245,701
Contributions in relation to the actuarially determined contribution	<u>235,883</u>	<u>252,853</u>	<u>245,701</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,006,242	\$ 988,187	\$ 927,888
Contributions as a percentage of covered-employee payroll	23.44%	25.59%	26.48%

**Notes:**

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

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Schedule of Changes to the Town's Net Pension Liability and Related Ratios  
 Municipal Employees' Retirement System - Rescue Employee Plan

*For the Year Ended June 30, 2017*

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
<b>A. Total pension liability</b>			
1. Service Cost	\$ 168,655	\$ 148,381	\$ 148,084
2. Interest on the total pension liability	358,289	321,600	302,186
3. Changes of benefit terms	-	199,797	-
4. Difference between expected and actual experience of the total pension liability	(187,182)	(32,356)	-
5. Changes of assumptions	-	-	(39,710)
6. Benefit payments, including refunds of employee contributions	<u>(164,793)</u>	<u>(151,960)</u>	<u>(151,747)</u>
7. Net change in total pension liability	174,969	485,462	258,813
8. Total pension liability – beginning	<u>4,775,253</u>	<u>4,289,791</u>	<u>4,030,978</u>
9. Total pension liability – ending (a)	<u>\$ 4,950,222</u>	<u>\$ 4,775,253</u>	<u>\$ 4,289,791</u>
<b>B. Plan fiduciary net position</b>			
1. Contributions – employer	\$ 172,028	\$ 179,605	\$ 144,073
2. Contributions – employee	94,536	71,166	73,273
3. Net investment income	(1,181)	77,451	417,750
4. Benefit payments, including refunds of employee contributions	(164,793)	(151,960)	(151,747)
5. Pension Plan Administrative Expense	(3,177)	(3,105)	(2,616)
6. Other	<u>-</u>	<u>(4,765)</u>	<u>-</u>
7. Net change in plan fiduciary net position	97,413	168,392	480,733
8. Plan fiduciary net position – beginning	<u>3,304,919</u>	<u>3,136,527</u>	<u>2,655,794</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 3,402,332</u>	<u>\$ 3,304,919</u>	<u>\$ 3,136,527</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 1,547,890</u>	<u>\$ 1,470,334</u>	<u>\$ 1,153,264</u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	68.73%	69.21%	73.12%
<b>E. Covered employee payroll</b>	\$ 952,317	\$ 889,575	\$ 898,567
<b>F. Net pension liability as a percentage of covered payroll</b>	162.54%	165.28%	128.34%

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Schedule of Contributions  
 Municipal Employees' Retirement System - Rescue Employee Plan

*For the Year Ended June 30, 2017*

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 171,801	\$ 172,028	\$ 179,605
Contributions in relation to the actuarially determined contribution	<u>171,801</u>	<u>172,028</u>	<u>179,605</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 952,317	\$ 889,575	\$ 898,567
Contributions as a percentage of covered-employee payroll	18.04%	19.34%	19.99%

**Notes:**

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

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*

Schedule of Town's Proportionate Share of Net Pension Liability - Teachers' Survivors

*For the Year Ended June 30, 2017*

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension asset	4.78468663%	4.90497735%	4.97709490%
Employer's proportionate share of the net pension asset	\$ 4,764,203	\$ 4,579,071	\$ 6,187,561
Employer's covered employee payroll	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Employer's proportionate share of the net pension asset as a percentage of its covered employee payroll	19.49%	18.84%	25.71%
Plan fiduciary net position as a percentage of the total pension liability	153.3%	146.6%	173.3%

**Notes:**

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

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Schedule of Town's Contributions  
Teacher's Survivors Benefit Plan

*For the Year Ended June 30, 2017*

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 27,900	\$ 30,731	\$ 28,406
Contributions in relation to the statutorily determined contribution	<u>27,900</u>	<u>30,731</u>	<u>28,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Contributions as a percentage of covered-employee payroll	0.11%	0.13%	0.12%

**Notes:**

1.) *Employers participating in the Teachers' Survivor's Benefit Plan contribute at a rate established by the RI General Laws, Section 16-16-35.*

2.) *Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

## TOWN OF LINCOLN, RHODE ISLAND

### *Required Supplementary Information* Notes to ERS, MERS, and TSB Plans

*For the Year Ended June 30, 2017*

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#### **Changes in benefit provisions –**

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

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- MERS public safety employees may retire at age 50 with 25 years of service, or any age with 27 years of service. MERS public safety employees will contribute 9.00% (10.00% for units with a COLA provision)
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan based on the member's years of service (an additional .25% for members with 10-15 years of service and .50% for members with 15-20 years of service). Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before 7/1/2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 years rather than 5 year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
**Schedule of Changes in Town's Net Pension Liability and Related Ratios**  
**Town Pension Plan**

*For the Year Ended June 30, 2017*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Total pension liability</b>				
Service cost	\$ 792,134	\$ 763,850	\$ 599,159	\$ 605,377
Interest	2,482,561	2,498,226	1,956,043	2,111,291
Changes of benefit terms	-	(26,249)	-	-
Differences between expected and actual experience	167,575	(505,472)	(258,433)	77,724
Changes of assumptions	(118,482)	(18,060)	5,028,770	312,459
Benefit payments, including refunds of participant contributions	<u>(1,592,331)</u>	<u>(1,592,333)</u>	<u>(1,606,958)</u>	<u>(1,446,432)</u>
<b>Net change in total pension liability</b>	1,731,457	1,119,962	5,718,581	1,660,419
<b>Total pension liability - beginning</b>	<u>35,469,197</u>	<u>34,349,235</u>	<u>28,630,654</u>	<u>26,970,235</u>
<b>Total pension liability - ending</b>	<u>\$ 37,200,654</u>	<u>\$ 35,469,197</u>	<u>\$ 34,349,235</u>	<u>\$ 28,630,654</u>
<b>Pension fiduciary net position</b>				
Contributions - employer	\$ 1,522,833	\$ 1,289,255	\$ 1,151,809	\$ 1,146,450
Contributions - employee	312,264	290,824	273,935	277,602
Net investment income	2,248,866	642,654	302,238	2,760,209
Benefit payments, including refunds of participant contributions	(1,592,331)	(1,592,333)	(1,606,958)	(1,446,432)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	2,491,632	630,400	121,024	2,737,829
<b>Plan fiduciary net position - beginning</b>	<u>20,587,995</u>	<u>19,957,595</u>	<u>19,836,571</u>	<u>17,098,742</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 23,079,627</u>	<u>\$ 20,587,995</u>	<u>\$ 19,957,595</u>	<u>\$ 19,836,571</u>
<b>Town's net pension liability - ending</b>	<u>\$ 14,121,027</u>	<u>\$ 14,881,202</u>	<u>\$ 14,391,640</u>	<u>\$ 8,794,083</u>

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Schedule of Changes in Town's Net Pension Liability and Related Ratios  
Town Pension Plan

*For the Year Ended June 30, 2017*

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 37,200,654	\$ 35,469,197	\$ 34,349,235	\$ 28,630,654
Plan fiduciary net position	<u>23,079,627</u>	<u>20,587,995</u>	<u>19,957,595</u>	<u>19,836,571</u>
Town's net pension liability (asset)	<u>\$ 14,121,027</u>	<u>\$ 14,881,202</u>	<u>\$ 14,391,640</u>	<u>\$ 8,794,083</u>
Plan fiduciary net position as a percentage of the total pension liability	62.04%	58.04%	58.10%	69.28%
Covered-employee payroll	5,323,702	5,142,178	5,073,432	5,139,367
Net pension liability (asset) as a percentage of covered-employee payroll	265.25%	289.39%	283.67%	171.11%

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Schedule of Contributions  
 Town Pension Plan

*For the Year Ended June 30, 2017*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 1,716,079	\$ 1,608,486	\$ 1,374,183	\$ 1,227,757	\$ 1,222,045	\$ 1,086,386	\$ 644,463	\$ 644,615	\$ 618,012	\$ 386,977
Contributions in relation to the actuarially determined contribution	<u>1,522,833</u>	<u>1,393,880</u>	<u>1,227,757</u>	<u>1,222,045</u>	<u>1,226,051</u>	<u>513,931</u>	<u>736,776</u>	<u>479,429</u>	<u>383,964</u>	<u>343,606</u>
Contribution deficiency (excess)	<u>\$ 193,246</u>	<u>\$ 214,606</u>	<u>\$ 146,426</u>	<u>\$ 5,712</u>	<u>\$ (4,006)</u>	<u>\$ 572,455</u>	<u>\$ (92,313)</u>	<u>\$ 165,186</u>	<u>\$ 234,048</u>	<u>\$ 43,371</u>
Covered-employee payroll	5,323,702	5,142,178	5,073,432	5,139,367	5,068,754	4,916,103	4,988,272	5,414,398	4,943,482	4,617,858
Contributions as a percentage of covered-employee payroll	28.60%	27.11%	24.20%	23.78%	24.19%	10.45%	14.77%	8.85%	7.77%	7.44%

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
Schedule of the Town's Proportionate Share of the Net Pension Liability  
Town Pension Plan

*For the Year Ended June 30, 2017*

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	94.67%	94.59%	93.81%	93.81%
Town's proportionate share of the net pension liability (asset)	\$14,121,027	\$14,881,202	\$14,391,640	\$8,794,083
Town's covered-employee payroll	\$ 5,323,702	\$ 5,142,178	\$ 5,073,432	\$ 5,139,367
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	265.25%	289.39%	283.67%	171.11%
Plan fiduciary net position as a percentage of the total pension liability	62.04%	58.04%	58.10%	69.28%

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Schedule of Investment Returns and Notes to Required Supplementary Information  
 Town Pension Plan

*For the Year Ended June 30, 2017*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual money-weighted rate of return, net of investment expense	10.92%	3.30%	4.65%	16.60%

**Notes to the Schedule:**

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2016.

Methods and assumptions used to determine contribution rates:

Discount rate	7.00%
Expected Long Term Rate of Return	7.00%
Municipal bond	N/A
Inflation	2.50%
Pre and post retirement mortality	RP-2014 Blue Collar Mortality with Social Security Generational Improvement Scale from 2006 RP-2014 Total Mortality with Social Security Generational Improvement Scale from 2006
Terminations	T-2. Illustrative annual rates of withdrawals as follows:
	<u>Age</u> <u>Rate</u>
	<25      6.00%
	25-29      5.00%
	30-34      4.00%
	35-59      3.50%
	60+      3.00%
Cost of living increases	3.00% increase is assumed for Police retiring after June 30, 2004

*See independent auditors' report and notes to required supplementary information*

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Budgetary Comparison Schedule - General Fund

*For the Year Ended June 30, 2017*

	<u>Original Budget</u>			<u>Actual</u>	<u>Encumbrances Carried Into to FY18</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Into to FY17</u>	<u>Budget As Adopted</u>	<u>Total Available</u>			
<b>Revenues</b>						
Taxes	\$ -	\$ 53,918,136	\$ 53,918,136	\$ 54,057,149	\$ -	\$ 139,013
Intergovernmental	-	8,162,300	8,162,300	10,548,649	-	2,386,349
Local revenues	-	2,106,876	2,106,876	2,408,065	-	301,189
Interest and investment income	-	380,000	380,000	431,191	-	51,191
Total revenues	-	64,567,312	64,567,312	67,445,054	-	2,877,742
<b>Expenditures</b>						
General government	9,975	802,056	812,031	769,793	12,082	30,156
Financial administration	1,538	752,263	753,801	768,752	1,047	(15,998)
Public library	-	1,150,303	1,150,303	1,125,454	51,050	(26,201)
Public safety	11,645	6,290,336	6,301,981	6,347,230	35,064	(80,313)
Public services	37,201	6,678,678	6,715,879	6,091,280	540,098	84,501
Municipal resolutions	192,678	567,500	760,178	218,324	-	541,854
Grants and contributions	-	60,500	60,500	60,500	-	-
Other expenditures	-	4,547,536	4,547,536	4,550,294	-	(2,758)
Education	-	-	-	-	-	-
Debt service:						
Principal payments	-	2,470,000	2,470,000	2,470,000	-	-
Interest and fiscal charges	-	1,109,688	1,109,688	1,109,688	-	-
Total expenditures	253,037	24,428,860	24,681,897	23,511,315	639,341	531,241
Excess (deficiency) of revenues over expenditures	(253,037)	40,138,452	39,885,415	43,933,739	(639,341)	3,408,983
<b>Other financing sources and (uses)</b>						
Transfers from other funds	-	1,214,133	1,214,133	722,430	-	(491,703)
Transfers to other funds	-	(41,352,585)	(41,352,585)	(43,843,987)	-	(2,491,402)
	-	(40,138,452)	(40,138,452)	(43,121,557)	-	(2,983,105)
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis</b>	\$ (253,037)	\$ -	\$ (253,037)	\$ 812,182	\$ (639,341)	\$ 425,878
Adjustment of budgetary basis to U.S. GAAP				45,991		
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses, GAAP basis</b>				858,173		
<b>Fund balance, July 1, 2016</b>				7,362,303		
<b>Fund balance, June 30, 2017</b>				<u>\$ 8,220,476</u>		

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*  
 Budgetary Comparison Schedule – School Unrestricted Fund

*For the Year Ended June 30, 2017*

	<u>Original Budget</u>					
	<u>Encumbrances</u>	<u>Budget</u>	<u>Total</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
	<u>Carried</u>	<u>As</u>	<u>Available</u>		<u>Carried</u>	<u>Favorable</u>
	<u>to FY 17</u>	<u>Adopted</u>			<u>to FY 18</u>	<u>(Unfavorable)</u>
<b>Revenues</b>						
State aid for education	\$ -	\$ 11,290,909	\$ 11,290,909	\$ 11,191,514	\$ -	\$ (99,395)
Medicaid	-	750,000	750,000	976,312	-	226,312
Miscellaneous	-	-	-	80,023	-	80,023
Total revenues	<u>-</u>	<u>12,040,909</u>	<u>12,040,909</u>	<u>12,247,849</u>	<u>-</u>	<u>206,940</u>
<b>Expenditures</b>						
Salaries	-	29,934,758	29,934,758	29,935,173	-	(415)
Employee benefits	-	11,168,963	11,168,963	10,840,608	-	328,355
Purchased services	10,450	10,001,078	10,011,528	10,174,218	2,226	(164,916)
Supplies and materials	63,124	1,367,554	1,430,678	1,617,805	-	(187,127)
Other	-	56,120	56,120	48,350	-	7,770
Capital outlay	178	198,378	198,556	278,174	-	(79,618)
Total expenditures	<u>73,752</u>	<u>52,726,851</u>	<u>52,800,603</u>	<u>52,894,328</u>	<u>2,226</u>	<u>(95,951)</u>
Excess of expenditures over revenues, budgetary basis	<u>(73,752)</u>	<u>(40,685,942)</u>	<u>(40,759,694)</u>	<u>(40,646,479)</u>	<u>(2,226)</u>	<u>110,989</u>
<b>Other financing sources (uses)</b>						
Appropriation from Town's general fund	-	40,705,942	40,705,942	40,705,942	-	-
Transfer from other funds	-	-	-	-	-	-
Transfer to other funds	-	(20,000)	(20,000)	-	-	20,000
Total other financing sources (uses)	<u>-</u>	<u>40,685,942</u>	<u>40,685,942</u>	<u>40,705,942</u>	<u>-</u>	<u>20,000</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis</b>	<u>\$ (73,752)</u>	<u>\$ -</u>	<u>\$ (73,752)</u>	<u>\$ 59,463</u>	<u>\$ (2,226)</u>	<u>\$ 130,989</u>
Adjustment of budgetary basis to U.S. GAAP basis				<u>-</u>		
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis				<u>59,463</u>		
Fund balance, July 1, 2016				<u>1,298,544</u>		
Fund balance, June 30, 2017				<u>\$ 1,358,007</u>		

**TOWN OF LINCOLN, RHODE ISLAND**

Notes to Required Supplementary Information  
Budgetary Comparison

*For the Year Ended June 30, 2017*

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**NOTE 1: Budget preparation and budgetary basis of accounting:**

In accordance with the Town Charter, the Town Administrator must present to the Budget Board a recommended annual budget for the operations of all municipal departments no later than February 15 of each fiscal year. The recommended budget must include an appropriation to fund school expenditures. At least three weeks after the receipt of the budget from the Town Administrator, the Budget Board holds a public hearing thereon. The Budget Board completes its consideration of the budget thirty days prior to the date of the financial town meeting. The financial town meeting may increase or decrease items of the budget as presented by the Budget Board. The final recommended budget is legally adopted at the annual financial town meeting. All annual appropriations lapse at fiscal year-end.

The General Fund and the School Department annual operating budgets are in conformity with the legally enacted budgetary basis. The legally enacted budgetary basis differs from accounting principles generally accepted in the United States (U.S. GAAP) in several regards. Budgets are adopted on the modified accrual basis with certain exceptions. Budgetary revenues may include re-appropriations from fund equity previously recognized under U.S. GAAP. Budgetary expenditures and expenses are recognized when legally binding orders (encumbrances) are placed. Enterprise fund budgetary expenses include expenses for fixed asset additions, debt service issuance costs and debt service principal payments not recognized under U.S. GAAP but exclude depreciation and amortization, U.S. GAAP basis expenses.

**NOTE 2: Budget compliance:**

Costs of operations for all departments, offices and agencies established within the Town Charter must be appropriated through an annual budget ordinance. These departments are presented within the General Fund and the School Department Municipal budgetary control is legally enforced at the department level. Appropriation transfers between departments require approval by the Town Council. Other appropriation increases require both the establishment of a funding source and passage of a budget amendment ordinance. Unencumbered and unexpended appropriations lapse at fiscal year-end.

	<b>General Fund</b>	<b>School Unrestricted</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses (Non-GAAP Budgetary Basis) (Non-GAAP Budgetary Basis)	\$ 812,182	\$ 28,842
Unbudgeted rescue revenues (expenditures), net associated with non special revenue funds	82,107	-
State contribution to teachers' pension plan revenue on behalf	-	(2,266,450)
State contribution to teachers' pension plan expense on behalf	-	2,266,450
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP)	\$ 894,289	\$ 28,842

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Tax Collectors Report

*For the Year Ended June 30, 2017*

<u>Tax Roll Year</u>	Balance	Assessment	Additions	Abatements &		Amount to	Current Year	Balance	Collections Subject	September -	Total FY 2017	(FY 18) Cash
	July 1, 2016			Adjustments	be collected							
									Accrual	Collections	Collections	60-day FY 17 Accrual
2016	\$ -	\$54,158,551	\$109,192	\$ (157,353)	\$54,110,390	\$51,952,509	\$2,157,881	\$ -	\$ 51,952,509	\$ 51,952,509	\$ 914,648	
2015	1,954,882	-	3,999	(35,152)	1,923,729	1,624,455	299,274	603,513	1,020,942	1,624,455	24,616	
2014	324,125	-	77	(11,478)	312,724	131,514	181,210	46,316	85,198	131,514	6,275	
2013	167,259	-	315	(6,882)	160,692	24,992	135,700	7,941	17,051	24,992	1,113	
2012	162,035	-	-	(1,712)	160,323	14,819	145,504	5,813	9,006	14,819	(1,551)	
2011	143,402	-	-	(4,020)	139,382	9,665	129,717	1,420	8,245	9,665	597	
2010	117,124	-	-	(3,879)	113,245	11,317	101,928	2,990	8,327	11,317	472	
2009	63,313	-	-	(119)	63,194	5,774	57,420	917	4,857	5,774	8	
2008	114,114	-	-	(1,933)	112,181	1,087	111,094	373	714	1,087	603	
2007	104,298	-	-	(428)	103,870	1,760	102,110	-	1,760	1,760	182	
2006	65,236	-	-	(1,249)	63,987	2,046	61,941	469	1,577	2,046	-	
	<u>\$3,215,788</u>	<u>\$54,158,551</u>	<u>\$113,583</u>	<u>\$ (224,205)</u>	<u>\$57,263,717</u>	<u>\$53,779,938</u>	<u>\$3,483,779</u>	<u>\$ 669,752</u>	<u>\$ 53,110,186</u>	<u>\$ 53,779,938</u>	<u>\$ 946,963</u>	
Less: Allowance for uncollectible accounts	(431,313)						(493,910)					
	<u>\$2,784,475</u>						<u>\$2,989,869</u>					

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Tax Collectors Report

*For the Year Ended June 30, 2017*

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**Schedule of property valuation assessed as of December 31, 2016:**

	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 2,568,938,900	\$ 58,112,570
Motor vehicles	236,956,198	7,265,077
Tangible personal property	<u>152,980,852</u>	<u>5,189,123</u>
Total	\$ 2,958,875,950	\$ 70,566,770
Less: Exemptions and motor vehicle phase out		
Real property	(670,955,787)	(14,515,061)
Motor vehicles	(61,746,841)	(1,893,158)
Tangible personal property	<u>-</u>	<u>-</u>
Total	<u>\$ 2,226,173,321</u>	<u>\$ 54,158,551</u>

**Reconciliation of Current Year Property Tax**

Current Year Collections	\$ 53,779,938
60-day FY17 Accrual	
<i>July-August 2017 Collections</i>	946,963
60-day FY16 Accrual	
<i>July-August 2016 Collections</i>	<u>(669,752)</u>
Current Year Property Tax Revenue	<u>\$ 54,057,149</u>

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

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**OTHER SUPPLEMENTARY INFORMATION**

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

Annual Supplemental Transparency Report (MTP2) - Revenue  
Annual Supplemental Transparency Report (MTP2) – Expenditures  
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Municipal  
Combining Schedule of Reportable Government Services with Reconciliation to MTP2 – Education Department  
Notes to Supplementary Information – Annual Supplemental Transparency Report (MTP2)

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 52,885,192	\$ -
Last Year's Levy Tax Collection	1,033,420	-
Prior Years Property Tax Collection	138,536	-
Interest & Penalty	408,974	-
PILOT & Tax Treaty (excluded from levy) Collection	64,964	-
Other Local Property Taxes	-	-
Licenses and Permits	361,128	-
Fines and Forfeitures	80,481	-
Investment Income	22,217	-
Departmental	156,371	-
Rescue Run Revenue	1,133,519	-
Police & Fire Detail	1,026,120	-
Other Local Non-Property Tax Revenues	695,067	-
Tuition	-	34,982
Impact Aid	-	-
Medicaid	-	976,312
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	438,496
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	1,511,063
MV Excise Tax Reimbursement	206,198	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	210,541	-
Library Construction Aid	-	-
Public Service Corporation Tax	274,218	-
Meals & Beverage Tax / Hotel Tax	897,826	-
LEA Aid	-	11,191,514
Group Home	-	-
Housing Aid Capital Projects	340,523	-
Housing Aid Bonded Debt	923,739	-
State Food Service Revenue	-	9,694
Incentive Aid	2,844	-
Property Revaluation Reimbursement	-	-
Other State Revenue	7,691,405	54,496
Other Revenue	-	556,191
Local Appropriation for Education	-	40,705,952
Regional Appropriation for Education	-	-
Supplemental Appropriation for Education	-	-
Regional Supplemental Appropriation for Education	-	-
Other Education Appropriation	-	-
Rounding	-	-
<b>Total Revenue</b>	<b>\$ 68,553,281</b>	<b>\$ 55,478,700</b>
Financing Sources: Transfer from Capital Funds	\$ 646,633	\$ -
Financing Sources: Transfer from Other Funds	52,292	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
<b>Total Other Financing Sources</b>	<b>\$ 698,925</b>	<b>\$ -</b>

# TOWN OF LINCOLN, RHODE ISLAND

## Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

EXPENDITURES	General		Social	Centralized		Libraries	Public	Parks and	Police
	Government	Finance	Services	IT	Planning		Works	Rec	Department
Compensation- Group A	\$ 383,623	\$ 493,616	\$ 231,004	\$ 64,540	\$ 127,567	\$ 600,015	\$ 1,951,482	\$ 323,334	\$ 2,538,036
Compensation - Group B	-	-	-	-	-	-	-	-	75,364
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	1,299	1,299	98	-	-	98	39,662	6,553	65,089
Overtime - Group B	-	-	-	-	-	-	-	-	-
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	898,373
Active Medical Insurance - Group A	87,348	136,619	66,301	14,558	20,601	135,342	475,026	41,202	456,451
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	20,601
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	5,050	7,899	3,833	842	1,191	8,145	27,465	2,382	26,391
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	1,191
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	27,879	35,966	16,795	4,690	9,271	44,300	141,818	23,973	254,188
Life Insurance	899	983	857	171	343	768	3,053	305	7,754
State Defined Contribution- Group A	1,276	1,952	534	642	742	682	2,610	-	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	-	-	-	-	-	-	-	-	113,153
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	1,156,651
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	15,333	23,461	6,417	7,715	8,922	8,196	31,364	-	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	18,471	35,393	9,712	-	3,931	36,946	194,358	10,625	7,862
Purchased Services	208,909	31,584	32,548	34,380	22,796	19,980	30,508	12,788	28,853
Materials/Supplies	17,604	15,801	18,672	7,961	3,854	182,814	34,383	39,754	85,204
Software Licenses	5,374	-	-	50,120	-	38,282	-	-	-
Capital Outlays	-	-	-	-	-	-	1,079,545	-	80,000
Insurance	779,867	-	-	-	-	-	-	-	-
Maintenance	-	-	24,775	-	-	11,719	222,861	53,855	14,214
Vehicle Operations	-	313	11,229	-	-	-	285,935	6,038	177,884
Utilities	22,172	17,738	51,009	1,989	4,434	37,889	44,345	47,531	19,761
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	521,849	-	-
Revaluation	-	45,910	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	276,581	-	-
Trash Removal & Recycling	-	-	-	-	-	-	332,297	-	-
Claims & Settlements	4,830	-	-	-	-	-	-	-	-
Community Support	60,500	-	-	-	-	-	-	-	-
Other Operation Expenditures	88,681	17,742	20,180	2,123	-	1,252	238,894	-	26,425
Local Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Appropriation for Education	-	-	-	-	-	-	-	-	-
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	-
Other Education Appropriation	-	-	-	-	-	-	-	-	-
Municipal Debt- Principal	-	-	-	-	-	-	-	-	-
Municipal Debt- Interest	-	-	-	-	-	-	-	-	-
School Debt- Principal	-	-	-	-	-	-	-	-	-
School Debt- Interest	-	-	-	-	-	-	-	-	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	-	-
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	-	-	-	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,729,117</b>	<b>\$ 866,277</b>	<b>\$ 493,964</b>	<b>\$ 189,733</b>	<b>\$ 203,653</b>	<b>\$ 1,126,428</b>	<b>\$ 5,934,035</b>	<b>\$ 568,340</b>	<b>\$ 6,053,445</b>

# TOWN OF LINCOLN, RHODE ISLAND

## Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department	
Compensation- Group A	\$	-	\$ 190,703	\$ 1,004,152	-	-	\$ 7,908,072	\$ 24,248,823	
Compensation - Group B	-	-	-	-	-	-	75,364	1,876,831	
Compensation - Group C	-	-	-	-	-	-	-	4,744,576	
Compensation -Volunteer	-	-	-	-	-	-	-	-	
Overtime- Group A	-	19,754	339,592	-	-	-	473,444	-	
Overtime - Group B	-	-	-	-	-	-	-	-	
Overtime - Group C	-	-	-	-	-	-	-	39,367	
Police & Fire Detail	-	-	-	-	-	-	898,373	-	
Active Medical Insurance - Group A	-	51,743	220,705	-	-	-	1,705,897	3,236,074	
Active Medical Insurance- Group B	-	-	-	-	-	-	20,601	254,829	
Active Medical Insurance- Group C	-	-	-	-	-	-	-	1,424,879	
Active Dental insurance- Group A	-	2,992	12,761	-	-	-	98,951	212,182	
Active Dental Insurance- Group B	-	-	-	-	-	-	1,191	13,676	
Active Dental Insurance- Group C	-	-	-	-	-	-	-	79,176	
Payroll Taxes	-	93,877	100,106	-	-	-	752,862	760,061	
Life Insurance	-	255	1,904	-	-	-	17,293	201,229	
State Defined Contribution- Group A	-	-	-	-	-	-	8,438	563,498	
State Defined Contribution - Group B	-	-	-	-	-	-	-	19,711	
State Defined Contribution - Group C	-	-	-	-	-	-	-	1,054	
Other Benefits- Group A	-	-	10,607	-	-	-	123,760	301,631	
Other Benefits- Group B	-	-	-	-	-	-	-	6,438	
Other Benefits- Group C	-	-	-	-	-	-	-	3,014	
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	1,156,651	-	
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	338,713	
State Defined Benefit Pension- Group A	-	-	171,801	-	-	-	273,209	3,213,896	
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	244,135	
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	19,468	
Other Defined Benefit / Contribution	-	26,957	6,739	-	-	-	350,995	-	
Purchased Services	-	-	76,922	-	-	-	499,269	10,407,893	
Materials/Supplies	-	-	61,310	-	-	-	467,357	1,340,455	
Software Licenses	-	-	-	-	-	-	93,776	191,110	
Capital Outlays	-	-	75,000	-	-	-	1,234,545	243,811	
Insurance	-	-	-	-	-	-	779,867	235,112	
Maintenance	-	-	17,868	-	-	-	345,290	198,564	
Vehicle Operations	-	-	71,409	-	-	-	552,808	13,830	
Utilities	-	3,487	19,464	-	-	-	269,820	414,902	
Contingency	-	-	-	-	-	-	-	-	
Street Lighting	-	-	-	-	-	-	521,849	-	
Revaluation	-	-	-	-	-	-	45,910	-	
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	276,581	-	
Trash Removal & Recycling	-	-	-	-	-	-	332,297	-	
Claims & Settlements	-	-	-	-	-	-	4,830	-	
Community Support	-	-	-	-	-	-	60,500	-	
Other Operation Expenditures	-	-	3,561	-	-	-	398,859	129,516	
Local Appropriation for Education	-	-	-	40,705,952	-	-	40,705,952	-	
Regional Appropriation for Education	-	-	-	-	-	-	-	-	
Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	
Regional Supplemental Appropriation for Education	-	-	-	-	-	-	-	-	
Other Education Appropriation	-	-	-	-	-	-	-	-	
Municipal Debt- Principal	-	-	-	-	400,000	-	400,000	-	
Municipal Debt- Interest	-	-	-	-	201,688	-	201,688	-	
School Debt- Principal	-	-	-	-	2,070,000	-	2,070,000	-	
School Debt- Interest	-	-	-	-	908,000	-	908,000	-	
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	368,234	
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-	
OPEB Contribution- Total	-	-	-	-	-	1,165,124	1,165,124	-	
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-	
Rounding	-	-	-	-	-	-	-	-	
<b>Total Expenditures</b>	<b>\$</b>	<b>-</b>	<b>\$ 389,767</b>	<b>\$ 2,193,901</b>	<b>\$ 40,705,952</b>	<b>\$ 3,579,688</b>	<b>\$ 1,165,124</b>	<b>\$ 65,199,424</b>	<b>\$ 55,346,688</b>

Financing Uses: Transfer to Capital Funds	\$ 3,174,141	\$ -
Financing Uses: Transfer to Other Funds	36,116	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
<b>Total Other Financing Uses</b>	<b>\$ 3,210,257</b>	<b>\$ -</b>
<b>Net Change in Fund Balance<sup>1</sup></b>	<b>842,525</b>	<b>132,012</b>
<b>Fund Balance1- beginning of year</b>	<b>\$7,552,857</b>	<b>\$1,615,059</b>
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	-	-
Misc. Adjustment	-	(57,115)
<b>Fund Balance<sup>1</sup> - beginning of year adjusted</b>	<b>7,552,857</b>	<b>1,557,944</b>
Rounding	-	2
<b>Fund Balance<sup>1</sup> - end of year</b>	<b>\$ 8,395,382</b>	<b>\$ 1,689,958</b>

# TOWN OF LINCOLN, RHODE ISLAND

## Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance <sup>1</sup>	Beginning Fund Fund Balance <sup>1</sup> (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance <sup>1</sup> (Deficit)	Ending Fund Balance <sup>1</sup> (Deficit)
Fund Balance <sup>1</sup> - per MTP-2 at June 30, 2017						\$ 7,552,857	-	\$ 7,552,857	
<i>No funds removed from RGS for fiscal 2017</i>						-	-	-	
<i>No funds added to RGS for Fiscal 2017</i>						-	-	-	
<i>No misc. adjustments made for fiscal 2017</i>						-	-	-	
Fund Balance <sup>1</sup> - per MTP-2 at June 30, 2017 adjusted						<u>\$ 7,552,857</u>	<u>-</u>	<u>\$ 7,552,857</u>	
General Fund	\$ 67,527,161	\$ 722,430	\$ 23,475,209	\$ 43,916,209	\$ 858,173	\$ 7,362,303	\$ -	\$ 7,362,303	\$ 8,220,476
Police Detail	1,026,120	-	1,018,263	23,505	(15,648)	190,554	-	190,554	174,906
<b>Totals per audited financial statements</b>	<u>\$ 68,553,281</u>	<u>\$ 722,430</u>	<u>\$ 24,493,472</u>	<u>\$ 43,939,714</u>	<u>\$ 842,525</u>	<u>\$ 7,552,857</u>	<u>\$ -</u>	<u>\$ 7,552,857</u>	<u>\$ 8,395,382</u>
<b>Reconciliation from financial statements to MTP2</b>									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP-2	\$ -	\$ -	\$ 40,705,942.00	\$ (40,705,942.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Eliminate transfers between Funds reported on MTP-2:									
- from Police Details to General Fund	-	(23,505)	-	(23,505)	-	-	-	-	-
Rounding	-	-	10	(10)	-	-	-	-	-
<b>Totals Per MTP2</b>	<u>\$ 68,553,281</u>	<u>\$ 698,925</u>	<u>\$ 65,199,424</u>	<u>\$ 3,210,257</u>	<u>\$ 842,525</u>	<u>\$ 7,552,857</u>	<u>\$ -</u>	<u>\$ 7,552,857</u>	<u>\$ 8,395,382</u>

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

# TOWN OF LINCOLN, RHODE ISLAND

## Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

Per Audited Fund Financial Statements Fund Description	Total Revenue	Total Other Financing Sources	Total Expenditures	Total Other Financing Uses	Net Change in Fund Balance <sup>1</sup>	Beginning Fund Fund Balance <sup>1</sup> (Deficit)	Prior Period Adjustment	Restated Beginning Fund Balance <sup>1</sup> (Deficit)	Ending Fund Balance <sup>1</sup> (Deficit)
<b>Fund Balance1 - per MTP-2 at June 30, 2017</b>						\$ 1,615,059	-	\$ 1,615,059	
<i>School Lunch Program changed from Enterprise fund to Special Revenue fund in FY17</i>						(27,877)		(27,877)	
<i>Miscellaneous variances from prior year.</i>						(29,238)		(29,238)	
<b>Fund Balance1 - per MTP-2 at June 30, 2017 adjusted</b>						<u>\$ 1,557,944</u>	-	<u>\$ 1,557,944</u>	
School Unrestricted Fund	\$ 12,247,849	\$ 40,705,942	\$ 52,894,328	\$ -	\$ 59,463	\$ 1,298,544	\$ -	\$ 1,298,544	\$ 1,358,007
Enterprise Fund	-	-	-	-	-	-	-	-	-
School Special Revenue Funds	4,802,666	-	4,729,418	-	73,248	259,400	-	259,400	332,648
<b>Totals per audited financial statements</b>	<u>\$ 17,050,515</u>	<u>\$ 40,705,942</u>	<u>\$ 57,623,746</u>	<u>\$ -</u>	<u>\$ 132,711</u>	<u>\$ 1,557,944</u>	<u>\$ -</u>	<u>\$ 1,557,944</u>	<u>\$ 1,690,655</u>
<b>Reconciliation from financial statements to MTP2</b>									
Municipal appropriation for Education reported as a transfer on financial statements but an expenditure on MTP-2	\$ 40,705,952	\$ (40,705,952)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State contributions on behalf of teacher pensions are reported as revenue and expenditures on financial statements only	(2,266,450)	-	(2,266,450)	-	-	-	-	-	-
Contra expenditures eliminated from UCOA	(11,316)	-	(10,619)	-	(697)	-	-	-	(697)
Rounding	(1)	10	11	-	(2)	-	-	-	-
<b>Totals Per MTP2</b>	<u>\$ 55,478,700</u>	<u>\$ -</u>	<u>\$ 55,346,688</u>	<u>\$ -</u>	<u>\$ 132,012</u>	<u>\$ 1,557,944</u>	<u>\$ -</u>	<u>\$ 1,557,944</u>	<u>\$ 1,689,958</u>
<b>Reconciliation from MTP2 to UCOA</b>									
Camp Bournedale reflected as agency fund for UCOA and special revenue fund for MTP2/Audit	<u>13,060</u>		<u>62,205</u>						
<b>Totals per UCOA Validated Totals Report</b>	<u>\$ 55,491,760</u>		<u>\$ 55,408,893</u>						

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

# TOWN OF LINCOLN, RHODE ISLAND

## Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

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

### NOTE 1. Basis of Presentation

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

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

### NOTE 2. Reportable Government Services

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

### NOTE 3. Allocations

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

### NOTE 4. Employee Groups - Compensation and Benefit Costs

Compensation includes salaries, longevity, stipends, clothing allowance/maintenance, shift differential, out-of-rank, holiday pay and bonuses.

For Public Safety departments (i.e., police, fire, and centralized dispatch) and the Education Department, compensation and most benefits costs are reported in the following employee groupings:

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

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

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

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

## TOWN OF LINCOLN, RHODE ISLAND

### Other Supplementary Information Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2017*

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#### NOTE 4. Employee Groups - Compensation and Benefit Costs (continued)

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

#### NOTE 5. Education Revenue and Expenditures

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

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