

**TOWN OF LINCOLN, RHODE ISLAND**

**ANNUAL FINANCIAL STATEMENTS**

*For the Year Ended June 30, 2018*

Town of Lincoln, Rhode Island  
ANNUAL FINANCIAL STATEMENTS

*Year Ended June 30, 2018*

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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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the other-post employment benefit related information, pension related information and general fund budgetary comparison information on pages 4-13 and 84-104, 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 supplementary tax collector's annual report, the school unrestricted fund budgetary comparison information, and the annual supplemental transparency portal (MTP2) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary tax collector's annual report, the school unrestricted fund budgetary comparison information, and the annual supplemental transparency portal (MTP2) 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 supplementary tax collector's annual report, the school unrestricted fund budgetary comparison information, and the annual supplemental transparency portal (MTP2) is fairly stated in all material respects in relation to the basic financial statements as a whole.

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## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, 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 31, 2019

# TOWN OF LINCOLN, RHODE ISLAND

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

*Year Ended June 30, 2018*

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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, 2018. We encourage readers to consider this information in conjunction with the Town's audited basic financial statements and notes to the financial statements.

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 \$7,676,039, or 11.6% of fiscal year 2018 budgeted expenditures and transfers to other funds. This is an increase of \$665,000 over the prior year unassigned General Fund balance.

The Town's General Fund had an operating surplus of \$325,201. The School Department operations resulted in an operating surplus of \$2,236. The Town's General Fund ended fiscal year 2018 with a budgetary operating surplus of \$325,201. The School Unrestricted fund ended the year with a budgetary operating surplus of \$23,412.

The Town's budgetary surplus was a result of a positive variance of \$2,655,781 relating directly to video lottery and table game commissions which was transferred to capital projects and favorable library state aid of \$449,683. The Town also saw fixed charges come in over budget by \$678,114 as a direct result of an assumed three percent cost of living adjustment relating to their pension contribution offset by \$501,591 worth of capital savings that were not spent in fiscal 2018.

The School Unrestricted fund budgetary surplus of \$23,412 resulted in part from higher state aid than anticipated of \$285,703 and health care savings of \$738,732 offset by tuition over budget by \$400,195, transportation over budget by \$234,224 and therapists over budget by \$171,124.

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

This discussion and analysis is intended to serve as an introduction to the Town'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, and supplementary information in addition to the basic financial statements.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

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

Year Ended June 30, 2018

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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, and police special detail are 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.

(Continued)

# TOWN OF LINCOLN, RHODE ISLAND

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

Year Ended June 30, 2018

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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 fund financial statements. The Town's two major governmental funds are the General Fund and the School Department Funds.

The basic governmental fund financial statements can be found on pages 18-19 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, 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.

(Continued)

**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2018*

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

**Required Supplementary 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 as presented in the governmental fund financial statements. Also included in required supplementary information are schedules concerning the Town's other postemployment benefits and pension liabilities. Required supplementary information follows the notes to the financial statements.

**Supplementary Information** - In addition to the required supplementary, this report also presents other supplementary information, State law requires the presentation of the Tax Collector's Annual Report, and the MTP2 Municipal Transparency Portal. Also included in the supplementary information is budgetary comparison information relating to the School's Unrestricted Fund. This other supplementary information can be found immediately following 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.

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

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2018*

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**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 over time serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceeded liabilities and deferred inflows by \$36,419,836 at June 30, 2018.

Net investment in capital assets, comprises \$83,986,607. 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 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.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

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

*Year Ended June 30, 2018*

### Government-Wide Financial Analysis (Continued)

A portion of the Town's net position totaling \$4,957,582, represents resources that are subject to external restrictions on how they may be used. The remaining net position, totaling \$(52,524,353), may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets	\$ 37,968,807	\$ 35,807,311	\$ 7,740,828	\$ 8,177,532	\$ 45,709,635	\$ 43,984,843
Non current assets	81,039,063	81,230,921	32,952,854	32,815,469	113,991,917	114,046,390
Total assets	119,007,870	117,038,232	40,693,682	40,993,001	159,701,552	158,031,233
<b>Deferred outflows of resources</b>						
Pension related outflows	18,184,400	13,758,568	18,242	44,789	18,202,642	13,803,357
OPEB related activity	1,604,466	1,908,092	-	-	1,604,466	1,908,092
Other deferred outflows	983,438	1,106,368	-	-	983,438	1,106,368
Total deferred outflows of resources	20,772,304	16,773,028	18,242	44,789	20,790,546	16,817,817
<b>Liabilities</b>						
Current liabilities	23,368,261	20,938,969	941,945	1,358,264	24,310,206	22,297,233
Long-term liabilities	100,865,350	105,796,763	5,391,420	5,715,898	106,256,770	111,512,661
Total liabilities	124,233,611	126,735,732	6,333,365	7,074,162	130,566,976	133,809,894
<b>Deferred inflows of resources</b>						
Pension related inflows	10,914,127	8,503,119	11,690	17,247	10,925,817	8,520,366
OPEB related inflows	2,367,218	1,677,431	-	-	2,367,218	1,677,431
Other deferred inflows	184,114	185,344	28,137	72,285	212,251	257,629
Total deferred inflows of resources	13,465,459	10,365,894	39,827	89,532	13,505,286	10,455,426
<b>Net Position</b>						
Net investment in capital assets	53,688,547	50,293,067	30,298,060	29,985,943	83,986,607	80,279,010
Restricted	4,957,582	8,125,683	-	-	4,957,582	8,125,683
Unrestricted	(56,565,025)	(61,709,116)	4,040,672	3,888,153	(52,524,353)	(57,820,963)
Total net position	\$ 2,081,104	\$ (3,290,366)	\$ 34,338,732	\$ 33,874,096	\$ 36,419,836	\$ 30,583,730

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.

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Management's Discussion and Analysis (MD&A)

*Year Ended June 30, 2018*

**Changes in Net Position**

The government's total net position increased by \$5,836,106 during the current fiscal year.

	<b>Changes in Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues</b>						
Program Revenues:						
Charges for service	\$ 3,424,532	\$ 2,879,479	\$ 5,244,751	\$ 5,643,629	\$ 8,669,283	\$ 8,523,108
Operating grants & contributions	5,165,827	5,168,066	1,073,939	1,202,920	6,239,766	6,370,986
Capital grants & contributions	495,811	20,141	-	-	495,811	20,141
General Revenues:						
Property taxes	54,590,279	53,962,253	-	-	54,590,279	53,962,253
State aid to town	2,466,037	2,083,183	-	-	2,466,037	2,083,183
State aid to education	13,518,855	12,455,776	-	-	13,518,855	12,455,776
Other revenue	8,376,499	8,195,170	-	-	8,376,499	8,195,170
Earnings on investments	434,032	433,786	25,963	17,597	459,995	451,383
State contribution to teachers' pension plan	-	-	48,736	(70,571)	48,736	(70,571)
Total revenues	<u>88,471,872</u>	<u>85,197,854</u>	<u>6,393,389</u>	<u>6,793,575</u>	<u>94,865,261</u>	<u>91,991,429</u>
<b>Expenses</b>						
General government	2,089,502	1,071,908	-	-	2,089,502	1,071,908
Financial administration	1,069,992	1,088,784	-	-	1,069,992	1,088,784
Public library	1,857,441	2,028,392	-	-	1,857,441	2,028,392
Public safety	11,329,093	9,962,428	-	-	11,329,093	9,962,428
Public services	10,427,754	7,456,490	-	-	10,427,754	7,456,490
Education	55,360,659	60,658,132	-	-	55,360,659	60,658,132
Interest on debt	992,939	1,078,627	-	-	992,939	1,078,627
Water	-	-	3,784,195	3,828,375	3,784,195	3,828,375
Sewer	-	-	1,166,959	1,146,886	1,166,959	1,146,886
School lunch	-	-	-	-	-	-
Police detail	-	-	950,621	1,018,263	1,943,560	2,096,890
Total expenses	<u>83,127,380</u>	<u>83,344,761</u>	<u>5,901,775</u>	<u>5,993,524</u>	<u>90,022,094</u>	<u>90,416,912</u>
<b>Increase(decrease) in net position</b>						
<b>before transfers</b>	5,344,492	1,853,093	491,614	800,051	5,836,106	2,653,144
Transfers in	26,978	23,505	-	-	26,978	23,505
Transfers out	-	-	(26,978)	(23,505)	(26,978)	(23,505)
Increase(decrease) in net position	5,371,470	1,876,598	464,636	776,546	5,836,106	2,653,144
Net position, July 1	<u>(3,290,366)</u>	<u>(5,166,964)</u>	<u>33,874,096</u>	<u>33,097,550</u>	<u>30,583,730</u>	<u>27,930,586</u>
Net position, June 30	<u>\$ 2,081,104</u>	<u>\$ (3,290,366)</u>	<u>\$ 34,338,732</u>	<u>\$ 33,874,096</u>	<u>\$ 36,419,836</u>	<u>\$ 30,583,730</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$5,371,470.

**Business-type activities.** Business-type activities increased the Town's net position by \$464,636.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

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

*Year Ended June 30, 2018*

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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, 2018, the Town's governmental funds reported combined ending fund balances of \$14,817,991, a decrease of \$53,612 in comparison with the prior year. The unassigned fund balance of \$7,604,102 or 51.32% 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 \$7,676,039. As a measure of General Fund liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.1% of total General Fund budgeted expenditures.

The Town's General Fund balance increased by \$325,201 during the current fiscal year as a result of revenues exceeding expenditures, including transfers to the School Department of \$40,705,952.

#### ***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, 2018 totaled \$4,040,672, with the Water Fund making up \$5,945,139 of the total. The Water Fund, Sewer Fund, and Police Detail Fund had changes in net position of \$564,705, (\$144,931), and \$44,862 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, 2018*

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**General Fund Budgetary Highlights**

The Financial Town meeting held in May 2017 approved an operating budget of \$80,164,791, including other financing sources of \$848,310.

The Town's budgetary surplus of \$325,201 was a result of a positive variance of \$2,655,781 relating directly to video lottery and table game commissions which was transferred to capital projects and favorable library state aid of \$449,683. The Town also saw fixed charges come in over budget by \$678,114 as a direct result of an assumed three percent cost of living adjustment relating to their pension contribution offset by \$501,591 worth of capital savings that were not spent in fiscal 2018.

**School Department Budgetary Highlights**

The School Unrestricted fund budgetary surplus of \$23,412 resulted in part from higher state aid than anticipated of \$285,703 and health care savings of \$738,732 offset by tuition over budget by \$400,195, transportation over budget by \$234,224 and therapists over budget by \$171,124.

**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, 2018 amounted to \$110,127,971 (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 \$917,385.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 15,328,174	\$ 15,268,174	\$ 177,452	\$ 177,452	\$ 15,505,626	\$ 15,445,626
Construction in progress	169,263	2,183,722	2,541,870	2,263,533	2,711,133	4,447,255
Infrastructure and land improvements, net	14,921,522	11,907,611	28,382,187	28,380,304	43,303,709	40,287,915
Building & improvements, net	43,965,106	44,280,965	498,715	520,440	44,463,821	44,801,405
Machinery and equipment, net	1,004,763	907,667	1,177,359	1,292,224	2,182,122	2,199,891
Vehicles, net	1,786,289	1,918,579	175,271	109,915	1,961,560	2,028,494
Total	<u>\$ 77,175,117</u>	<u>\$ 76,466,718</u>	<u>\$ 32,952,854</u>	<u>\$ 32,743,868</u>	<u>\$ 110,127,971</u>	<u>\$ 109,210,586</u>

Additional information on the Town's capital assets can be found in Note 6 to the basic financial statements.

*(Continued)*

# TOWN OF LINCOLN, RHODE ISLAND

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

Year Ended June 30, 2018

### Capital Assets and Debt Administration (Continued)

**Long-term debt:** At the end of the fiscal year, the Town had total bonded debt outstanding of \$28,099,650. 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 \$82,084,523.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Bonds and notes	\$ 22,595,000	\$ 24,640,000	\$ 5,504,650	\$ 5,831,650	\$ 28,099,650	\$ 30,471,650
Bond premium	1,751,903	1,970,891	-	-	1,751,903	1,970,891
Capital leases	123,105	243,139	-	-	123,105	243,139
Total	<u>\$ 24,470,008</u>	<u>\$ 26,854,030</u>	<u>\$ 5,504,650</u>	<u>\$ 5,831,650</u>	<u>\$ 29,974,658</u>	<u>\$ 32,685,680</u>

Additional information on the Town's long-term debt can be found in Note 7 to the basic financial statements.

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

The latest published unemployment rate as of December 2018 for the Town is 3.2 percent. This compares favorably to the State's average unemployment rate of 3.9 percent and the national rate of 3.9 percent. Per capita and median family incomes remain some of the highest in the State.

At the Annual Town Financial Meeting in May 2018, the voters approved a budget for fiscal year 2019 of \$81,012,649. This budget is 1.1 % higher than the fiscal year 2018 budget. The Town's municipal departments increase was 1.7%; the School Department increase was 1.66% and Debt Service and the Resolutions funded through capital reserve funds net decrease was 7.35%.

### 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, 2018*

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,073,717	\$ 5,948,493	\$ 18,022,210
Investments	6,030,609	-	6,030,609
Receivables, net			
Personal property taxes	3,005,392	-	3,005,392
User charges	-	938,062	938,062
Intergovernmental	980,918	-	980,918
Departmental and other	2,927,234	-	2,927,234
Due from other funds	12,644,497	779,454	13,423,951
Other assets	306,440	74,819	381,259
Net pension asset	3,863,946	-	3,863,946
Capital assets:			
Nondepreciable assets	15,497,437	2,719,322	18,216,759
Depreciable assets, net	61,677,680	30,233,532	91,911,212
Total capital assets	77,175,117	32,952,854	110,127,971
Total assets	119,007,870	40,693,682	159,701,552
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related outflows	18,184,400	18,242	18,202,642
OPEB related outflows	1,604,466	-	1,604,466
Loss on debt refunding	983,438	-	983,438
Total assets and deferred outflows of resources	\$ 139,780,174	\$ 40,711,924	\$ 180,492,098

*The accompanying notes are an integral part of these statements*

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Net Position

*June 30, 2018*

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 6,937,601	\$ 547,301	\$ 7,484,902
Other liabilities	9,611	-	9,611
Accrued interest	392,715	62,644	455,359
Due to other funds	13,423,951	-	13,423,951
Current portion of capital leases	123,105	-	123,105
Current portion of bonds and loans payable	2,333,988	332,000	2,665,988
Current portion of compensated absences	147,290	-	147,290
Portion due or payable in more than one year:			
Other commitments	135,600	-	135,600
Bonds and loans payable	22,012,915	5,172,650	27,185,565
Compensated absences	4,271,607	-	4,271,607
Net other post-employment benefit liability	13,343,281	-	13,343,281
Net pension liability	<u>61,101,947</u>	<u>218,770</u>	<u>61,320,717</u>
Total liabilities	<u>124,233,611</u>	<u>6,333,365</u>	<u>130,566,976</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related inflows	10,914,127	11,690	10,925,817
OPEB related inflows	2,367,218	-	2,367,218
Other deferred revenue	<u>184,114</u>	<u>28,137</u>	<u>212,251</u>
Total deferred inflows of resources	<u>13,465,459</u>	<u>39,827</u>	<u>13,505,286</u>
<b>NET POSITION</b>			
Net investment in capital assets	53,688,547	30,298,060	83,986,607
Restricted for grant specific purposes	488,806	-	488,806
Restricted for educational purposes	359,803	-	359,803
Restricted for capital projects	4,108,973	-	4,108,973
Unrestricted	<u>(56,565,025)</u>	<u>4,040,672</u>	<u>(52,524,353)</u>
Total liabilities, deferred inflows or resources and net position	<u>\$ 139,780,174</u>	<u>\$ 40,711,924</u>	<u>\$ 180,492,098</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Activities

*For the Year Ended June 30, 2018*

	<u>Net (Expense) Revenue and Changes in Net Position</u>						
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Primary Government</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General government	\$ 2,089,502	\$ 333,847	\$ 22,555	\$ -	\$ (1,733,100)	\$ -	\$ (1,733,100)
Financial administration	1,069,992	-	-	-	(1,069,992)	-	(1,069,992)
Public library	1,857,441	11,903	-	-	(1,845,538)	-	(1,845,538)
Public safety	11,329,093	1,320,974	221,234	400,000	(9,386,885)	-	(9,386,885)
Public services	10,427,754	1,187,324	101,272	-	(9,139,158)	-	(9,139,158)
Education	52,564,161	570,484	1,847,495	95,811	(50,050,371)	-	(50,050,371)
State contribution to teachers pension plan	2,796,498	-	2,973,271	-	176,773	-	176,773
Interest on debt	992,939	-	-	-	(992,939)	-	(992,939)
Total governmental activities	<u>83,127,380</u>	<u>3,424,532</u>	<u>5,165,827</u>	<u>495,811</u>	<u>(74,041,210)</u>	<u>-</u>	<u>(74,041,210)</u>
<b>Business-Type Activities</b>							
Water fund	3,784,195	3,230,653	1,069,511	-	-	515,969	515,969
Sewer fund	1,166,959	991,637	4,428	-	-	(170,894)	(170,894)
Police detail fund	950,621	1,022,461	-	-	-	71,840	71,840
Total business-type activities	<u>5,901,775</u>	<u>5,244,751</u>	<u>1,073,939</u>	<u>-</u>	<u>-</u>	<u>416,915</u>	<u>416,915</u>
Total Town of Lincoln	<u>\$ 89,029,155</u>	<u>\$ 8,669,283</u>	<u>\$ 6,239,766</u>	<u>\$ 495,811</u>	<u>\$ (74,041,210)</u>	<u>\$ 416,915</u>	<u>\$ (73,624,295)</u>

*The accompanying notes are an integral part of these statements*

*(Continued)*

**TOWN OF LINCOLN, RHODE ISLAND**

Statement of Activities

*For the Year Ended June 30, 2018*

	<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	\$ 54,590,279	\$ -	\$ 54,590,279
Meals and hotel tax	929,642	-	929,642
Video lottery	6,401,829	-	6,401,829
Table game commissions	1,453,952	-	1,453,952
Public service corporation tax	267,304	-	267,304
School housing aid	1,008,362	-	1,008,362
Interest received	434,032	48,736	482,768
State aid to education	12,510,493	-	12,510,493
Motor vehicle phase out	648,266	-	648,266
Library aid	203,414	-	203,414
Airport aid	50,000	-	50,000
Medicaid	888,129	-	888,129
Miscellaneous	-	25,963	25,963
Total general revenues	<u>79,385,702</u>	<u>74,699</u>	<u>79,460,401</u>
Transfers in	26,978	-	26,978
Transfers out	-	(26,978)	(26,978)
Total general revenues, special items, and transfers	<u>79,412,680</u>	<u>47,721</u>	<u>79,460,401</u>
Changes in net position	5,371,470	464,636	5,836,106
Net position - July 1, 2017, restated	<u>(3,290,366)</u>	<u>33,874,096</u>	<u>30,583,730</u>
Net position - June 30, 2018	<u>\$ 2,081,104</u>	<u>\$ 34,338,732</u>	<u>\$ 36,419,836</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

*Governmental Funds*  
Balance Sheet

*June 30, 2018*

	Major Fund		Non-Major	Total
	General Fund	School Department	Governmental Funds	Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 12,473,604	\$ (550,394)	\$ 150,507	\$ 12,073,717
Investments	6,030,609	-	-	6,030,609
Receivables:				
Property taxes, net	2,821,278	-	-	2,821,278
Intergovernmental	274,650	306,268	400,000	980,918
Other	2,694,789	228,235	4,210	2,927,234
Due from other funds	11,423	7,232,597	5,400,477	12,644,497
Prepaid items	3,553	302,887	-	306,440
Total assets	24,309,906	7,519,593	5,955,194	37,784,693
<b>Deferred outflows of resources</b>				
None	-	-	-	-
Total assets and deferred outflows of resources	\$ 24,309,906	\$ 7,519,593	\$ 5,955,194	\$ 37,784,693
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,668,815	\$ 5,268,410	\$ 376	\$ 6,937,601
Due to other funds	11,499,875	558,292	1,365,784	13,423,951
Total liabilities	13,168,690	5,826,702	1,375,771	20,371,163
<b>Deferred inflows of resources</b>				
Deferred property taxes	2,411,425	-	-	2,411,425
Other deferred revenue	184,114	-	-	184,114
Total deferred inflows of resources	2,595,539	-	-	2,595,539
<b>Fund balance</b>				
Nonspendable	3,553	302,887	-	306,440
Restricted	-	359,803	4,597,779	4,957,582
Committed	366,085	1,083,782	-	1,449,867
Assigned	500,000	-	-	500,000
Unassigned	7,676,039	(53,581)	(18,356)	7,604,102
Total fund balance	8,545,677	1,692,891	4,579,423	14,817,991
Total liabilities, deferred inflows of resources, and fund balance	\$ 24,309,906	\$ 7,519,593	\$ 5,955,194	\$ 37,784,693

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

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

*For the Year Ended June 30, 2018*

	<u>Major Fund</u>		<u>Non-Major</u>	<u>Total</u>
	<u>General Fund</u>	<u>School Department</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
<b>Revenues</b>				
General property taxes and interest	\$ 54,593,539	\$ -	\$ -	\$ 54,593,539
Other local and departmental revenue	2,852,409	466,852	-	3,319,261
Intergovernmental	10,962,769	14,432,549	210,191	25,605,509
Interest received	431,703	2,316	13	434,032
State contribution to pension plan	-	2,443,223	-	2,443,223
Medicaid	-	888,129	-	888,129
Other revenue	-	106,882	552,871	659,753
Total revenue	<u>68,840,420</u>	<u>18,339,951</u>	<u>763,075</u>	<u>87,943,446</u>
<b>Expenditures</b>				
General government	832,063	-	44,392	876,455
Financial administration	799,159	-	-	799,159
Public library	1,111,815	-	-	1,111,815
Public safety	6,706,584	-	700,083	7,406,667
Public services	6,661,757	-	848,837	7,510,594
Grants and contributions	60,500	-	-	60,500
Other expenditures	5,937,373	-	-	5,937,373
Education	-	56,777,217	840,809	57,618,026
State contribution to pension plan	-	2,266,450	-	2,266,450
Capital outlay	-	-	1,365,784	1,365,784
Debt service				
Principal	2,045,000	-	-	2,045,000
Interest	1,026,213	-	-	1,026,213
Total expenditures	<u>25,180,464</u>	<u>59,043,667</u>	<u>3,799,905</u>	<u>88,024,036</u>
Excess (deficiency) of revenues over expenditures	43,659,956	(40,703,716)	(3,036,830)	(80,590)
<b>Other financing sources (uses)</b>				
Transfers in	688,096	40,705,952	3,316,899	44,710,947
Transfers out	<u>(44,022,851)</u>	-	<u>(661,118)</u>	<u>(44,683,969)</u>
Other financing sources (uses)	<u>(43,334,755)</u>	<u>40,705,952</u>	<u>2,655,781</u>	<u>26,978</u>
<b>Excess of revenue and other sources over expenditures and other uses</b>	325,201	2,236	(381,049)	(53,612)
Fund balance, July 1, 2017	<u>8,220,476</u>	<u>1,690,655</u>	<u>4,960,472</u>	<u>14,871,603</u>
Fund balance, June 30, 2018	<u>\$ 8,545,677</u>	<u>\$ 1,692,891</u>	<u>\$ 4,579,423</u>	<u>\$ 14,817,991</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

Reconciliation of Governmental Funds Balance Sheet Total  
Fund Balances to Statement of Net Position

*June 30, 2018*

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Total governmental fund balances	\$ 14,817,991
Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net	77,175,117
TSB net pension asset	3,863,946
Other long-term revenues are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the funds.	2,595,539
Other long-term assets related to net pension and OPEB activity and therefore, are deferred inflows of resources in the funds.	(13,281,345)
Other long-term liabilities related to net pension and OPEB activity and therefore, are deferred outflows of resources in the funds.	19,788,866
Long term liabilities relating to bond refunding amortized over the life of the bond	983,438
In the statement of activities, interest is accrued on outstanding long-term debt whereas in governmental funds interest is not reported until due.	(392,715)
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	(24,346,903)
Capital leases	(123,105)
Compensated absences	(4,418,897)
Other postemployment benefits	(13,343,281)
Town net pension liability	(13,037,507)
ERS net pension liability	(45,057,871)
MERS net pension liability	(3,006,569)
Other commitments	<u>(135,600)</u>
Net position of governmental activities	<u>\$ 2,081,104</u>

*The accompanying notes are an integral part of these statements*

## 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, 2018*

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Net change in fund balances - total governmental funds	\$ (53,612)
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 including dispositions exceeded depreciation in the current period.	708,399
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.	(3,260)
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.	2,384,022
Bond refunding of long term debt are amortized over the course of the payable but are not reported as an expenditure on governmental fund statements	(122,930)
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest, is not reported until due.	33,274
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.	168,317
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	493,816
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>1,763,444</u>
Change in net position of governmental activities	<u>\$ 5,371,470</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

Proprietary Funds  
Statement of Net Position

*June 30, 2018*

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Police Detail Fund</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 5,662,639	\$ 285,854	\$ -	\$ 5,948,493
Due from other funds	241,881	468,515	69,058	779,454
Receivables, net:				
User fees, less allowance for doubtful accounts	685,606	126,584	125,872	938,062
Other assets	<u>74,819</u>	<u>-</u>	<u>-</u>	<u>74,819</u>
Total current assets	<u>6,664,945</u>	<u>880,953</u>	<u>194,930</u>	<u>7,740,828</u>
Non-current assets				
Nondepreciable	177,452	2,541,870	-	2,719,322
Depreciable, net	<u>20,899,209</u>	<u>9,237,884</u>	<u>96,439</u>	<u>30,233,532</u>
Total non-current assets	<u>21,076,661</u>	<u>11,779,754</u>	<u>96,439</u>	<u>32,952,854</u>
Total assets	<u>27,741,606</u>	<u>12,660,707</u>	<u>291,369</u>	<u>40,693,682</u>
<b>Deferred outflows of resources</b>				
Pension related outflows	<u>18,242</u>	<u>-</u>	<u>-</u>	<u>18,242</u>
Total assets and deferred outflows of resources	<u>\$ 27,759,848</u>	<u>\$ 12,660,707</u>	<u>\$ 291,369</u>	<u>\$ 40,711,924</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 495,647	\$ 51,654	\$ -	\$ 547,301
Accrued interest payable	25,703	36,941	-	62,644
Current portion of bonds & notes payable	178,000	154,000	-	332,000
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>699,350</u>	<u>242,595</u>	<u>-</u>	<u>941,945</u>
Non-current liabilities:				
Bonds and loans payable	2,260,150	2,912,500	-	5,172,650
Net pension liability	<u>218,770</u>	<u>-</u>	<u>-</u>	<u>218,770</u>
Total non-current liabilities	<u>2,478,920</u>	<u>2,912,500</u>	<u>-</u>	<u>5,391,420</u>
Total liabilities	<u>3,178,270</u>	<u>3,155,095</u>	<u>-</u>	<u>6,333,365</u>
<b>Deferred inflows of resources</b>				
Pension related inflows	11,690	-	-	11,690
Unearned revenue	<u>11,941</u>	<u>16,196</u>	<u>-</u>	<u>28,137</u>
<b>Net position</b>				
Net investment in capital assets	18,612,808	11,588,813	96,439	30,298,060
Restricted	-	-	-	-
Unrestricted	<u>5,945,139</u>	<u>(2,099,397)</u>	<u>194,930</u>	<u>4,040,672</u>
Total net position	<u>\$ 24,557,947</u>	<u>\$ 9,489,416</u>	<u>\$ 291,369</u>	<u>\$ 34,338,732</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

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

*For the Year Ended June 30, 2018*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Police Detail Fund</u>	<u>Total</u>
<b>Operating revenues</b>				
User fees and charges	\$ 3,230,653	\$ 991,637	\$ 1,022,461	\$ 5,244,751
Intergovernmental	-	-	-	-
Other revenues	1,069,511	4,428	-	1,073,939
Interest and penalties	-	25,963	-	25,963
Total operating revenues	<u>4,300,164</u>	<u>1,022,028</u>	<u>1,022,461</u>	<u>6,344,653</u>
<b>Operating expenses</b>				
Administrative	1,089,412	-	867,539	1,956,951
Maintenance and servicing	2,194,243	-	-	2,194,243
Operating supplies	-	89,966	-	89,966
Fixed and general charges	-	589,783	-	589,783
Depreciation and amortization	436,448	371,053	83,082	890,583
Total operating expenses	<u>3,720,103</u>	<u>1,050,802</u>	<u>950,621</u>	<u>5,721,526</u>
Operating income (loss)	<u>580,061</u>	<u>(28,774)</u>	<u>71,840</u>	<u>623,127</u>
<b>Nonoperating revenues (expenses)</b>				
Interest income	48,736	-	-	48,736
Investment expense	(64,092)	(116,157)	-	(180,249)
Total nonoperating revenue (expenses)	<u>(15,356)</u>	<u>(116,157)</u>	<u>-</u>	<u>(131,513)</u>
Income (loss) before transfers	<u>564,705</u>	<u>(144,931)</u>	<u>71,840</u>	<u>491,614</u>
<b>Transfers</b>				
Transfers out - operating	-	-	(26,978)	(26,978)
Total Transfers	<u>-</u>	<u>-</u>	<u>(26,978)</u>	<u>(26,978)</u>
Change in net position	564,705	(144,931)	44,862	464,636
Net position, July 1, 2017, restated	<u>23,993,242</u>	<u>9,634,347</u>	<u>246,507</u>	<u>33,874,096</u>
Net position, June 30, 2018	<u>\$ 24,557,947</u>	<u>\$ 9,489,416</u>	<u>\$ 291,369</u>	<u>\$ 34,338,732</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

*Proprietary Funds*  
Statement of Cash Flows

*For the Year Ended June 30, 2018*

	<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	\$ 4,284,411	\$ 1,022,027	\$ 955,940	\$ 6,262,378
Cash received from (to) other funds	(108,729)	(754,488)	(10,715)	(873,932)
Payments to suppliers and employees	<u>(3,295,204)</u>	<u>(663,733)</u>	<u>(774,511)</u>	<u>(4,733,448)</u>
Net cash provided (used) by operating activities	<u>880,478</u>	<u>(396,194)</u>	<u>170,714</u>	<u>654,998</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(26,978)</u>	<u>(26,978)</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(26,978)</u>	<u>(26,978)</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(601,596)	(354,235)	(143,736)	(1,099,567)
Principal paid on capital debt	(173,000)	(154,000)	-	(327,000)
Interest paid on capital debt	<u>(65,822)</u>	<u>(116,157)</u>	<u>-</u>	<u>(181,979)</u>
Net cash used by capital and related financing activities	<u>(840,418)</u>	<u>(624,392)</u>	<u>(143,736)</u>	<u>(1,608,546)</u>
<b>Cash flows from investing activities:</b>				
Interest and dividends	<u>48,736</u>	<u>-</u>	<u>-</u>	<u>48,736</u>
Net cash used by investing activities	<u>48,736</u>	<u>-</u>	<u>-</u>	<u>48,736</u>
Net increase in cash and cash equivalents	88,796	(1,020,586)	-	(931,790)
Balances-beginning of the year	<u>5,573,843</u>	<u>1,306,440</u>	<u>-</u>	<u>6,880,283</u>
Balances-end of the year	<u>5,662,639</u>	<u>285,854</u>	<u>-</u>	<u>5,948,493</u>
Displayed as:				
Cash and cash equivalents	<u>\$ 5,662,639</u>	<u>\$ 285,854</u>	<u>\$ -</u>	<u>\$ 5,948,493</u>

*(Continued)*

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

*Proprietary Funds*  
Statement of Cash Flows

*For the Year Ended June 30, 2018*

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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)	\$ 580,061	\$ (28,774)	\$ 71,840	\$ 623,127
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	436,448	371,053	83,082	890,583
Change in assets and liabilities:				
(Increase) decrease in user charges receivables, net	34,619	(6,225)	77,215	105,609
(Increase) decrease in other receivables	73,576	-	-	73,576
(Increase) decrease in other assets	3,282	32,713	(50,708)	(14,713)
(Increase) decrease in due from other funds	(108,729)	(754,488)	(10,715)	(873,932)
Increase (decrease) accounts payable and accrued expenses	(116,925)	(16,697)	-	(133,622)
Increase (decrease) in net pension liability	28,518	-	-	28,518
Increase (decrease) in deferred revenue	(50,372)	6,224	-	(44,148)
Net cash provided (used) by operating activities	<u>\$ 880,478</u>	<u>\$ (396,194)</u>	<u>\$ 170,714</u>	<u>\$ 654,998</u>

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

*Fiduciary Funds*  
Statement of Net Position

*June 30, 2018*

	<b>Employee Benefit Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 33,938	\$ 538,343
Investments	29,911,974	-	-
Accounts receivable	-	-	313,291
 Total assets	 29,911,974	 33,938	 851,634
<b>Deferred outflows of resources</b>			
None	-	-	-
 Total assets and deferred outflows of resources	 \$ 29,911,974	 \$ 33,938	 \$ 851,634
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 78,450
Deposits held	-	-	773,184
 Total liabilities	 -	 -	 851,634
<b>Deferred inflows of resources</b>			
None	-	-	-
<b>Net Position</b>			
Restricted for pension trust	24,967,871	-	-
Restricted for OPEB trust	4,944,103	-	-
Restricted for private purposes	-	33,938	-
 Total net position	 29,911,974	 33,938	 -
 Total liabilities and net position	 \$ 29,911,974	 \$ 33,938	 \$ 851,634

*The accompanying notes are an integral part of these statements*

**TOWN OF LINCOLN, RHODE ISLAND**

*Fiduciary Funds*  
Statement of Changes in Net Position

*For the Year Ended June 30, 2018*

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	<b>Employee Benefit Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Employer contributions	\$ 3,534,579	\$ -
Plan member contributions	324,245	-
Investment income (net of related fees)	<u>2,206,306</u>	<u>69</u>
Total additions	<u>6,065,130</u>	<u>69</u>
<b>Deductions</b>		
Benefits paid	2,831,569	-
Administrative expenses	<u>10,350</u>	<u>-</u>
Total additions	<u>2,841,919</u>	<u>-</u>
Changes in fund equity held in trust for individuals, organizations, and other governments	3,223,211	69
Net position, July 1, 2017, restated	<u>26,688,763</u>	<u>33,869</u>
Net position, June 30, 2018	<u>\$ 29,911,974</u>	<u>\$ 33,938</u>

*The accompanying notes are an integral part of these statements*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2018

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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.

#### **A. 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, 2018

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

#### A. 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:*

Effective for the fiscal year ended June 30, 2018, the Town adopted the provisions of Statement No. 81 – Irrevocable Split-Interest Agreements, 85 – Omnibus, and 86 – Certain Debt Extinguishment all of which did not have a material impact on the financial statements.

#### *Accounting Principles Not Yet Required to be Implemented:*

Effective for the fiscal year ending June 30, 2021, the Town will be required to adopt the provisions of Statement No. 87 of the GASB, Leases ("GASB 87"). GASB 87 requires recognition of lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. The Town is currently evaluating the effects of GASB 87 on its financial statements. The following GASB standards will also be evaluated by the Town: 1. GASB 83 – Certain Asset Retirement Obligations, 2. GASB 84 – Fiduciary Activities, 3. GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, 4. GASB 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period, and 5. GASB 90 Majority Equity Interests.

#### B. Basic Financial Statements – Government-Wide 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, 2018

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

### C. Basic Financial Statements – 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 2018.

*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, 2018

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

### ***C. Basic Financial Statements – Fund Financial Statements (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 Fund* - 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 Fund* - 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 Funds* - Agency funds are established when the Town holds assets in custody for others in an agency capacity.

### ***D. 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 a 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, 2018

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

#### *D. 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, 2018

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

#### *E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity*

##### *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, 2018

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

#### *E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (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:

	<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.

(Continued)

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

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

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)***

*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.

*Deferred outflows/inflows of resources:*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred charge on refunding and deferred outflows related to pensions in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

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

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)***

*Deferred outflows/inflows of resources (continued):*

The deferred outflows applicable to pensions related to contributions made by the Town after the measurement date, the net difference between projected and actual earnings on plan investments and changes in actuarial assumptions. The deferred outflows related to contributions will be recognized in the following year while the deferred outflows related to projected and actual earnings will be amortized over the average remaining service life of all plan members.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports advance collections and deferred inflows of resources related to pensions in this category. The deferred inflows of resources related to pensions is the difference between projected and actual earnings on pension plan investment and changes in actuarial assumptions. These deferred inflows will be amortized over the average remaining services life of all plan members.

*Encumbrances:*

Encumbrance accounting, under which purchase orders, contracts and other commitments for fund expenditures and/or expense are recorded in order to reserve portions of applicable appropriations, is employed in the governmental and business-type funds.

*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.

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2018

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

#### *E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)*

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

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

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

Assigned fund balance – amounts constrained to specific purposes internally by the Town.

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, 2018, committed fund balance of the General Fund consisted of encumbrances totaling \$366,085. Assigned fund balance - 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, 2018, 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 fund balance - amounts available for any purpose.

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.

##### *Other post -employment benefits:*

For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Town's plan and additions to/deductions from Town's fiduciary net position have been determined on the same basis as they are reported by the Town. For this purpose, the Town recognizes benefit payments 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, 2018

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

### *E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (Continued)*

*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, 2018*

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**Note 2. Fund Deficits**

The following individual funds had unassigned fund deficits as of June 30, 2018:

USDA FFVP	\$	329
ELL categorical		2,756
RI kindergarten project		3,481
RI foundation		20
Cap reserve CPU tech		46,995
Substance abuse		3,881
Partnership for success		6,976
DCF grant		2,802
Child seatbelt		387
Byrne JAG 2009		350
Operation riptide		2,445
Senior center		1,515
<b>Total deficits</b>	<b>\$</b>	<b>71,937</b>

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

**Note 3. Cash and cash equivalents**

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".

At June 30, 2018, the carrying amount of the Town's deposits and cash held by fiduciary funds was \$18,594,491 while the bank balance was approximately \$20,907,405. Of the bank balance approximately \$15,885,945 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, 2018*

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**Note 3. Cash and cash equivalents (Continued)**

At June 30, 2018, deposits are categorized as follows:

	Insured/ Collaterized in Town's Name	Total Bank Balance	Carrying Amount
Deposits:			
Demand deposits	\$ 13,677,433	\$ 16,177,999	\$ 13,865,085
CD's	854,412	1,494,752	1,494,752
Money market	304,765	1,259,777	1,259,777
Other deposits	532,982	1,458,524	1,458,524
RICWFA	<u>516,353</u>	<u>516,353</u>	<u>516,353</u>
	<u>\$ 15,885,945</u>	<u>\$ 20,907,405</u>	<u>\$ 18,594,491</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.

**Note 4. 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).

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2018

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### Note 4. 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, 2018.

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, 2018.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 4. Investments (Continued)**

Cash and investments of the Business-Type Activities consisted of the following:

<b>Investment at Fair Value</b>	<b>June 30, 2018</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	\$ 10,838,201	\$ 10,838,201	\$ -	\$ -
International Growth	1,904,676	1,904,676	-	-
International Value	1,698,030	1,698,030	-	-
Multi-Manager Core Fixed Income	1,447,954	1,447,954	-	-
Multi-Manager Small Cap Growthh	800,045	800,045	-	-
Multi-Manager Small Cap Value	758,369	758,369	-	-
REIT Fund	1,736,236	1,736,236	-	-
Vanguard	4,944,103	4,944,103	-	-
Government Banking Investment	6,030,609	6,030,609	-	-
Fixed Income Securities	<u>5,784,360</u>	<u>5,784,360</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,942,583</u>	<u>\$ 35,942,583</u>	<u>\$ -</u>	<u>\$ -</u>

Pension Trust Fund and OPEB Trust Fund investments:

	<u>Carrying Amount</u>
Mutual Funds	\$ 19,183,511
Fixed Income	<u>10,728,463</u>
Total investments:	<u>\$ 29,911,974</u>

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

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**Note 5. Interfund Transactions**

Inter-fund receivables and payables at June 30, 2018 are as follows:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>	<b>Other Financing Sources</b>	<b>Other Financing Uses</b>
<b><u>Major Governmental Funds</u></b>				
General fund	\$ 11,423	\$ 11,499,875	\$ 688,096	\$ 44,022,851
School unrestricted fund	7,232,597	558,292	40,705,952	-
<b><u>Non-Major Governmental Funds</u></b>				
Town special revenue	325,720	-	-	-
Capital projects	5,074,757	1,365,784	3,316,899	661,118
<b><u>Proprietary Funds</u></b>				
Water fund	241,881	-	-	-
Sewer fund	468,515	-	-	-
Police detail fund	69,058	-	-	26,978
Totals	\$ 13,423,951	\$ 13,423,951	\$ 44,710,947	\$ 44,710,947

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, 2018*

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2018 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	\$ 60,000	\$ -	\$ 15,328,174
Construction in progress	<u>2,183,722</u>	<u>150,790</u>	<u>(2,165,249)</u>	<u>169,263</u>
Total capital assets not being depreciated:	<u>17,451,896</u>	<u>210,790</u>	<u>(2,165,249)</u>	<u>15,497,437</u>
Capital assets being depreciated:				
Land improvements and infrastructure	19,770,757	3,773,020	-	23,543,777
Buildings & improvements	63,817,294	1,213,358	-	65,030,652
Machinery & equipment	4,825,032	281,549	-	5,106,581
Motor Vehicles	<u>4,582,077</u>	<u>180,244</u>	<u>(222,009)</u>	<u>4,540,312</u>
Total capital assets, being depreciated:	<u>92,995,160</u>	<u>5,448,171</u>	<u>(222,009)</u>	<u>98,221,322</u>
Less accumulated depreciation:				
Land improvements and infrastructure	7,863,146	759,109	-	8,622,255
Buildings & improvements	19,536,329	1,529,217	-	21,065,546
Machinery & equipment	3,917,365	184,453	-	4,101,818
Motor Vehicles	<u>2,663,498</u>	<u>308,134</u>	<u>(217,609)</u>	<u>2,754,023</u>
Total accumulated depreciation:	<u>33,980,338</u>	<u>2,780,913</u>	<u>(217,609)</u>	<u>36,543,642</u>
Total capital assets being depreciated, net	<u>59,014,822</u>	<u>2,667,258</u>	<u>(4,400)</u>	<u>61,677,680</u>
Governmental activities capital assets, net	<u>\$ 76,466,718</u>	<u>\$ 2,878,048</u>	<u>\$ (2,169,649)</u>	<u>\$ 77,175,117</u>

For the year ended June 30, 2018, depreciation was charged to the following functions:

Governmental activities:	
General government	\$ 133,270
Public safety	365,328
Public service	412,879
Library	394,293
Education	<u>1,257,534</u>
Total governmental activities depreciation expense	<u>\$ 2,563,304</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 6. 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>2,263,534</u>	<u>278,336</u>	<u>-</u>	<u>2,541,870</u>
Total capital assets not being depreciated:	<u>2,440,986</u>	<u>278,336</u>	<u>-</u>	<u>2,719,322</u>
Capital assets being depreciated:				
Buildings & improvements	1,204,702	9,479	-	1,214,181
Infrastructure	44,145,577	584,386	-	44,729,963
Machinery & equipment	1,799,886	57,384	-	1,857,270
Motor Vehicles	<u>850,235</u>	<u>169,982</u>	<u>-</u>	<u>1,020,217</u>
Total capital assets, being depreciated:	<u>48,000,400</u>	<u>821,231</u>	<u>-</u>	<u>48,821,631</u>
Less accumulated depreciation:				
Buildings & improvements	684,262	31,204	-	715,466
Infrastructure	15,765,273	582,503	-	16,347,776
Machinery & equipment	507,661	172,250	-	679,911
Motor Vehicles	<u>740,320</u>	<u>104,626</u>	<u>-</u>	<u>844,946</u>
Total accumulated depreciation:	<u>17,697,516</u>	<u>890,583</u>	<u>-</u>	<u>18,588,099</u>
Total capital assets being depreciated, net	<u>30,302,884</u>	<u>(69,352)</u>	<u>-</u>	<u>30,233,532</u>
Business-type activities capital assets, net	<u>\$ 32,743,870</u>	<u>\$ 208,984</u>	<u>\$ -</u>	<u>\$ 32,952,854</u>

For the year ended June 30, 2018, depreciation was charged to the following functions:

Business-type activities	
Water Fund	\$ 436,448
Sewer Fund	371,053
Police Detail	<u>83,082</u>
Total business-type activities depreciation expense	<u>\$ 890,583</u>

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

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**Note 7. 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, 2017 was \$2,736,150,768, limiting the amount of non-excepted general obligation bonds outstanding to \$82,084,523. At June 30, 2018, bonds outstanding totaled \$22,595,000.

*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, 2018, the outstanding balance of defeased bonds is \$1,350,000.

A summary of long-term obligations at June 30, 2018 is as follows:

	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
General obligation bonds	\$ 22,595,000	\$ -	\$ 22,595,000
Premium on bond issuance	1,751,903	-	1,751,903
Total bonds payable	24,346,903	-	24,346,903
Loans payable	-	5,504,650	5,504,650
Capital leases	123,105	-	123,105
MERS Pension	3,006,569	-	3,006,569
ERSRI Pension	45,057,871	-	45,057,871
Police Pension	13,256,277	-	13,256,277
OPEB obligation	13,343,281	-	13,343,281
Accrued compensated absences	4,418,897	-	4,418,897
	103,552,903	5,504,650	109,057,553
Less portion due within one year	2,604,383	336,000	2,940,383
	<u>\$ 100,948,520</u>	<u>\$ 5,168,650</u>	<u>\$ 106,117,170</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 7. Long-Term Obligation (Continued)**

*Governmental Activities:*

Purpose	Amount of Original Issue	Date Issued	Interest Rate	Maturity Date	Balance, July 1, 2017	New Issues	Retired	Balance, June 30, 2018	Amounts Due Within One Year
<b>General obligation bonds:</b>									
Open space	3,000,000	06/15/07	4.13-5.50%	06/15/27	1,500,000	-	150,000	1,350,000	150,000
Improvements to municipal buildings	5,000,000	07/01/08	3.75-4.75%	07/01/28	3,000,000	-	250,000	2,750,000	250,000
Refunding - School construction & renovation	<u>22,055,000</u>	06/25/15	3.00-5.00%	08/01/26	<u>20,140,000</u>	-	<u>1,645,000</u>	<u>18,495,000</u>	<u>1,715,000</u>
Total general obligation bonds	<u>\$ 30,055,000</u>				24,640,000	-	2,045,000	22,595,000	2,115,000
Premium on bond issuance					<u>1,970,891</u>	-	<u>218,988</u>	<u>1,751,903</u>	<u>218,988</u>
Total bonds payable					<u>26,610,891</u>	-	<u>2,263,988</u>	<u>24,346,903</u>	<u>2,333,988</u>
<b>Capital leases:</b>									
Type 1 Ambulance Ford F-550	235,420	06/05/17	3.07%	06/05/19	160,420	-	78,997	81,423	81,423
Trash Truck	<u>202,123</u>	06/30/14	1.57%	06/18/19	<u>82,719</u>	-	<u>41,037</u>	<u>41,682</u>	<u>41,682</u>
Total capital leases	<u>\$ 437,543</u>				<u>243,139</u>	-	<u>120,034</u>	<u>123,105</u>	<u>123,105</u>
<b>Others:</b>									
Net pension liability - MERS					2,272,109	734,460	-	3,006,569	-
Net pension liability - ERS					45,568,936	-	511,065	45,057,871	-
Town pension liability					13,909,779	-	653,502	13,256,277	-
Net OPEB liability					14,830,510	-	1,487,229	13,343,281	-
Accrued compensated absences					<u>4,587,214</u>	-	<u>168,317</u>	<u>4,418,897</u>	<u>147,290</u>
Total long-term obligations					<u>\$ 108,022,578</u>	<u>\$ 734,460</u>	<u>\$ 5,204,135</u>	<u>\$ 103,552,903</u>	<u>\$ 2,604,383</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 7. Long-Term Obligation (Continued)**

*Business-type activities:*

<b>Purpose</b>	<b>Amount of Original Issue</b>	<b>Date Issued</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance, July 1, 2017</b>	<b>New Issues</b>	<b>Retired</b>	<b>Balance, June 30, 2018</b>	<b>Amounts Due Within One Year</b>
<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	\$ 2,373,500	\$ -	\$ 116,000	\$ 2,257,500	\$ 120,000
Sewer system improvements	849,000	07/30/15	1.33-2.96%	09/01/34	847,000	-	38,000	809,000	38,000
Enterprise fund, Water:									
Rhode Island Clean Water									
Finance Agency:									
Water system improvements	300,000	04/19/04	3.50%	09/01/24	54,583	-	6,000	\$ 48,583	6,000
Water system improvements	1,800,000	03/01/07	3.03-3.40%	09/01/27	1,151,000	-	86,000	\$ 1,065,000	89,000
Water system improvements	1,500,000	11/06/09	0.55-4.15%	09/01/29	1,135,000	-	65,000	\$ 1,070,000	67,000
Water system improvements	<u>362,568</u>	02/12/10	0.36-4.09%	09/01/30	<u>270,567</u>	<u>-</u>	<u>16,000</u>	<u>\$ 254,567</u>	<u>16,000</u>
Total long-term obligations	<u>\$ 7,714,068</u>				<u>\$ 5,831,650</u>	<u>\$ -</u>	<u>\$ 327,000</u>	<u>\$ 5,504,650</u>	<u>\$ 336,000</u>

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 7. Long-Term Obligation (Continued)**

At June 30, 2018, 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>
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	3,006,688
2023	2,450,000	540,344	2,990,344
2024-2028	10,995,000	1,050,050	12,045,050
2029	<u>250,000</u>	<u>5,469</u>	<u>255,469</u>
	<u>\$ 22,595,000</u>	<u>\$ 4,821,102</u>	<u>\$ 27,416,102</u>

*Loans payable:*

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	388,000	132,508	520,508
2024-2028	2,155,582	458,359	2,613,941
2029-2033	1,423,068	121,913	1,544,981
2034-2035	<u>116,000</u>	<u>3,401</u>	<u>119,401</u>
	<u>\$ 5,504,650</u>	<u>\$ 1,358,746</u>	<u>\$ 6,863,396</u>

*Capital leases:*

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>123,105</u>	<u>3,155</u>	<u>126,260</u>
	<u>\$ 123,105</u>	<u>\$ 3,155</u>	<u>\$ 126,260</u>

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2018

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### Note 8. ERS 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, 2018

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**Note 8. ERS Pension Plan (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 9.89% and 13.24% of annual covered payroll for the fiscal year ended June 30, 2018 for the state and Town, respectively. The Town contributed \$5,769,710, \$3,340,370 and \$3,445,181 for the fiscal years ended June 30, 2018, 2017 and 2016, 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, 2018, the Town reported a liability of \$45,057,871 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 net pension liability	\$ 45,057,871
State's proportionate share of the net pension liability associated with the Town	<u>34,052,925</u>
Total net pension liability	<u>\$ 79,110,796</u>

The net pension liability was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017. The Town 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, 2017 the Town proportion was 1.15480535%.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 8. ERS Pension Plan (Continued)**

For the year ended June 30, 2018 the Town recognized gross pension expense of \$6,024,582 and revenue of \$2,796,498 for support provided by the State. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description of Outflows/Inflows</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,068,216
Changes of assumptions	3,935,156	710,042
Net difference between projected and actual earnings on pension plan investments	3,486,343	2,348,151
Changes in proportion and differences between System contributions and proportionate share contributions	-	4,116,936
System contributions subsequent to the measurement date	<u>5,769,710</u>	<u>-</u>
	<u>\$ 13,191,209</u>	<u>\$ 8,243,345</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ (821,846)</u>

A total of \$5,769,710 was reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. 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:	
2019	\$ (320,657)
2020	429,499
2021	(125,684)
2022	(917,676)
2023	(124,007)
Thereafter	<u>236,679</u>
	<u>\$ (821,846)</u>

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

Inflation	2.50%
Salary increases	3.00% to 13.00%
Investment rate of return	7.00%

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 8. ERS Pension Plan (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, 2016 valuation rolled forward to June 30, 2017 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:

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

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, 2018

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### Note 8. ERS Pension Plan (Continued)

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

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

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

<b>1.00% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1.00% Increase (8.0%)</b>
\$ 56,626,979	\$ 45,057,871	\$ 36,440,727

**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 9. 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, 2018

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### Note 9. Defined Contribution Pension Plan (Continued)

The Town of Lincoln, Rhode Island recognized pension expense of \$568,973, for the fiscal year ended June 30, 2018.

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 10. 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, 2018

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### **Note 10. 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, 2018

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#### **Note 10. 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, 2018

**Note 10. 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	6
Inactive, Nonretired Members	9
Active Members	<u>16</u>
Total	31

*Contributions* - The amount of employee and employer contributions have been established under Rhode Island General Law Chapter 45-21. General employees with less than 20 years of service as of June 30, 2012 are required to contribute 1% of their salaries. General employees with more than 20 years of service as of June 30, 2012 are required to contribute 8.25%. Public safety employees are required to contribute 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 \$267,125 to their general employee MERS plan in the year ended June 30, 2018 which was 24.80% of annual covered payroll and contributed \$183,669 to their rescue employee MERS plan in the year ended June 30, 2018 which was 18.30% of annual covered payroll.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

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**Note 10. 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, 2016 and rolled forward to June 30, 2017, 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, 2017 measurement date (June 30, 2016 valuation rolled forward to June 30, 2017)</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	7.00%
Projected Salary Increases	General Employees - 3.50% to 7.50% ; Police & Fire Employees - 4.00% to 14.00%
Inflation	2.5 %
Mortality	Mortality – variants of the RP-2014 mortality tables - for the improvement scale, update to the ultimate rates of the MP-2016 projection scale.
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:

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

**Note 10. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

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

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

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

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 10. 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, 2016	\$ 2,641,557	\$ 1,917,338	\$ 724,219
Changes for the Year			
Service cost	97,917	-	97,917
Interest on the total pension liability	197,823	-	197,823
Changes in benefits	-	-	-
Difference between expected and actual experience	(110,743)	-	(110,743)
Changes in assumptions	146,156	-	146,156
Employer contributions	-	129,264	(129,264)
Employee contributions	-	10,772	(10,772)
Net investment income	-	231,038	(231,038)
Benefit payments, including employee refunds	(105,764)	(105,764)	-
Administrative expense	-	(2,183)	2,183
Other changes	-	(4,893)	4,893
Net changes	<u>225,389</u>	<u>258,234</u>	<u>(32,845)</u>
Balances as of June 30, 2017	<u>\$ 2,866,946</u>	<u>\$ 2,175,572</u>	<u>\$ 691,374</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, 2016	\$ 4,950,222	\$ 3,402,332	\$ 1,547,890
Changes for the Year			
Service cost	170,422	-	170,422
Interest on the total pension liability	370,389	-	370,389
Changes in benefits	-	-	-
Difference between expected and actual experience	263,444	-	263,444
Changes in assumptions	428,763	-	428,763
Employer contributions	-	175,174	(175,174)
Employee contributions	-	94,281	(94,281)
Net investment income	-	390,188	(390,188)
Benefit payments, including employee refunds	(193,838)	(193,838)	-
Administrative expense	-	(3,686)	3,686
Other changes	-	(190,244)	190,244
Net changes	<u>1,039,180</u>	<u>271,875</u>	<u>767,305</u>
Balances as of June 30, 2017	<u>\$ 5,989,402</u>	<u>\$ 3,674,207</u>	<u>\$ 2,315,195</u>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 10. 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 7.0 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.

General Employee Plan

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 1,018,459	\$ 691,374	\$ 447,842

Rescue Employee Plan

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 2,995,180	\$ 2,315,195	\$ 1,808,950

*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, 2018 the employer recognized pension expense of \$225,486. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in assumptions	\$ 112,150	\$ 8,704
Difference between expected and actual experience	71,562	84,977
Net difference between projected and actual earnings on pension plan investments	124,913	95,908
	\$ 308,625	\$ 189,589
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		\$ 119,036

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 10. 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 ended June 30:		
2019	\$	44,786
2020		68,942
2021		20,097
2022		(14,789)
2023		-
Thereafter		-
	<u>\$</u>	<u>119,036</u>

**Rescue Employees Plan**

For the year ended June 30, 2018 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>
Differences in assumptions	\$ 370,809	\$ 18,190
Difference between expected and actual experience	227,835	158,099
Net difference between projected and actual earnings on pension plan investments	216,128	154,800
Contributions subsequent to the measurement date	<u>183,669</u>	<u>-</u>
	<u>\$ 998,441</u>	<u>\$ 331,089</u>
Net amount of deferred outflows and (inflows) excluding contributions subsequent to measurement date		<u>\$ 483,683</u>

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, 2018

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**Note 10. Municipal Employees' Retirement System (MERS) Defined Benefit Pension Plan (Continued)**

Year ended June 30:	
2019	\$ 71,277
2020	114,516
2021	82,279
2022	35,058
2023	67,114
Thereafter	<u>113,439</u>
	<u>\$ 483,683</u>

**Note 11. 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 \$54,905, for the fiscal year ended June 30, 2018.

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 12. 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>.

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 12. Teacher Survivors (TSB) Benefit Plan (Continued)**

**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

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.

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 12. Teacher Survivors (TSB) Benefit Plan (Continued)**

The Town contributed \$33,927, \$27,552 and \$30,731 for the fiscal years ended June 30, 2018, 2017 and 2016, 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, 2018 the Town reported an asset of \$3,863,946 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, 2017, 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 4.67075334%.

For the year ended June 30, 2018 the Town recognized pension expense of \$791,798 – an increase in the net pension asset. At June 30, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description of Outflows/Inflows</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 762,578	\$ 811,965
Changes of assumptions	636,551	-
Net difference between projected and actual earnings on pension plan investments	888,357	641,486
Changes in proportion and differences between System contributions and proportionate share contributions	277,615	-
System contributions subsequent to the measurement date	33,927	-
	<u>\$ 2,599,028</u>	<u>\$ 1,453,451</u>
Net amount of deferred outflows and (inflows) excluding Town contributions subsequent to measurement date		<u>\$ 1,111,650</u>

A total of \$33,927 reported as deferred outflows of resources related to pensions resulting from the Town contributions in fiscal year 2018 subsequent to the measurement date will be recognized as an addition to the net pension asset for the year ended June 30, 2019. 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, 2018

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**Note 12. Teacher Survivors (TSB) Benefit Plan (Continued)**

Year ended June 30:	
2019	\$ 176,545
2020	366,529
2021	228,014
2022	24,238
2023	137,114
Thereafter	<u>179,210</u>
	<u>\$ 1,111,650</u>

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

Inflation	2.50%
Salary increases	3.00% to 13.00%
Investment rate of return	7.00%

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

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, 2017 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, 2017 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, 2018

**Note 12. Teacher Survivors (TSB) Benefit Plan (Continued)**

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

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

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

1.00% Decrease (6.0%)	Current Discount Rate (7.0%)	1.00% Increase (8.0%)
\$ (2,642,831)	\$ (3,863,946)	\$ (4,773,036)

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

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

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**Note 13. 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, 2018, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	101
Inactive plan members entitled to but not yet receiving benefits	25
Active plan members	<u>120</u>
Subtotal	<u><u>246</u></u>

***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, 2018

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### Note 13. 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, 2018

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**Note 13. 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 \$1,730,042.

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

The annual required contribution (ARC) was determined as part of the June 30, 2018 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, 2018, the Town reported liability \$13,256,277 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Town's proportion was 93.81%, which is a decrease of .91% from the its proportion measured as of June 30, 2017.

For the year ended, June 30, 2018, the Town recognized pension expense of \$2,391,953. At June 30, 2018, 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, 2018*

**Note 13. Town Pension Plan (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 99,626	\$ (321,525)
Changes in assumptions	1,005,713	(121,494)
Difference between projected and actual earnings on plan investments	-	(265,324)
Total deferred outflows / (inflows)	\$ 1,105,339	\$ (708,343)

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:**

2019	\$ 933,264
2020	(212,631)
2021	(255,013)
2022	(68,624)
2023	-
Thereafter	-
	\$ 396,996

***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, 2018 the annual money-weighted weighted rate of return on pension plan investments, net of pension plan expense was 8.56%. 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, 2018

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**Note 13. 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic fixed income	-0.15%
Domestic equities	4.60%
International equities	6.67%
Real estate	5.07%
Group annuity contract	0.49%

*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, 2018

**Note 13. 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	\$ 18,265,754	\$ 13,256,277	\$ 8,824,377

***Net Pension Liability:***

The components of the net pension liability of the participating entities at June 30, 2018 were as follows:

Total pension liability	\$ 40,976,403
Plan fiduciary net position	(26,845,440)
Net pension liability	\$ 14,130,963
Plan fiduciary net position as a percentage of the total pension liability	65.51%

**Note 14. 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, 2018

**Note 14. Union Plan (Continued)**

Works employees, and \$14.75 per day for Water employees participating in the Union plan for the period of July 1, 2017 to June 30, 2018. Participating employees are not required to contribute. The Town's required contribution for the year ended June 30, 2018 was \$333,238 as follows: Public Works (including sewer dept.) \$183,669, Town Hall \$107,895, and Library \$41,674.

**Note 15. 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, 2018, the plan membership data is as follows:

<u>Description</u>	<u>Active Employees</u>	<u>Inactive or Beneficiaries Receiving Benefits</u>	<u>Total</u>
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, 2018, the Town contributed \$1,804,537 to the plan, which is 135.3% of the annual determined contribution.

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

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**Note 15. 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, 2018:

<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, 2018.

*Rate of Return:*

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense was 6.79%. 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, 2018*

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**Note 15. Other Postemployment Benefits (Continued)**

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2018 were as follows:

Total OPEB liability	\$18,287,384
Plans fiduciary net position	<u>4,944,103</u>
Town's net OPEB liability	<u>\$13,343,281</u>
Plan net position as a percentage of the total OPEB liability	27.04%

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, 2018 using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

*Continued*

# TOWN OF LINCOLN, RHODE ISLAND

## Note to the Financial Statements

June 30, 2018

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### Note 15. 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, 2018.  
Actuarial Cost Method: Entry Age Normal Actuarial Cost Method  
Asset-Valuation Method: Market Value of Assets as of the Measurement Date, June 30, 2018.

#### **Actuarial Assumptions:**

Investment Rate of Return: 6.75%, net of OPEB plan investment expense  
Medical inflation: 8.50% decreasing 0.5% per year, to an ultimate rate of 5.00%  
Inflation: 3.50% as of June 30, 2018 and for future periods  
Salary Increases: 3.50% annually as of June 30, 2018 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, 2018*

#### **Note 15. 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, 2018 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	1.60%
Intermediate-Term Credit	2.20%
Short-Term Credit	1.90%
Intermediate-Term TIPS	0.70%
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, 2017	\$18,902,220	\$ 4,071,710	\$14,830,510
Service cost	486,994	-	486,994
Interest on net OPEB liability and service cost	1,268,985	-	1,268,985
Differences between actual and expected experience	(1,172,388)	-	(1,172,388)
Changes in assumptions	-	-	-
Benefit payments, including refunds	(1,198,427)	(1,198,427)	-
Administrative expenses	-	(10,350)	10,350
Contributions - employer	-	1,804,537	(1,804,537)
Net investment income	-	<u>276,633</u>	<u>(276,633)</u>
Net changes	<u>(614,836)</u>	<u>872,393</u>	<u>(1,487,229)</u>
Balances at June 30, 2018	<u>\$18,287,384</u>	<u>\$ 4,944,103</u>	<u>\$13,343,281</u>

#### *Discount rate*

The discount rate used to measure the total OPEB liability was 6.75 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, 2018*

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**Note 15. 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 (5.75 percent) or 1-percentage-point higher (7.75 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	15,791,855	13,343,281	11,332,188

*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 (7.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (9.5 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 (7.50% decreasing to 4.00%)</b>	<b>Current trend rate (8.50% decreasing to 5.00%)</b>	<b>Current trend rate (9.50% decreasing to 6.00%)</b>
Total OPEB liability	11,017,464	13,343,281	16,207,701

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

For the year ended June 30, 2018 the Town recognized OPEB expense of \$1,310,721. At June 30, 2018, 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		\$ 1,590,077
<b>Deferred inflows of resources</b>		
Differences between actual and expected experience		2,298,531
Net difference between projected and actual earnings on OPEB plan investments		54,298
<b>Total</b>		<b>\$ (762,752)</b>

*Continued*

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

June 30, 2018

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**Note 15. 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:	
2019	\$ (160,989)
2020	(160,989)
2021	(160,991)
2022	(138,093)
2023	(141,690)
Thereafter	-

**Note 16. 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, 2018.

**Note 17. 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, 2018

**Note 17. 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, 2018, the incurred but not reported claims, as determined by RJMIC's health benefit advisors based on prior history, were estimated to approximate \$621,515 (\$230,149 Town and \$391,366 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 18. Tax abatements**

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

Owner	Authority	Parcel ID	True Assessment	Address	TSA Payment	True Tax 12/31/16	Difference
Fleet National Bank	RIGL42-64-1	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%.

**TOWN OF LINCOLN, RHODE ISLAND**

Note to the Financial Statements

*June 30, 2018*

**Note 19. Restatement**

The net position of the Governmental Activities and Business-Type Activities have been restated as of June 30, 2018 to reflect the reclassification of liabilities not belonging to the Town:

	<b>Business-Type Activities</b>		<b>Fiduciary Funds</b>	
	<b>Business Activities</b>	<b>Police Detail Fund</b>	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>
Beginning balance, July 1, 2017	\$ 33,802,495	\$ 174,906	\$ 23,076,912	\$ 3,968,408
To restate net position per actuarial valuation	-	-	(459,859)	103,302
To restate capital asset transfer into police detail for prior year vehicles purchased	71,601	71,601	-	-
Beginning balance, July 1, 2017, restated	<u>\$ 33,874,096</u>	<u>\$ 246,507</u>	<u>\$ 22,617,053</u>	<u>\$ 4,071,710</u>

**Note 20. Fund Balance Classification**

	<b>Major Funds</b>			<b>Non-Major Funds</b>		<b>Total</b>
	<b>General Fund</b>	<b>School Department</b>	<b>Public Building Fund</b>	<b>Town Special Revenue</b>	<b>Capital Projects</b>	
<b>Fund Balances</b>						
<b>Nonspendable</b>						
In Form	\$ 3,553	\$ 302,887	\$ -	\$ -	\$ -	\$ 306,440
<b>Restricted for</b>						
Grants	-	-	-	488,806	-	488,806
Educational purposes	-	359,803	-	-	-	359,803
Capital projects	-	-	-	-	4,108,973	4,108,973
<b>Committed to</b>						
Encumbrances	366,085	-	-	-	-	366,085
School field project	-	300,000	-	-	-	300,000
Educational purposes	-	783,782	-	-	-	783,782
<b>Assigned to</b>						
General government	500,000	-	-	-	-	500,000
<b>Unassigned</b>	7,676,039	(53,581)	-	(18,356)	-	7,604,102
	<u>\$ 8,545,677</u>	<u>\$ 1,692,891</u>	<u>\$ -</u>	<u>\$ 470,450</u>	<u>\$ 4,108,973</u>	<u>\$ 14,817,991</u>

**Note 21. Subsequent Events**

Management has evaluated subsequent events through the date of the financial statements, January 31, 2018. On September 25, 2019 the Town issued \$3,620,000 of general obligation refunding bonds as well as \$25,000,000 of bond anticipation notes relating to the Town high school project.

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*

Other Post-Employment Benefits – Schedule of Net OPEB Liability and Related Ratios

*For the Year Ended June 30, 2018*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 486,994	\$ 494,754
Interest on net OPEB liability and service cost	1,268,985	1,283,840
Differences between actual and expected experience	(1,172,388)	(1,850,157)
Changes of assumptions	-	2,226,107
Benefit payments, including refunds	<u>(1,198,427)</u>	<u>(727,240)</u>
 Net change in total OPEB liability	 (614,836)	 1,427,304
 Total OPEB liability - beginning	 <u>18,902,220</u>	 <u>17,474,916</u>
Total OPEB liability - ending	<u>\$ 18,287,384</u>	<u>\$ 18,902,220</u>
 <b>OPEB fiduciary net position</b>		
Benefit payments, including refunds	\$ (1,198,427)	\$ (727,240)
Administrative expenses	(10,350)	(9,932)
Contributions - employer	1,804,537	1,534,402
Net investment income	<u>276,633</u>	<u>362,250</u>
 Net change in plan fiduciary net position	 872,393	 1,159,480
 Plan fiduciary net position - beginning	 <u>4,071,710</u>	 <u>2,912,230</u>
Plan fiduciary net position - ending	<u>\$ 4,944,103</u>	<u>\$ 4,071,710</u>
 Plan's net pension liability - ending	 <u>\$ 13,343,281</u>	 <u>\$ 14,830,510</u>

\* Second year of implementation of GASB 74, therefore only two 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>
6/30/2018	4,944,103	18,287,384	13,343,281	27.04%	32,927,613	40.52%
6/30/2017	4,071,710	18,902,220	14,830,510	21.54%	31,814,119	46.62%

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

**TOWN OF LINCOLN, RHODE ISLAND**

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

*For the Year Ended June 30, 2018*

	<u>June 30, 2018</u>	<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	\$ 1,333,965	\$ 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>1,804,537</u>	<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>\$ (470,572)</u>	<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	\$ 32,927,613	\$ 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	5.48%	4.82%	3.69%	4.41%	4.57%	5.54%	unavailable	3.77%	3.55%	4.07%

*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

*For the Year Ended June 30, 2018*

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual money-weighted rate of return, net of investment expense	6.79%	12.43%

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

# TOWN OF LINCOLN, RHODE ISLAND

## Required Supplementary Information

### Other Post-Employment Benefits - Notes to Required Supplementary Information

For the Year Ended June 30, 2018

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#### Notes to Required Supplementary Information:

Valuation Date:	Actuarially Determined Contribution was calculated as of June 30, 2018.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Asset-Valuation Method:	Market Value of Assets as of the Measurement Date, June 30, 2018.
<b>Actuarial Assumptions:</b>	
Investment Rate of Return:	6.75%, net of OPEB plan investment expense
Medical inflation	8.50% decreasing 0.5% per year, to an ultimate rate of 5.00%
Inflation:	3.50% as of June 30, 2018 and for future periods
Salary Increases:	3.50% annually as of June 30, 2018 and for future periods
Pre-Retirement Mortality:	<b>Healthy retirees:</b> 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 <b>Disabled retirees:</b> Police only: RP-2014 Disabled Mortality Table with 2016 Social Security generational improvement scale from 2006
Assumed rate of retirement:	<b>School support staff</b> 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. <b>School teachers and administration</b> 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. <b>Town police officers</b> 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, 2018*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	1.43163923%	1.52732535%	1.52994437%	1.63791472%
Employer's proportionate share of the net pension liability	\$ 45,057,871	\$ 45,568,936	\$ 42,119,410	\$ 39,866,851
State's proportionate share of the net pension liability associated with the school district	<u>34,052,925</u>	<u>31,208,030</u>	<u>28,774,659</u>	<u>27,338,536</u>
Total	<u>\$ 79,110,796</u>	<u>\$ 76,776,966</u>	<u>\$ 70,894,069</u>	<u>\$ 67,205,387</u>
Employer's covered employee payroll	\$ 24,703,975	\$ 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	320.24%	314.03%	173.27%	165.68%
Plan fiduciary net position as a percentage of the total pension liability	51.80%	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, 2018*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 5,769,710	\$ 3,340,370	\$ 3,445,181	\$ 3,286,406
Contributions in relation to the actuarially determined contribution	<u>5,769,710</u>	<u>3,340,370</u>	<u>3,445,181</u>	<u>3,286,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,703,975	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Contributions as a percentage of covered- employee payroll	23.36%	13.66%	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 the Town's Net Pension Liability and Related Ratios -  
 Municipal Employees' Retirement System - General Employee Plan

*For the Year Ended June 30, 2018*

	<u>Year Ended June 30, 2017</u>	<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	\$ 97,917	\$ 92,977	\$ 90,123	\$ 84,067
2. Interest on the total pension liability	197,823	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	(110,743)	1,134	186,180	-
5. Changes of assumptions	146,156	-	-	(32,372)
6. Benefit payments, including refunds of employee contributions	<u>(105,764)</u>	<u>(105,764)</u>	<u>(102,767)</u>	<u>(102,825)</u>
7. Net change in total pension liability	225,389	173,009	335,935	100,570
8. Total pension liability – beginning	<u>2,641,557</u>	<u>2,468,548</u>	<u>2,132,613</u>	<u>2,032,043</u>
9. Total pension liability – ending (a)	<u>\$ 2,866,946</u>	<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	\$ 129,264	\$ 128,161	\$ 128,464	\$ 102,118
2. Contributions – employee	10,772	10,092	9,882	9,159
3. Net investment income	231,038	(386)	45,319	247,030
4. Benefit payments, including refunds of employee contributions	(105,764)	(105,764)	(102,767)	(102,825)
5. Pension Plan Administrative Expense	(2,183)	(2,070)	(1,817)	(1,547)
6. Other	<u>(4,893)</u>	<u>(46,510)</u>	<u>1</u>	<u>212,009</u>
7. Net change in plan fiduciary net position	258,234	(16,477)	79,082	465,944
8. Plan fiduciary net position – beginning	<u>1,917,338</u>	<u>1,933,815</u>	<u>1,854,733</u>	<u>1,388,789</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 2,175,572</u>	<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>\$ 691,374</u>	<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>	75.88%	72.58%	78.34%	86.97%
<b>E. Covered employee payroll</b>	\$ 1,077,196	\$ 1,006,242	\$ 988,187	\$ 927,888
<b>F. Net pension liability as a percentage of covered payroll</b>	64.18%	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 Town's Contributions  
Municipal Employees' Retirement System General Employee Plan

*For the Year Ended June 30, 2018*

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	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 267,125	\$ 235,883	\$ 252,853	\$ 245,701
Contributions in relation to the actuarially determined contribution	<u>267,125</u>	<u>235,883</u>	<u>252,853</u>	<u>245,701</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,077,196	\$ 1,006,242	\$ 988,187	\$ 927,888
Contributions as a percentage of covered-employee payroll	24.80%	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.

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

**TOWN OF LINCOLN, RHODE ISLAND**

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

*For the Year Ended June 30, 2018*

	<u>Year Ended June 30, 2017</u>	<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	\$ 170,422	\$ 168,655	\$ 148,381	\$ 148,084
2. Interest on the total pension liability	370,389	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	263,444	(187,182)	(32,356)	-
5. Changes of assumptions	428,763	-	-	(39,710)
6. Benefit payments, including refunds of employee contributions	<u>(193,838)</u>	<u>(164,793)</u>	<u>(151,960)</u>	<u>(151,747)</u>
7. Net change in total pension liability	1,039,180	174,969	485,462	258,813
8. Total pension liability – beginning	<u>4,950,222</u>	<u>4,775,253</u>	<u>4,289,791</u>	<u>4,030,978</u>
9. Total pension liability – ending (a)	<u>\$ 5,989,402</u>	<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	\$ 175,174	\$ 172,028	\$ 179,605	\$ 144,073
2. Contributions – employee	94,281	94,536	71,166	73,273
3. Net investment income	390,188	(1,181)	77,451	417,750
4. Benefit payments, including refunds of employee contributions	(193,838)	(164,793)	(151,960)	(151,747)
5. Pension Plan Administrative Expense	(3,686)	(3,177)	(3,105)	(2,616)
6. Other	<u>(190,244)</u>	<u>-</u>	<u>(4,765)</u>	<u>-</u>
7. Net change in plan fiduciary net position	271,875	97,413	168,392	480,733
8. Plan fiduciary net position – beginning	<u>3,402,332</u>	<u>3,304,919</u>	<u>3,136,527</u>	<u>2,655,794</u>
9. Plan fiduciary net position – ending (b)	<u>\$ 3,674,207</u>	<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>\$ 2,315,195</u>	<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>	61.35%	68.73%	69.21%	73.12%
<b>E. Covered employee payroll</b>	\$ 960,666	\$ 952,317	\$ 889,575	\$ 898,567
<b>F. Net pension liability as a percentage of covered payroll</b>	241.00%	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 Town's Contributions  
Municipal Employees' Retirement System - Rescue Employee Plan

*For the Year Ended June 30, 2018*

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	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Actuarially determined contribution	\$ 183,669	\$ 175,174	\$ 172,028	\$ 179,605
Contributions in relation to the actuarially determined contribution	<u>183,669</u>	<u>175,174</u>	<u>172,028</u>	<u>179,605</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,003,896	\$ 960,666	\$ 952,317	\$ 889,575
Contributions as a percentage of covered-employee payroll	18.30%	18.23%	18.06%	20.19%

**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.*

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

**TOWN OF LINCOLN, RHODE ISLAND**

*Required Supplementary Information*

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

*For the Year Ended June 30, 2018*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension asset	4.67075334%	4.78468663%	4.90497735%	4.97709490%
Employer's proportionate share of the net pension asset	\$ 3,863,946	\$ 4,764,203	\$ 4,579,071	\$ 6,187,561
Employer's covered employee payroll	\$ 24,703,975	\$ 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	15.64%	19.49%	18.84%	25.71%
Plan fiduciary net position as a percentage of the total pension liability	136.1%	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.*

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

**TOWN OF LINCOLN, RHODE ISLAND**

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

*For the Year Ended June 30, 2018*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 33,927	\$ 27,552	\$ 30,731	\$ 28,406
Contributions in relation to the statutorily determined contribution	<u>33,927</u>	<u>27,552</u>	<u>30,731</u>	<u>28,406</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 24,703,975	\$ 24,449,295	\$ 24,308,607	\$ 24,062,206
Contributions as a percentage of covered-employee payroll	0.14%	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, 2018*

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

The schedules are intended to show information for 10 years – additional years will be displayed as they become available.

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.

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.

Employers participating in the Teachers' Survivors Benefit Plan contribute at a rate established by RI General Laws, Section 16-16-35.

#### ***June 30, 2017 measurement date –***

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

#### ***June 30, 2016 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

## TOWN OF LINCOLN, RHODE ISLAND

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

*For the Year Ended June 30, 2018*

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#### ***June 30, 2015 measurement date –***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date

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

*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, 2018*

	<u>June 30, 2018</u>	<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	\$ 809,348	\$ 792,134	\$ 763,850	\$ 599,159	\$ 605,377
Interest	2,450,033	2,482,561	2,498,226	1,956,043	2,111,291
Changes of benefit terms	(3,977)	-	(26,249)	-	-
Differences between expected and actual experience	(92,415)	167,575	(505,472)	(258,433)	77,724
Changes of assumptions	(58,519)	(118,482)	(18,060)	5,028,770	312,459
Benefit payments, including refunds of participant contributions	<u>(1,654,290)</u>	<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>	1,450,180	1,731,457	1,119,962	5,718,581	1,660,419
<b>Total pension liability - beginning</b>	<u>37,200,654</u>	<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>\$ 38,650,834</u>	<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	\$ 1,700,406	\$ 1,522,833	\$ 1,289,255	\$ 1,151,809	\$ 1,146,450
Contributions - employee	312,334	312,264	290,824	273,935	277,602
Net investment income	1,956,480	2,248,866	642,654	302,238	2,760,209
Benefit payments, including refunds of participant contributions	(1,654,290)	(1,592,331)	(1,592,333)	(1,606,958)	(1,446,432)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in plan fiduciary net position</b>	2,314,930	2,491,632	630,400	121,024	2,737,829
<b>Plan fiduciary net position - beginning</b>	<u>23,079,627</u>	<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>\$ 25,394,557</u>	<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>\$ 13,256,277</u>	<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, 2018*

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	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Total pension liability	\$ 38,650,834	\$ 37,200,654	\$ 35,469,197	\$ 34,349,235	\$ 28,630,654
Plan fiduciary net position	<u>25,394,557</u>	<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>\$ 13,256,277</u>	<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	65.70%	62.04%	58.04%	58.10%	69.28%
Covered-employee payroll	5,450,472	5,323,702	5,142,178	5,073,432	5,139,367
Net pension liability (asset) as a percentage of covered-employee payroll	243.21%	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 Town's Contributions  
 Town Pension Plan

*For the Year Ended June 30, 2018*

	<u>2018</u>	<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>
Actuarially determined contribution	\$ 1,700,406	\$ 1,716,079	\$ 1,608,486	\$ 1,374,183	\$ 1,227,757	\$ 1,222,045	\$ 1,086,386	\$ 644,463	\$ 644,615	\$ 618,012
Contributions in relation to the actuarially determined contribution	<u>1,700,406</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<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>
Covered-employee payroll	5,275,079	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
Contributions as a percentage of covered-employee payroll	32.23%	28.60%	27.11%	24.20%	23.78%	24.19%	10.45%	14.77%	8.85%	7.77%

*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, 2018*

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportionate share of the net pension liability (asset)	93.81%	94.67%	94.59%	93.81%	93.81%
Town's proportionate share of the net pension liability (asset)	\$ 13,256,277	\$ 14,121,027	\$ 14,881,202	\$ 14,391,640	\$ 8,794,083
Town's covered-employee payroll	\$ 5,450,472	\$ 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	243.21%	265.25%	289.39%	283.67%	171.11%
Plan fiduciary net position as a percentage of the total pension liability	65.70%	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 Town's Investment Returns and Notes to Required Supplementary Information  
Town Pension Plan

*For the Year Ended June 30, 2018*

	<u>June 30, 2018</u>	<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	8.56%	10.92%	3.30%	4.65%	16.60%

**Notes to the Schedule:**

Valuation Date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

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 based on 2017 assumptions RP-2014 Total Mortality with Social Security Generational Improvement Scale from 2006 based on 2017 assumptions												
Terminations	T-2. Illustrative annual rates of withdrawals as follows:												
	<table> <thead> <tr> <th align="center"><u>Age</u></th> <th align="center"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td align="center">&lt;25</td> <td align="center">6.00%</td> </tr> <tr> <td align="center">25-29</td> <td align="center">5.00%</td> </tr> <tr> <td align="center">30-34</td> <td align="center">4.00%</td> </tr> <tr> <td align="center">35-59</td> <td align="center">3.50%</td> </tr> <tr> <td align="center">60+</td> <td align="center">3.00%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rate</u>	<25	6.00%	25-29	5.00%	30-34	4.00%	35-59	3.50%	60+	3.00%
<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, 2018*

	<u>Original Budget</u>			<u>Actual</u>	<u>Encumbrances Carried Into to FY19</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Encumbrances Carried Into to FY18</u>	<u>Budget As Adopted</u>	<u>Total Available</u>			
<b>Revenues</b>						
Taxes	\$ -	\$ 54,861,886	\$ 54,861,886	\$ 54,593,539	\$ -	\$ (268,347)
Intergovernmental	-	7,800,219	7,800,219	10,962,770	-	3,162,551
Local revenues	-	2,199,034	2,199,034	2,852,409	-	653,375
Interest and investment income	-	380,000	380,000	431,703	-	51,703
Total revenues	<u>-</u>	<u>65,241,139</u>	<u>65,241,139</u>	<u>68,840,421</u>	<u>-</u>	<u>3,599,282</u>
<b>Expenditures</b>						
General government	12,082	869,558	881,640	832,063	4,174	45,403
Financial administration	1,047	806,291	807,338	799,159	4,254	3,925
Public library	51,050	1,195,231	1,246,281	1,111,816	44,161	90,304
Public safety	35,064	6,706,568	6,741,632	6,706,584	28,295	6,753
Public services	540,098	6,959,414	7,499,512	6,661,757	285,201	552,554
Municipal resolutions	-	(11,429)	(11,429)	378,299	-	(389,728)
Grants and contributions	-	60,500	60,500	60,500	-	-
Other expenditures	3,119	4,877,841	4,880,960	5,559,074	-	(678,114)
Debt service:						
Principal payments	-	2,045,000	2,045,000	2,045,000	-	-
Interest and fiscal charges	<u>-</u>	<u>1,026,213</u>	<u>1,026,213</u>	<u>1,026,213</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>642,460</u>	<u>24,535,187</u>	<u>25,177,647</u>	<u>25,180,465</u>	<u>366,085</u>	<u>(368,903)</u>
Excess (deficiency) of revenues over expenditures	<u>(642,460)</u>	<u>40,705,952</u>	<u>40,063,492</u>	<u>43,659,956</u>	<u>(366,085)</u>	<u>3,230,379</u>
<b>Other financing sources and (uses)</b>						
Transfers from other funds	-	848,310	848,310	688,096	-	(160,214)
Transfers to other funds	<u>-</u>	<u>(41,554,262)</u>	<u>(41,554,262)</u>	<u>(44,022,851)</u>	<u>-</u>	<u>(2,468,589)</u>
	<u>-</u>	<u>(40,705,952)</u>	<u>(40,705,952)</u>	<u>(43,334,755)</u>	<u>-</u>	<u>(2,628,803)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis</b>	<u>\$ (642,460)</u>	<u>\$ -</u>	<u>\$ (642,460)</u>	\$ 325,201	<u>\$ (366,085)</u>	<u>\$ 601,576</u>
Adjustment of budgetary basis to U.S. GAAP				<u>-</u>		
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses, GAAP basis</b>				325,201		
<b>Fund balance, July 1, 2017</b>				<u>8,220,476</u>		
<b>Fund balance, June 30, 2018</b>				<u>\$ 8,545,677</u>		

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

## TOWN OF LINCOLN, RHODE ISLAND

### Notes to Required Supplementary Information Budgetary Comparison

*For the Year Ended June 30, 2018*

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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.

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

Supplementary Information  
Annual Tax Collectors Report

*For the Year Ended June 30, 2018*

<u>Tax Roll Year</u>	<u>Balance</u>		<u>Abatements &amp;</u>		<u>Amount to</u>	<u>Current Year</u>	<u>Balance</u>	<u>Collections Subject</u>	<u>September -</u>	<u>Total FY 2018</u>	<u>(FY 19) Cash</u>
	<u>July 1, 2017</u>	<u>Assessment</u>	<u>Additions</u>	<u>Adjustments</u>	<u>be collected</u>	<u>Collections</u>	<u>June 30, 2018</u>	<u>to 60-day FY17</u>	<u>6/1/2018</u>	<u>Cash</u>	<u>Collections Subject to</u>
								<u>Accrual</u>	<u>Collections</u>	<u>Collections</u>	<u>60-day FY 18 Accrual</u>
2017	\$ -	\$ 55,151,185	\$ 3,436	\$ (537,809)	\$ 54,616,812	\$ 52,887,656	1,729,156	\$ -	\$ 52,887,656	\$ 52,887,656	\$ 589,159
2016	2,157,881	-	352	(15,759)	2,142,474	1,857,586	284,888	914,648	942,938	1,857,586	28,920
2015	299,274	-	-	(1,645)	297,629	120,293	177,336	24,616	95,677	120,293	168
2014	181,210	-	-	(917)	180,293	24,120	156,173	6,275	17,845	24,120	1,272
2013	135,700	-	-	6,140	141,840	12,853	128,987	1,113	11,740	12,853	242
2012	145,504	-	-	(3,218)	142,286	9,408	132,878	503	8,905	9,408	261
2011	129,717	-	-	(6,386)	123,331	3,988	119,343	597	3,391	3,988	-
2010	101,928	-	-	(3,519)	98,409	1,906	96,503	472	1,434	1,906	-
2009	57,420	-	-	(3,126)	54,294	1,204	53,090	8	1,196	1,204	-
2008	111,094	-	-	(3,411)	107,683	2,452	105,231	603	1,849	2,452	-
2007 and prior	164,051	-	-	(66,560)	97,491	677	96,814	182	495	677	-
	<u>\$ 3,483,779</u>	<u>\$ 55,151,185</u>	<u>\$ 3,788</u>	<u>\$ (636,210)</u>	<u>\$ 58,002,542</u>	<u>\$ 54,922,143</u>	<u>\$ 3,080,399</u>	<u>\$ 949,017</u>	<u>\$ 53,973,126</u>	<u>\$ 54,922,143</u>	<u>\$ 620,022</u>
Less: Allowance for uncollectible accounts	<u>(493,910)</u>						<u>(443,468)</u>				
	<u>\$ 2,989,869</u>						<u>\$ 2,636,931</u>				

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

Supplementary Information  
Annual Tax Collectors Report

*For the Year Ended June 30, 2018*

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**Schedule of property valuation assessed as of December 31, 2017:**

	<u>Valuation</u>	<u>Levy</u>
Real property	\$ 2,580,764,400	\$ 59,140,134
Motor vehicles	240,842,199	7,384,222
Tangible personal property	<u>155,386,368</u>	<u>5,343,737</u>
Total	\$ 2,976,992,967	\$ 71,868,093
Less: Exemptions and motor vehicle phase out		
Real property	(676,148,604)	(14,809,907)
Motor vehicles	(62,188,020)	(1,906,685)
Tangible personal property	<u>-</u>	<u>-</u>
Total	<u>\$ 2,238,656,342</u>	<u>\$ 55,151,501</u>

**Reconciliation of Current Year Property Tax**

Current Year Collections	\$ 54,922,143
60-day FY18 Accrual	
<i>July-August 2018 Collections</i>	620,022
60-day FY17 Accrual	
<i>July-August 2017 Collections</i>	<u>(949,017)</u>
Current Year Property Tax Revenue	<u>\$ 54,593,148</u>

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

*Supplementary Information*  
 Budgetary Comparison Schedule – School Unrestricted Fund

*For the Year Ended June 30, 2018*

	<u>Original Budget</u>					
	<u>Encumbrances</u>	<u>Budget</u>	<u>Total</u>		<u>Encumbrances</u>	<u>Variance</u>
	<u>Carried</u>	<u>As</u>	<u>Available</u>	<u>Actual</u>	<u>Carried</u>	<u>Favorable</u>
	<u>to FY 18</u>	<u>Adopted</u>			<u>to FY 19</u>	<u>(Unfavorable)</u>
<b>Revenues</b>						
State aid for education	\$ -	\$ 12,224,790	\$ 12,224,790	\$ 12,510,493	\$ -	\$ 285,703
Medicaid	-	793,000	793,000	888,129	-	95,129
Miscellaneous	-	-	-	105,948	-	105,948
Total revenues	<u>-</u>	<u>13,017,790</u>	<u>13,017,790</u>	<u>13,504,570</u>	<u>-</u>	<u>486,780</u>
<b>Expenditures</b>						
Salaries	-	30,278,424	30,278,424	30,510,512	-	(232,088)
Employee benefits	-	11,418,343	11,418,343	10,879,657	-	538,686
Purchased services	2,226	10,307,904	10,310,130	10,971,334	-	(661,204)
Supplies and materials	-	1,470,378	1,470,378	1,353,843	-	116,535
Other	-	65,326	65,326	71,590	-	(6,264)
Capital outlay	-	158,367	158,367	255,220	19,268	(96,853)
Total expenditures	<u>2,226</u>	<u>53,698,742</u>	<u>53,700,968</u>	<u>54,042,156</u>	<u>19,268</u>	<u>(341,188)</u>
Excess of expenditures over revenues, budgetary basis	<u>(2,226)</u>	<u>(40,680,952)</u>	<u>(40,683,178)</u>	<u>(40,537,586)</u>	<u>(19,268)</u>	<u>145,592</u>
<b>Other financing sources (uses)</b>						
Appropriation from Town's general fund	-	40,705,952	40,705,952	40,705,952	-	-
Transfer from other funds	-	-	-	-	-	-
Transfer to other funds	-	(25,000)	(25,000)	(144,954)	-	169,954
Total other financing sources (uses)	<u>-</u>	<u>40,680,952</u>	<u>40,680,952</u>	<u>40,560,998</u>	<u>-</u>	<u>(119,954)</u>
<b>Excess of revenues and other financing sources over expenditures and other financing uses, budgetary basis</b>	<u>\$ (2,226)</u>	<u>\$ -</u>	<u>\$ (2,226)</u>	<u>\$ 23,412</u>	<u>\$ (19,268)</u>	<u>\$ 25,638</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>23,412</u>		
Fund balance, July 1, 2017				<u>1,358,007</u>		
Fund balance, June 30, 2018				<u>\$ 1,381,419</u>		

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2018*

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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)

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2018*

<u>REVENUE</u>	<u>Municipal</u>	<u>Education Department</u>
Current Year Levy Tax Collection	\$ 53,515,394	\$ -
Last Year's Levy Tax Collection	945,247	-
Prior Years Property Tax Collection	132,897	-
Interest & Penalty	374,677	-
PILOT & Tax Treaty (excluded from levy) Collection	68,592	-
Other Local Property Taxes	-	-
Licenses and Permits	534,673	-
Fines and Forfeitures	83,664	-
Investment Income	57,026	-
Departmental	636,186	-
Rescue Run Revenue	1,320,974	-
Police & Fire Detail	1,022,461	-
Other Local Non-Property Tax Revenues	181,341	-
Tuition	-	47,344
Impact Aid	-	-
Medicaid	-	888,129
Federal Stabilization Funds	-	-
Federal Food Service Reimbursement	-	442,238
CDBG	-	-
COPS Grants	-	-
SAFER Grants	-	-
Other Federal Aid Funds	-	1,459,464
MV Excise Tax Reimbursement & Phase-out	648,266	-
State PILOT Program	-	-
Distressed Community Relief Fund	-	-
Library Resource Aid	203,414	-
Library Construction Aid	-	-
Public Service Corporation Tax	267,304	-
Meals & Beverage Tax / Hotel Tax	929,642	-
LEA Aid	-	12,510,493
Group Home	-	-
Housing Aid Capital Projects	262,367	-
Housing Aid Bonded Debt	745,995	-
State Food Service Revenue	-	10,925
Incentive Aid	-	-
Property Revaluation Reimbursement	-	-
Other State Revenue	7,905,781	1,800
Other Revenue	-	528,200
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>\$ 69,835,902</b>	<b>\$ 56,594,545</b>
Financing Sources: Transfer from Capital Funds	\$ 661,118	\$ -
Financing Sources: Transfer from Other Funds	-	-
Financing Sources: Debt Proceeds	-	-
Financing Sources: Other	-	-
Rounding	-	-
<b>Total Other Financing Sources</b>	<b>\$ 661,118</b>	<b>\$ -</b>

*See independent auditors' report*

# TOWN OF LINCOLN, RHODE ISLAND

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

*For the Year Ended June 30, 2018*

EXPENDITURES	General		Social	Centralized		Libraries	Public	Parks and	Police
	Government	Finance	Services	IT	Planning		Works	Rec	Department
Compensation- Group A	\$ 410,841	\$ 516,438	\$ 246,539	\$ 69,479	\$ 129,414	\$ 592,435	\$ 2,023,321	\$ 290,598	\$ 2,526,687
Compensation - Group B	-	-	-	-	-	-	-	-	151,660
Compensation - Group C	-	-	-	-	-	-	-	-	-
Compensation -Volunteer	-	-	-	-	-	-	-	-	-
Overtime- Group A	988	267	93	-	-	739	146,131	5,273	72,260
Overtime - Group B	-	-	-	-	-	-	-	-	5,681
Overtime - Group C	-	-	-	-	-	-	-	-	-
Police & Fire Detail	-	-	-	-	-	-	-	-	846,152
Active Medical Insurance - Group A	131,024	204,931	99,452	21,837	30,902	157,910	712,546	61,804	684,682
Active Medical Insurance- Group B	-	-	-	-	-	-	-	-	30,902
Active Medical Insurance- Group C	-	-	-	-	-	-	-	-	-
Active Dental insurance- Group A	5,129	8,023	3,894	855	1,210	4,318	27,897	2,420	26,806
Active Dental Insurance- Group B	-	-	-	-	-	-	-	-	1,210
Active Dental Insurance- Group C	-	-	-	-	-	-	-	-	-
Payroll Taxes	24,745	39,528	16,439	5,315	9,900	45,378	165,963	22,634	271,975
Life Insurance	945	1,198	699	175	349	1,133	3,065	341	8,563
State Defined Contribution- Group A	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group B	-	-	-	-	-	-	-	-	-
State Defined Contribution - Group C	-	-	-	-	-	-	-	-	-
Other Benefits- Group A	75,356	-	-	-	-	-	13,650	-	62,526
Other Benefits- Group B	-	-	-	-	-	-	-	-	-
Other Benefits- Group C	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	-	-	1,366,507
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension- Group A	16,100	24,747	6,523	-	9,070	8,332	31,884	-	-
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-	-
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	22,159	42,316	14,848	819	5,234	43,045	186,184	14,881	8,663
Purchased Services	171,513	32,584	39,960	38,166	8,109	39,442	40,520	-	-
Materials/Supplies	19,558	33,596	18,823	9,337	2,356	183,724	22,515	43,967	52,374
Software Licenses	5,643	-	-	67,238	-	-	-	-	-
Capital Outlays	-	-	-	-	-	-	1,612,186	-	124,362
Insurance	880,158	-	-	-	-	-	-	-	-
Maintenance	-	-	25,643	-	-	6,250	234,688	69,248	42,877
Vehicle Operations	-	-	8,193	-	30	-	284,744	6,065	135,815
Utilities	20,727	16,582	57,072	7,810	4,145	38,702	41,455	30,883	17,697
Contingency	-	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	535,845	-	-
Revaluation	-	15,533	-	-	-	-	-	-	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	283,449	-	-
Trash Removal & Recycling	-	-	-	-	-	-	359,751	-	-
Claims & Settlements	63,440	-	-	-	-	-	-	-	-
Community Support	60,500	-	-	-	-	-	-	-	-
Other Operation Expenditures	45,021	5,644	180	2,698	1,557	886	317,589	-	60,564
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>\$ 1,953,845</b>	<b>\$ 941,387</b>	<b>\$ 538,358</b>	<b>\$ 223,729</b>	<b>\$ 202,277</b>	<b>\$ 1,122,293</b>	<b>\$ 7,043,384</b>	<b>\$ 548,112</b>	<b>\$ 6,497,964</b>

*See independent auditors' report*

# TOWN OF LINCOLN, RHODE ISLAND

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

*For the Year Ended June 30, 2018*

EXPENDITURES	Fire Department	Centralized Dispatch	Public Safety Other	Education Appropriation	Debt	OPEB	Total Municipal	Education Department
Compensation- Group A	\$ -	\$ 253,894	\$ 976,453	\$ -	\$ -	\$ -	\$ 8,036,099	\$ 24,620,563
Compensation - Group B	-	-	-	-	-	-	151,660	1,967,113
Compensation - Group C	-	-	-	-	-	-	-	4,753,660
Compensation -Volunteer	-	-	-	-	-	-	-	-
Overtime- Group A	-	22,246	397,365	-	-	-	645,363	-
Overtime - Group B	-	-	-	-	-	-	5,681	-
Overtime - Group C	-	-	-	-	-	-	-	39,927
Police & Fire Detail	-	-	-	-	-	-	846,152	-
Active Medical Insurance - Group A	-	77,615	331,061	-	-	-	2,513,764	3,458,214
Active Medical Insurance- Group B	-	-	-	-	-	-	30,902	201,708
Active Medical Insurance- Group C	-	-	-	-	-	-	-	1,437,823
Active Dental insurance- Group A	-	3,039	12,962	-	-	-	96,552	188,005
Active Dental Insurance- Group B	-	-	-	-	-	-	1,210	11,318
Active Dental Insurance- Group C	-	-	-	-	-	-	-	94,732
Payroll Taxes	-	21,125	101,251	-	-	-	724,253	734,598
Life Insurance	-	428	1,824	-	-	-	18,717	202,148
State Defined Contribution- Group A	-	-	-	-	-	-	-	558,907
State Defined Contribution - Group B	-	-	-	-	-	-	-	32,053
State Defined Contribution - Group C	-	-	-	-	-	-	-	-
Other Benefits- Group A	-	-	17,765	-	-	-	169,297	89,078
Other Benefits- Group B	-	-	-	-	-	-	-	15,804
Other Benefits- Group C	-	-	-	-	-	-	-	209,456
Local Defined Benefit Pension- Group A	-	-	-	-	-	-	1,366,507	-
Local Defined Benefit Pension - Group B	-	-	-	-	-	-	-	-
Local Defined Benefit Pension - Group C	-	-	-	-	-	-	-	374,836
State Defined Benefit Pension- Group A	-	-	151,056	-	-	-	247,713	3,266,691
State Defined Benefit Pension - Group B	-	-	-	-	-	-	-	239,397
State Defined Benefit Pension - Group C	-	-	-	-	-	-	-	-
Other Defined Benefit / Contribution	-	30,305	3,659	-	-	-	372,112	-
Purchased Services	-	-	79,758	-	-	-	450,051	11,333,642
Materials/Supplies	-	-	81,250	-	-	-	467,499	798,183
Software Licenses	-	-	-	-	-	-	72,881	171,280
Capital Outlays	-	-	83,922	-	-	-	1,820,471	345,245
Insurance	-	-	-	-	-	-	880,158	238,561
Maintenance	-	-	9,798	-	-	-	388,504	231,494
Vehicle Operations	-	-	39,310	-	-	-	474,157	15,693
Utilities	-	3,123	22,381	-	-	-	260,577	671,712
Contingency	-	-	-	-	-	-	-	-
Street Lighting	-	-	-	-	-	-	535,845	-
Revaluation	-	-	-	-	-	-	15,533	-
Snow Removal-Raw Material & External Contracts	-	-	-	-	-	-	283,449	-
Trash Removal & Recycling	-	-	-	-	-	-	359,751	-
Claims & Settlements	-	-	-	-	-	-	63,440	-
Community Support	-	-	-	-	-	-	60,500	-
Other Operation Expenditures	-	-	3,931	-	-	-	438,070	173,424
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	-	-	-	-	184,563	-	184,563	-
School Debt- Principal	-	-	-	-	1,645,000	-	1,645,000	-
School Debt- Interest	-	-	-	-	841,650	-	841,650	-
Retiree Medical Insurance- Total	-	-	-	-	-	-	-	116,016
Retiree Dental Insurance- Total	-	-	-	-	-	-	-	-
OPEB Contribution- Total	-	-	-	-	-	1,236,024	1,236,024	-
Non-Qualified OPEB Trust Contribution	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 411,775</b>	<b>\$ 2,313,746</b>	<b>\$ 40,705,952</b>	<b>\$ 3,071,213</b>	<b>\$ 1,236,024</b>	<b>\$ 66,810,058</b>	<b>\$ 56,591,281</b>

Financing Uses: Transfer to Capital Funds	\$ 3,316,900	\$ -
Financing Uses: Transfer to Other Funds	-	-
Financing Uses: Payment to Bond Escrow Agent	-	-
Financing Uses: Other	-	-
<b>Total Other Financing Uses</b>	<b>\$ 3,316,900</b>	<b>\$ -</b>
<b>Net Change in Fund Balance<sup>1</sup></b>	<b>370,063</b>	<b>3,264</b>
<b>Fund Balance<sup>1</sup>- beginning of year</b>	<b>58,395,382</b>	<b>\$1,689,958</b>
Funds removed from Reportable Government Services (RGS)	-	-
Funds added to Reportable Government Services (RGS)	-	-
Prior period adjustments	71,601	-
Misc. Adjustment	-	697
<b>Fund Balance<sup>1</sup> - beginning of year adjusted</b>	<b>8,466,983</b>	<b>1,690,655</b>
Rounding	-	-
<b>Fund Balance<sup>1</sup> - end of year</b>	<b>\$ 8,837,046</b>	<b>\$ 1,693,919</b>

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

*See independent auditors' report*

**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2018*

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 Balance<sup>1</sup> - per MTP-2 at June 30, 2017</b>						\$ 8,395,382		\$ 8,395,382	
<i>No funds removed from RGS for fiscal 2017</i>						-		-	
<i>No funds added to RGS for Fiscal 2017</i>						-		-	
<i>Prior period adjustment for police detail</i>						-	71,601	71,601	
<b>Fund Balance<sup>1</sup> - per MTP-2 at June 30, 2017 adjusted</b>						<u>\$ 8,395,382</u>		<u>\$ 8,466,983</u>	
General Fund	\$ 68,813,441	\$ 688,096	\$ 25,153,485	\$ 44,022,852	\$ 325,201	\$ 8,220,476	\$ -	\$ 8,220,476	\$ 8,545,677
Police Detail	1,022,461	-	950,621	26,978	44,861	174,906	71,601	246,507	291,368
<b>Totals per audited financial statements</b>	<u>\$ 69,835,902</u>	<u>\$ 688,096</u>	<u>\$ 26,104,107</u>	<u>\$ 44,049,830</u>	<u>\$ 370,062</u>	<u>\$ 8,395,382</u>	<u>\$ 71,601</u>	<u>\$ 8,466,983</u>	<u>\$ 8,837,045</u>
<b><u>Reconciliation from financial statements to MTP2</u></b>									
Reclassify transfer of municipal appropriation to Education Department as expenditure on MTP-2	\$ -	\$ -	\$ 40,705,952	\$ (40,705,952)	\$ -	\$ -	\$ -	\$ -	\$ -
Eliminate transfers between Funds reported on MTP-2:									
- from Police Details to General Fund	-	(26,978)	-	(26,978)	-	-	-	-	-
Rounding	-	-	(1)	-	1	-	-	-	1
<b>Totals Per MTP2</b>	<u>\$ 69,835,902</u>	<u>\$ 661,118</u>	<u>\$ 66,810,058</u>	<u>\$ 3,316,900</u>	<u>\$ 370,063</u>	<u>\$ 8,395,382</u>	<u>\$ 71,601</u>	<u>\$ 8,466,983</u>	<u>\$ 8,837,046</u>

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

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**TOWN OF LINCOLN, RHODE ISLAND**

Other Supplementary Information  
Annual Supplemental Transparency Report (MTP2)

*For the Year Ended June 30, 2018*

Check header	Total Other			Total Other			Net Change	Beginning Fund	Prior Period	Restated Beginning	Ending
Per Audited Fund Financial Statements							in Fund	Fund Balance <sup>1</sup>	Adjustment	Fund Balance <sup>1</sup>	Fund Balance <sup>1</sup>
Fund Description	Total Revenue	Financing Sources	Total Expenditures	Financing Uses	Balance <sup>1</sup>	(Deficit)	(Deficit)	(Deficit)	(Deficit)	(Deficit)	
Fund Balance <sup>1</sup> - per MTP-2 at June 30, 2017						\$ 1,689,958	-	\$ 1,689,958			
<i>Contra expenditures eliminated in fiscal 2017 impacting fiscal year 2018</i>						697	-	697			
Fund Balance <sup>1</sup> - per MTP-2 at June 30, 2017 adjusted						<u>\$ 1,690,655</u>		<u>\$ 1,690,655</u>			
School Unrestricted Fund	\$ 15,947,793	\$ 40,705,952	\$ 56,630,333	\$ -	\$ 23,412	\$ 1,358,007	\$ -	\$ 1,358,007	\$ 1,381,419		
School Special Revenue Funds	2,392,158	-	2,413,334	-	(21,176)	332,648	-	332,648	311,472		
<b>Totals per audited financial statements</b>	<u>\$ 18,339,951</u>	<u>\$ 40,705,952</u>	<u>\$ 59,043,667</u>	<u>\$ -</u>	<u>\$ 2,236</u>	<u>\$ 1,690,655</u>	<u>\$ -</u>	<u>\$ 1,690,655</u>	<u>\$ 1,692,891</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	(2,443,223)	-	(2,443,223)	-	-	-	-	-	-	-	
UCOA differences resulting from expenses for locations not part of the Lincoln Public Schools and excluded from UCOA reporting.	(8,135)	-	(9,163)	-	1,028	-	-	-	-	1,028	
Rounding	-	-	-	-	-	-	-	-	-	-	
<b>Totals Per MTP2</b>	<u>\$ 56,594,545</u>	<u>\$ -</u>	<u>\$ 56,591,281</u>	<u>\$ -</u>	<u>\$ 3,264</u>	<u>\$ 1,690,655</u>	<u>\$ -</u>	<u>\$ 1,690,655</u>	<u>\$ 1,693,919</u>		
<b>Reconciliation from MTP2 to UCOA</b>											
No reconciling items between MTP2 and UCOA	-	-	-	-	-	-	-	-	-	-	
<b>Totals per UCOA Validated Totals Report</b>	<u>\$ 56,594,545</u>	<u>\$ 56,591,281</u>									

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

*See independent auditors' report*

# TOWN OF LINCOLN, RHODE ISLAND

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

*For the Year Ended June 30, 2018*

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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.

*See independent auditors' report*

## TOWN OF LINCOLN, RHODE ISLAND

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

*For the Year Ended June 30, 2018*

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

#### 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/>.*

*See independent auditors' report*